#BetterVision

2015 registration document

ESSILOR

SEEING THE WORLD BETTER

The information from the Annual Financial Report is clearly identified in the table of contents by the AFR symbol

ESSILOR

SEEING THE WORLD BETTER

REGISTRATION DOCUMENT
& Annual Financial Report
2015

AUTORITÉ DES MARCHÉS FINANCIERS AMF

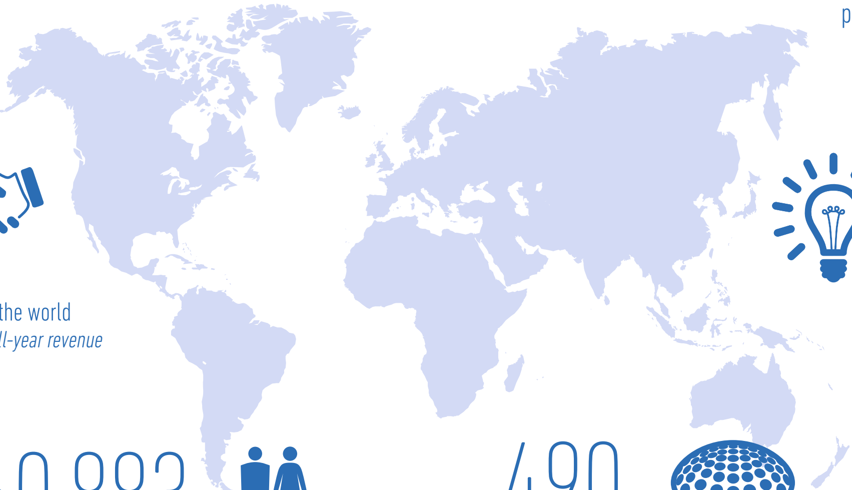
The French version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF) on March 17, 2016, under number D. 16-0155, in accordance with Article 212-13 of the General Regulations of the AMF. It may only be used in support of a financial transaction if accompanied by an offering memorandum approved by the Autorité des Marchés Financiers. This document has been prepared by the issuer and is binding on the signatories.

2015
KEY FIGURES

757
Net profit in €m

6,716
Revenue in €m

32
plants worldwide



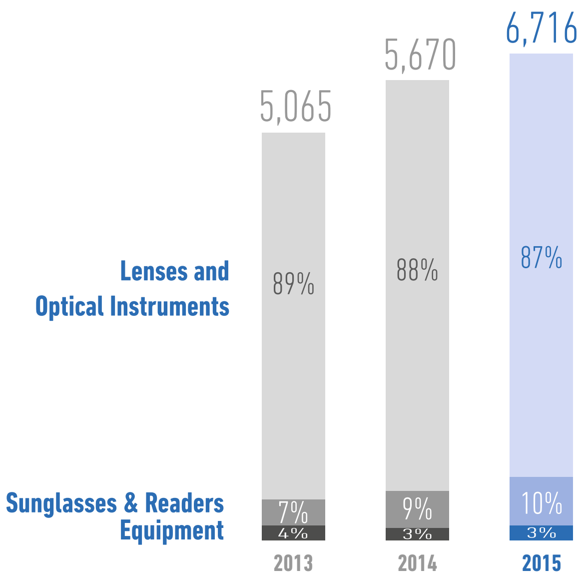
19
new partnerships around the world
(representing a combined full-year revenue of €214m)

beyond
7,900
patents and
7,200
trademarks

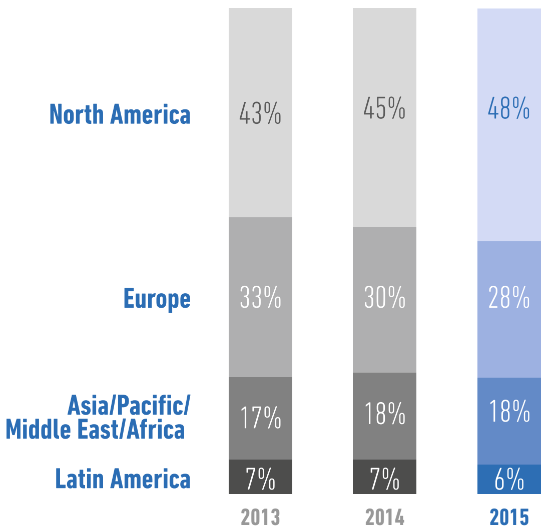
60,883
employees in 63 countries across five continents

490
prescription laboratories, edging facilities and local distribution centers

Revenue by operating segment
€ millions and as a % of total Group revenue

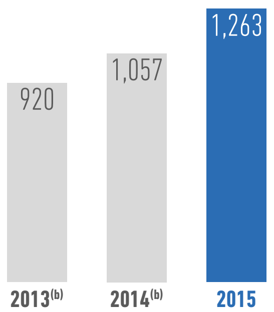


Revenue by region, across all business divisions
As a % of total Group revenue



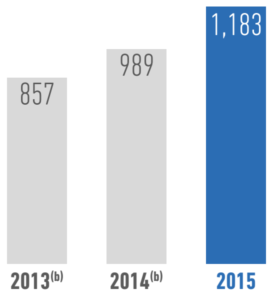
Contribution from operations [a]

€ millions



Operating profit

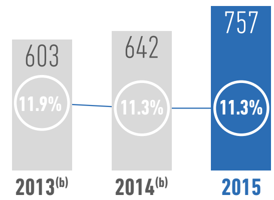
€ millions



Net profit attributable to Group equity holders

€ millions and as a % of revenue

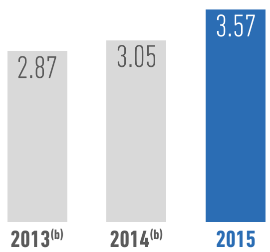
+17.9%



Net earnings per share

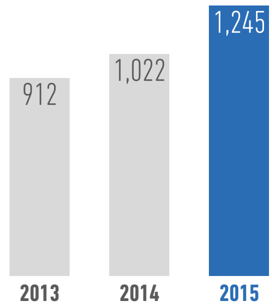
€

+17%



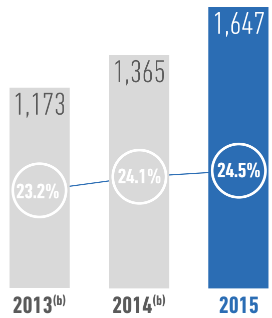
Operating cash flow [c]

€ millions



EBITDA [d]

€ millions and as % of revenue

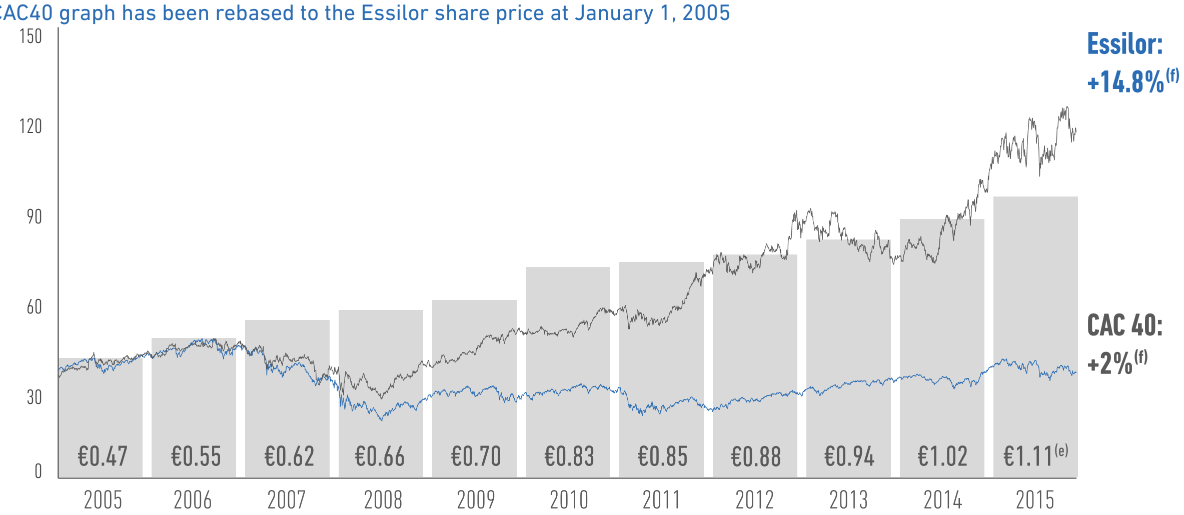


(a) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs and other operating expenses).
(b) Adjusted for non-recurring items related mainly to the acquisition of Transitions Optical, Coastal and Costa in 2014, and of Xiamen Yarui Optical (Bolon) in 2013.
(c) Net cash from operations before change in working capital requirement.
(d) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is an indicator defined as the adjusted contribution from operations before impact of amortization and impairment of tangible and intangible assets and amortization relating to inventory revaluations generated by acquisitions (see Section 3.4 - Note 4).

Share price and Dividend

€

The CAC40 graph has been rebased to the Essilor share price at January 1, 2005



(e) Subject to the approval of the Shareholders' Meeting of May 11, 2016.
(f) CAGR (Compound annual growth rate).

1

ESSILOR AT A GLANCE

IN BRIEF

ESSILOR: THE WORLD'S LEADING OPHTHALMIC OPTICS COMPANY

Essilor designs, manufactures and markets a wide range of lenses to **improve and protect eyesight**. It also develops and markets equipment for prescription laboratories and instruments and services for eye care professionals. Essilor is the North American leader in non-prescription reading glasses and also sells non-prescription sunglasses.

The Group owes its success to a strategy in which innovation has been the driving force **for more than 165 years**. As such, Essilor allocates more than €200 million to research and **innovation** every year, in a commitment to continuously bringing new, ever more effective products to market.

Essilor's mission is to improve lives by improving sight. Of the 7.2 billion * people living on the planet, **4.5 billion** * need visual correction, yet only 1.9 billion * actually receive it. More than 2.5 billion * people worldwide receive no correction at all. As a result, the Group strives to provide products tailored to the needs of every person.

> *Improve lives by improving sight*

Essilor reported consolidated net revenue of **more than €6.7 billion** in 2015. The Group markets its products in more than **100 countries** and employs **61,000** people.

The Group has **32 plants, 490 prescription laboratories**, edging facilities and local distribution centers and 5 research and development centers around the world.

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

THE GROUP'S FLAGSHIP TRADEMARKS

Varilux® Crizal® Transitions®
Eyezen™ DESIGNED FOR A CONNECTED LIFE Xperio™ The polarized experience
FOSTER GRANTS® BOLON 暴龙 COSTA

** 2015 estimates; Source: Essilor, World Bank.*

1.1 COMPANY HISTORY

1.1.1 At Essilor's roots lie two innovative companies

Essilor was formed in 1972 from the merger of two technological and marketing pioneers, ESSEL and SILOR, which at the time dominated the French ophthalmic optics market.

The first can trace its origins to the *Association Fraternelle des Ouvriers Lunetiers*, an eyewear makers' cooperative founded in 1849 in the Marais district of Paris that soon changed its name to *Société des Lunetiers* (SL) and then to ESSEL. In 1953, it filed a patent for the world's first-ever progressive lens, launched under the Varilux® name in 1959. ESSEL's original operating structure, which was inspired by workers' cooperatives and involved employees in corporate governance, is the source of the strong employee shareholding culture that is still present in Essilor today.

The second company dates back to the 1930s and was founded by Georges Lissac. The industrial division of the Lissac group, SILOR, was formed in 1969 from the merger of frame-maker SIL (*Société Industrielle de Lunetterie*) and lens-maker LOR (*Lentilles Ophtalmiques Rationnelle*), which had launched the first plastic lens, Orma®, in 1954.

With the merger that formed Essilor in 1972, the priority became the building of an outstanding group specializing in ophthalmic optics. Secondary activities such as compasses, drawing equipment, topography, its historical heritage, have gradually been sold off.

1.1.2 The 1970s to 1990s: international expansion

In the early 1970s, Essilor was mainly an exporting group, with its international business accounting for 45% of its revenue. It had inherited ESSEL's presence in Japan and SILOR's commercial development in the United States. A distribution network was gradually built up, first in Europe and the United States and then in Asia. After its successful IPO in 1975, it continued its drive for innovation with the launch of the first-ever progressive plastic lens: Varilux® Orma®, a powerful symbol of the synergy between the two founding companies. In 1979, the construction of a large plastic lens manufacturing plant in the Philippines was a turning point in Essilor's transformation into a true international group.

The 1980s were marked by stiffening competition, particularly in the market for progressive lenses, and the development of opticians organizing themselves into groups. To grow its competitiveness, Essilor set up other mass production sites in Brazil and Thailand. The Group also set up and expanded its local distribution networks by buying up distributors in Europe and strengthening its presence in Asia. In 1986, the American subsidiaries were consolidated under Essilor of America. By the end of the 1980s, Essilor had become the world's leading manufacturer of ophthalmic optics.

1.1.3 Essilor, the world's leading manufacturer of ophthalmic optics

In the early 1990s, the ophthalmic optics market was reshaped by a wave of mergers and acquisitions and an increase in competition. Essilor consolidated its world-leading position through a global strategy based on three key vectors, the first of which was industrial specialization in corrective lenses as well as in instruments for opticians. The second was innovation in lens coatings and their combinations. Launched in 1992, the Crizal® lens with anti-reflective, smudge-proof and scratch-proof properties, and the Transitions® photochromic lenses launched one year later on the back of a new joint venture with PPG, became a major growth segment with high added value. At the same time, Essilor strengthened its positioning in very light and unbreakable lenses with the takeover of Gentex in 1995, which brought it the polycarbonate lens. The Group also invested in optics design, launching a new progressive lens, Varilux Comfort®, in 1993. Last but not least, Essilor, which until the mid-1990s had earned most of its revenue in Europe, began to create a global network. The Group put down roots in China and India and also acquired more independent prescription laboratories, mainly in the United States and Europe, to ensure that its network reached local customers. Production was also set up in China with the opening of a plant near Shanghai in 1998. This expansion strategy included the consolidation of distribution channels, particularly in Eastern Europe in the latter part of the decade.

1.1.4 The 2000s: genuine globalization of high technology and strategic alliances

Technological innovation accelerated at the turn of the 21st century with a growing number of innovations beneficial to opticians and consumers. New products targeted both optical quality and wearer comfort thanks to new and increasingly effective designs such as the Varilux® S™ series lenses launched in 2012. In addition to correction, Essilor is also active in UV protection, even in clear lenses. The E-SPF® index was created in 2012 to guarantee a level of protection for consumers on both sides of the lens. Prevention, with lenses selectively protecting against harmful blue light, such as the Crizal® Prevencia® lenses, represents a new line of development for the Group. Essilor also set out to provide solutions that would cover the entire range of needs in all circumstances, developing new, more affordable products to offer visual correction to as many consumers as possible. In this respect, the Group is also pushing the limits of science thanks to new technologies that today allow visually impaired people to test eyeglass prototypes under augmented reality conditions.

The Group continues to grow through acquisitions and strategic partnerships that allow Essilor to assert its leading position in fast-growing countries such as India, China and Brazil. This strategy also allows the integration of new technologies and new distribution networks on a group-wide basis.

The decade was marked by major strategic partnerships, in particular the Japanese group Nikon through the joint venture Nikon Essilor Co. Ltd (1999); the South Korean group Samyung Trading Ltd through the joint venture Essilor Korea Ltd with subsidiaries in South Korea and China (2002); GXB Rx in India (2006); Wanxin Optical in China (2010); Signet Armorlite, which has the worldwide production and distribution license for the Kodak® trademark in the United States (2010); and Shamir Optical in Israel (2011). Over the period, Essilor developed its positions in many new countries, particularly in Latin America, Asia and Africa, aided by around twenty new acquisitions and partnerships each year.

At the same time, Essilor broadened its scope of activities in the optics world with the creations of two new divisions. The Equipment Division was created in 2008 following the acquisition of Satisloh, the world leader in prescription laboratory equipment. In 2010, Essilor took over FGX International, the North American leader in non-prescription reading glasses (readers). This acquisition led to the creation of the Sunglasses & Readers Division. It was supplemented in 2011 by the takeover of Stylemark, another major player in the United States with a substantial portfolio of licensed trademarks of non-prescription sunglasses and reading glasses.

In 2013, the Group stepped up the development of its sunglasses offer with the acquisition of new companies specializing in mid-range products and high-tech sunglasses, such as Polycore, Xiamen Yarui Optical (owner of the Bolon™ and Molsion™ trademarks), Suntech Optics (which owns and distributes Ryders Eyewear®) and Costa®. The year 2013 was also marked by the creation of a Corporate Social Responsibility (CSR) Committee within Essilor's Board of Directors and the position of Chief Corporate Mission Officer in charge of coordinating and strengthening all of the Group's CSR initiatives. Its aim is to help Essilor reach the goal of providing eyewear to 50 million new people worldwide each year, and to do so through new solutions, mainly in terms of products and distribution.

In 2014, Essilor deepened its presence in the photochromic lenses segment by completing the acquisition of the PPG group's 51% stake in Transitions Optical – its largest acquisition to date – and in the online business, with the acquisition of Coastal, a major online retailer of optical products. Also in 2014, the Group significantly increased its investments in consumer marketing.

In 2015, the Group strengthened its ties with independent eye care professionals in the United States with the acquisition of Vision Source, a network providing services to independent optometrists, and PERC / IVA, a group purchasing organization.

1.2 THE OPHTHALMIC OPTICS INDUSTRY

The mission of the players in the ophthalmic optics industry is to correct and protect vision. Consumers purchase glasses about every three years to correct defects such as myopia, hyperopia, presbyopia and astigmatism.

The ophthalmic lens industry is structured into four distinct businesses. These businesses correspond to the processing stages of the product ordered by the consumer: raw materials suppliers, lens manufacturers, prescription laboratories and edging centers, and retailers.

<table>
<tr><td>Raw materials suppliers</td><td colspan="3">Chemical companies and glass manufacturers</td></tr>
<tr><td>Lens manufacturers</td><td rowspan="2">Integrated manufacturers with laboratories
Essilor</td><td>Non-integrated manufacturers – Essilor</td><td></td></tr>
<tr><td>Lens finishers</td><td>Independent laboratories</td><td>Optical chains with integrated laboratories</td></tr>
<tr><td>Retailers</td><td colspan="2">Independent eye care professionals – Non-integrated chains – Online distribution</td><td>Online distribution with integrated laboratories – Essilor</td></tr>
<tr><td>End customers</td><td colspan="2">Consumers</td><td></td></tr>
</table>

According to data available to the Group, the world market for ophthalmic optics represents approximately 1.26 billion lenses per year, or approximately 610 million consumers per year.

1.2.1 Chemical companies and glass manufacturers

Raw materials are developed and produced by glass manufacturers for mineral lenses and by chemical companies for the polymerizable thermoset resins and injectable thermoplastic resins used in plastic lenses.

Essilor is a customer of chemical companies and glass manufacturers around the world.

1.2.2 Lens manufacturers

Using these raw materials, lens manufacturers produce in their plants single-vision finished lenses and a variety of semi-finished lenses.

Finished lenses are for simple eyesight corrections, while semi-finished lenses allow for the production of more complex eyesight corrections.

Essilor manufactures both single-vision finished lenses and semi-finished lenses.

1.2.3 Prescription laboratories and edging facilities

Prescription laboratories transform semi-finished lenses (only the front surface is finished) into finished lenses corresponding to the exact specifications of an optician's or optometrist's order. This customization enables them to deliver the broadest possible array of correction combinations, especially for presbyopia. In the process, they surface and polish the semi-finished lenses and then apply tinting, anti-UV, anti-scratch, anti-reflective, anti-smudge, anti-static, anti-fog and other coatings.

Essilor operates in this segment and owns 490 prescription laboratories, edging facilities and local distribution centers around the world.

Essilor's Equipment business also designs equipment ranges (primarily machines for surfacing and anti-reflective coatings) and sells consumables to prescription laboratories.

1.2.4 Retailers and optical chains

Lenses are marketed through a number of channels, including independent eye care professionals / optometrists, cooperatives, central purchasing agencies and retail optical chains.

The primary role of eye care professionals is to advise customers on the choice of lens, based on the prescription given by the ophthalmologist / optometrist, as well as the choice of frame. Then, they send the prescription data to the lens manufacturers or prescription laboratories.

The interaction among these players differs from one country to another.

In the United States and the United Kingdom, for example, prescription laboratories and edging facilities usually fully mount the lenses and frames and deliver ready-to-wear eyeglasses to the eye care professionals.

In countries such as France and Germany, for the most part, laboratories deliver round lenses to opticians, who then adjust them to fit the frame.

Essilor is a supplier for optical retailers and chains worldwide and develops online solutions for optical products (contact lenses, prescription eyeglasses and sunglasses).

1.3 CORE BUSINESSES

Essilor operates in three segments: prescription lenses, readers and sunglasses. The Group estimates it has approximately 25%(1) market share by volume in these three segments combined.

1.3.1 Lenses and Optical Instruments

1.3.1.1 Overview

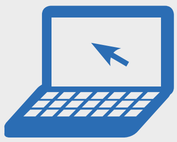
Essilor designs, manufactures and customizes corrective lenses to meet each person's unique vision requirements.

Our extensive lens range corrects myopia, hyperopia, astigmatism and presbyopia to enable people to regain perfect vision, preserve and protect their eyesight, and improve their lens wearing experience.

We serve every segment of the ophthalmic lens market with such globally recognized trademarks as:

- Varilux® and its progressive lens ranges, including the Varilux® S™ Series lens launched in 2012 and the Varilux® E Series™ lens introduced in 2014;
- Crizal® and its range of anti-reflective, anti-smudge and anti-static lenses, including the new generation Crizal® Prevencia®, available since 2013;
- Transitions® and its photochromic lens ranges, including the new generation Transitions® Signature™ (2013) and Transitions® Xtractive® (2015);
- Eyezen™, a new line of lenses launched in 2015 for users of computers, tablets, smartphones and other connected devices.
- Xperio® polarized lenses;
- the Nikon® and Kodak® trademarks used under licensing agreements with Nikon Corporation and Eastman Kodak.

In addition, Essilor designs, develops, markets and maintains a range of optical instruments in two specialty segments: i) lens edging instruments for opticians and prescription laboratories, and ii) vision screening instruments for eye care professionals, schools, occupational medicine centers, the military and other institutions.



To serve a fast growing retail channel, the Company is also developing solutions for the online sale of contact lenses, prescription eyewear and sunglasses and other optical products via a number of local websites. Countries currently covered include:

- Australia (**clearly.com.au**);
- Brazil (**e-lens.com.br** and **eotica.com.br**, operated by two local companies acquired in 2015);
- Canada (**clearly.ca**);
- China (**coastalvision.cn**);
- the United States (**coastal.com**, **FramesDirect.com** and **EyeBuyDirect.com**);
- Europe (**LensWay websites**);
- Japan (**coastallens.com** and **contactsan.com**);
- New Zealand (**clearly.co.nz**).

The online segment is worth around €4 billion (1) per annum, and Essilor is aiming to generate revenue of between €400 million and €500 million by 2018 in this segment.

In 2015, the Lenses and Optical Instruments Division accounted for 87% of consolidated revenue.

(1) 2015 estimates; Source: Essilor.

1.3.1.2 Positioning

Of the estimated 4.5 billion [1] people in need of vision correction around the world, only 1.9 billion [1], or 26% of the world's population, already wear lenses to correct or protect their eyes.

The global ophthalmic optics industry represents a total of around 1.26 billion lenses a year, or some 610 million consumers, a production worth more than €11 billion. Its long-term growth trend of 3% to 4% a year is being driven by demand from fast-growing economies where people are under-equipped, the ageing of the world's population, and the increasing number of unmet visual needs.

This highly fragmented industry is served mainly by small, local competitors. However, Essilor's main international competitors are Hoya (Japan) and Carl Zeiss Vision (Germany).

In 2015, the global ophthalmic optics market expanded by an estimated 3%, with volumes driven primarily by North America and Asia.

The long-term development of the different market segments is characterized by:

- the gradual replacement of mineral lenses with plastic lenses, particularly in the emerging countries;
- the growth in new organic materials that make it possible to produce very thin lenses, including the high and very high indices and polycarbonate;
- the replacement of bifocal lenses with progressive lenses;
- the development of surface coatings and multi-layer lenses, essentially anti-reflective, anti-smudge and photochromic lenses;
- growing demand in the developing countries based on the growth of their middle class.

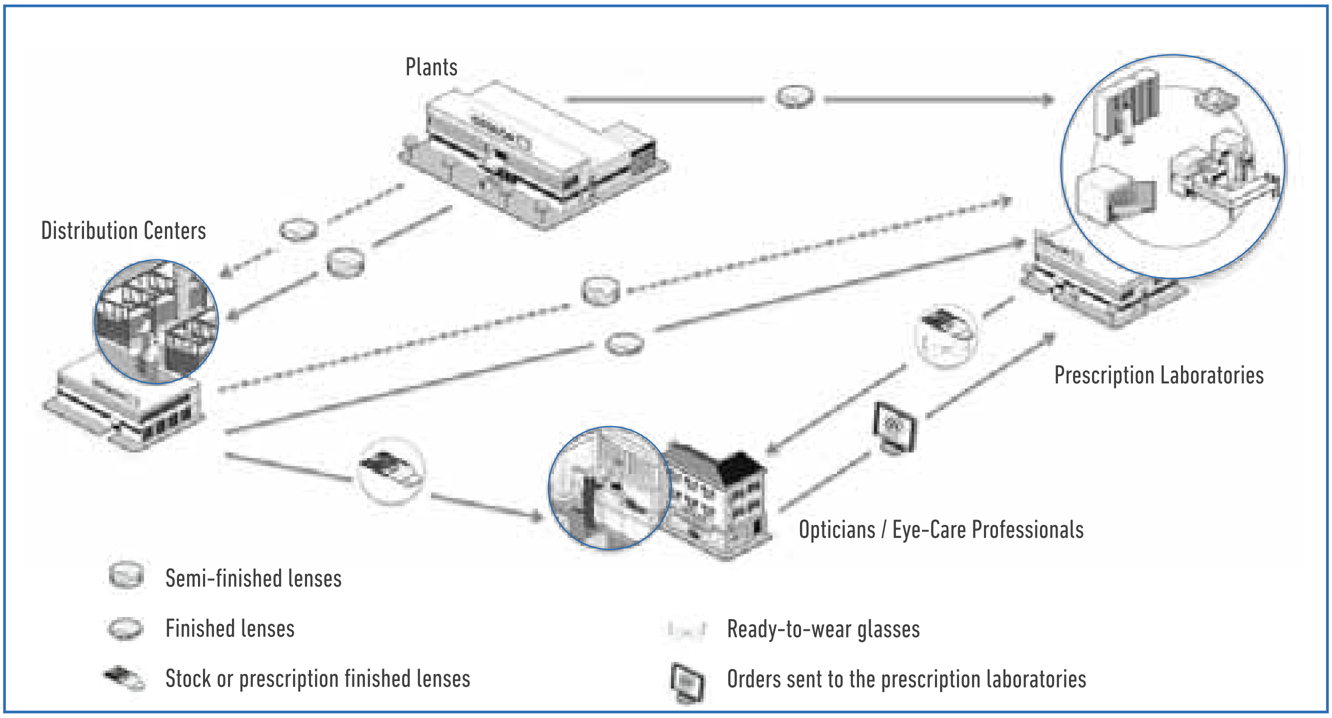
Essilor's customers are:

- opticians / optometrists for ophthalmic lenses and edging and mounting instruments directly or indirectly through distributors;
- prescription laboratories for lenses and edging and mounting instruments;
- end consumers via the Group's websites that sell optical products.

1.3.1.3 Organization and facilities

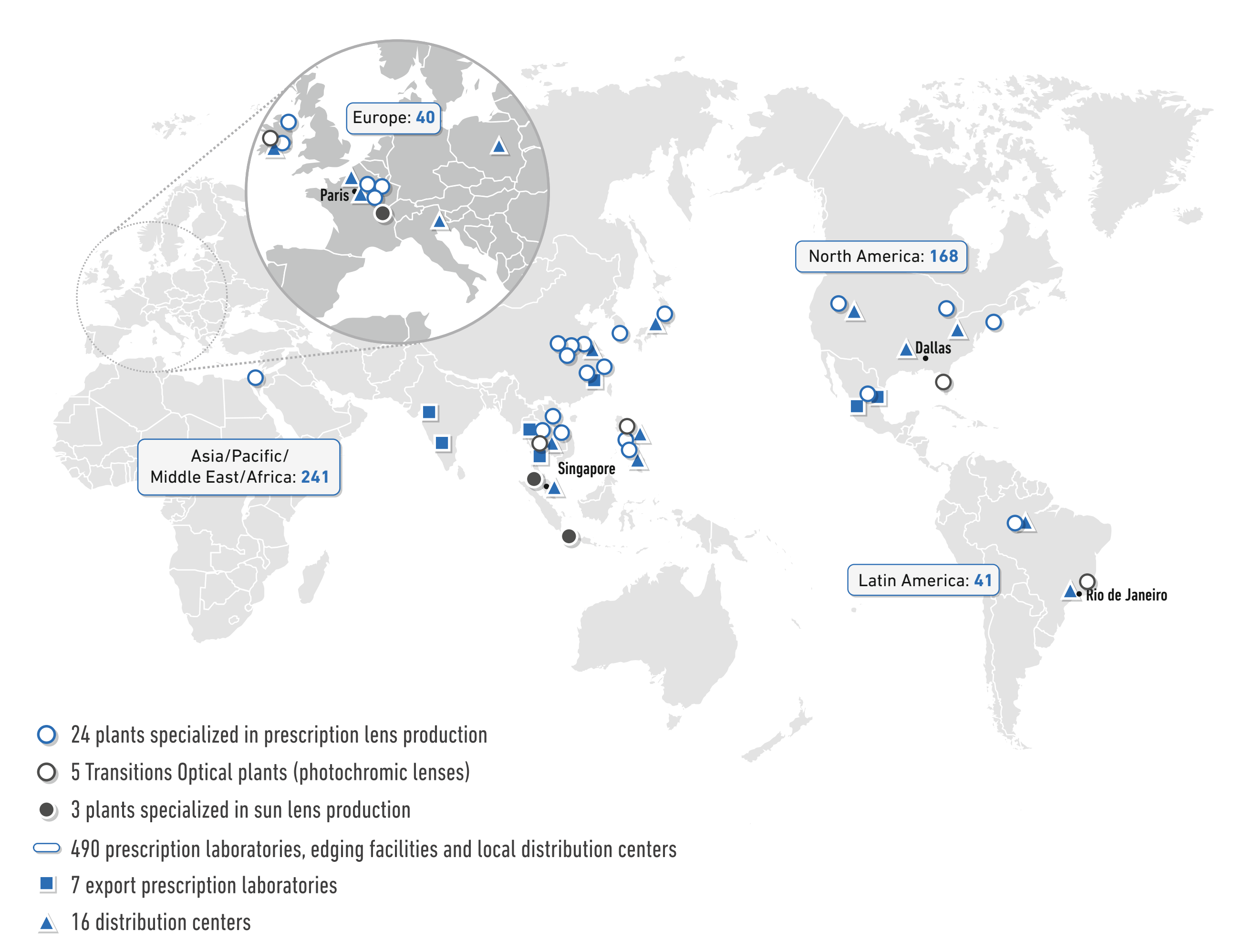
Business process

Essilor's business process is designed as a complete network. The Group is involved in every step, from product manufacture to delivery to stores. It has a global network of plants, prescription laboratories, edging facilities and distribution centers serving eye care professionals (optical retailers and chains) worldwide.



(1) 2015 estimates; Source: Essilor, World Bank.

A unique global network



Production plants

The role of the plants is to ensure the secure supply of finished and semi-finished lenses to subsidiaries and direct customers, on time, per specifications and at the best cost.

The Group had a total of 32 plants at December 31, 2015.

Geographical distribution of the 32 plants owned by the Essilor and its partners at December 31, 2015

(Date of consolidation)

	North America: 5	Latin America: 2	Europe: 7	Asia/Middle East: 18
14 Essilor plants	**United States:** • Dudley, Massachusetts (1995) • Salt Lake City, Utah (2003) **Mexico:** • Chihuahua (1985)	**Brazil:** • Manaus (1989)	**France:** • Ligny-en-Barrois Les Battants (1959) • Dijon (1972) • Sézanne (1974) • Bellegarde-sur-Valserine (2003) * **Ireland:** • Ennis (1991)	**China:** • Shanghai (1997) **Laos:** • Savannakhet (2013) **Philippines:** • Mariveles (1980) • Laguna (1999) **Thailand:** • Bangkok (1990)
5 Transitions Optical plants	**United States:** • Pinellas Park, Florida (2014)	**Brazil:** • Sumaré, São Paulo (2014)	**Ireland:** • Tuam (2014)	**Philippines:** • Laguna (2014) **Thailand:** • Phan Thong district (2014)
13 plants operated in partnership or recently acquired by the Company	**United States:** • X-Cel Optical, Sauk Rapids, Minnesota (2012)		**United Kingdom:** • Crossbows Optical (2010)	**China:** • Essilor Korea via its subsidiary Chemilens, JiaXing (2006) • ILT Danyang, Danyang (2010) • Wanxin Optical, Danyang (2010) • Youli Optics, Danyang (2011) • Seeworld Optical, Danyang (2012) **Korea:** • Essilor Korea via its subsidiary Chemiglas, Yangsan (2002) **Israel:** • Shamir Optical, Kibbutz Shamir (2011) **Indonesia:** • Polycore, Karawang (2013) * **Japan:** • Nikon-Essilor, Nasu (2000) **Malaysia:** • Polycore, Johor Baru (2013) * **Vietnam:** • Essilor Korea via its subsidiary Chemiglas, Dai An (2013)

* *Plant specialized in sun lens production.*

Prescription laboratories and edging facilities

Prescription laboratories transform semi-finished lenses into custom-made finished lenses.

At December 31, 2015, the Company's prescription laboratories, edging facilities and local distribution centers were located as follows:

North America	168
Europe	40
Asia/Pacific/Middle East/Africa	241
Latin America	41

Distribution centers

Distribution centers take delivery of finished and semi-finished lenses and ship them to distribution subsidiaries, prescription laboratories and edging facilities. There are sixteen centers worldwide: six in Asia, five in Europe, three in North America and two in Latin America.

Products manufactured by Essilor and its subsidiaries are distributed by:

- the Company's subsidiaries or networks in the countries where Essilor is located; or
- by distributors if the Company does not have its own subsidiaries.

1.3.2 Equipment

1.3.2.1 Overview

The Equipment Division consists primarily of Satisloh, which manufactures and markets equipment and consumables used by prescription laboratories.

In 2015, it accounted for 3% of consolidated revenue.

1.3.2.2 Positioning

Essilor has valued the global industry for prescription laboratory equipment and consumables at around €600 million.

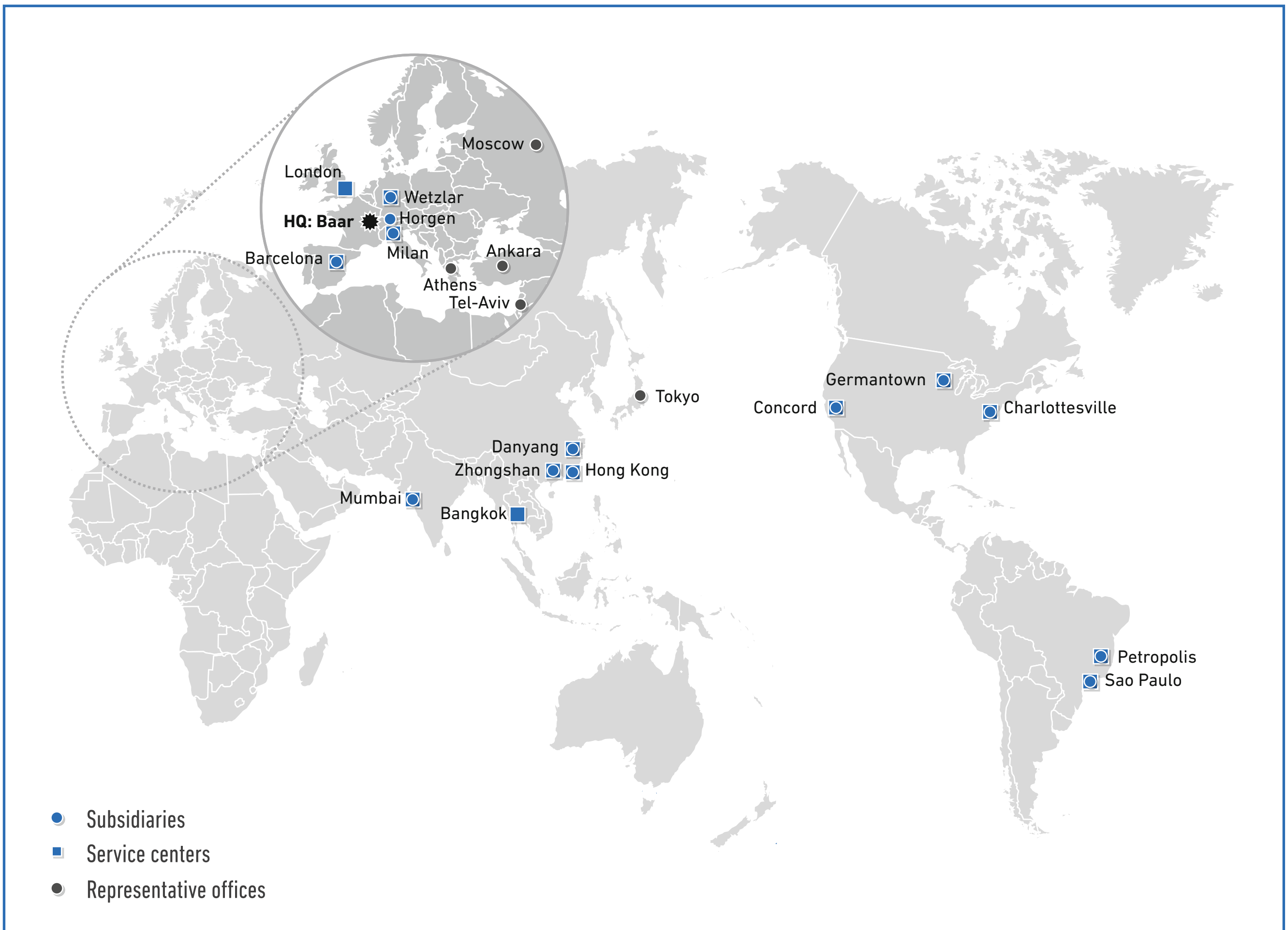
Satisloh is the world's leading distributor of surfacing machines and anti-reflective coating units. It holds significant positions in the global marketplace, particularly in digital surfacing machines, one-hour anti-reflective coaters and consumables.

Customers include prescription laboratories, integrated optical chains and lens manufacturers.

Its main competitors are Schneider (Germany) in surfacing machines and Leybold (Germany) in anti-reflective coating machines.

1.3.2.3 Organization and facilities

Satisloh, whose headquarters are in Baar, Switzerland, owns production units in Germany (Wetzlar), Italy (Milan), the United States (Charlottesville and Concord), Brazil (Petropolis) and China (Zhongshan), and has representative offices in many other countries.



1.3.3 Sunglasses & Readers

1.3.3.1 Overview

The Sunglasses & Readers Division markets non-prescription sunglasses and reading glasses.

It comprises several companies that each own a portfolio of well-known trademarks:

- FGX International and its subsidiaries, including Fabris Lane (acquired in 2015), which markets readers and sunglasses either under proprietary trademarks like Foster Grant®, Freedom Polarised™, Gargoyles®, Magnivision®, Corinne McCormack®, Monkey Monkey™, Ryders Eyewear®, SolarShield® and Suuna™, or under license from trademarks like Dockers®, French Connection™, Hello Kitty®, Ironman®, Karen Millen®, Levi's®, Nine West®, Reebok® and a variety of Disney® trademarks;
- Costa and its high-performance sunglasses for all water-based activity enthusiasts;
- Xiamen Yarui Optical, which designs, manufactures and markets mid-tier sunglasses in China, under the Bolon™, Molsion™ and Prosun™ trademarks;
- Merve, which markets sunglasses in Turkey with a portfolio of proprietary trademarks, such as Ossé™ and Mustang™.

In 2015, the Sunglasses & Readers Division accounted for 10% of consolidated revenue.

By 2018, Essilor expects to derive €1.1 billion in revenue from the sunlens segment, which includes the Sunglasses & Readers Division's sunglasses business and the Lenses and Optical Instruments Division's prescription and non-prescription Sunlens business.

1.3.3.2 Positioning

The organized non-prescription sunglasses industry represents 610 to 650 million [1] pairs and more than €6 billion in sales per year. It is estimated that 1.4 billion [1] people, or 19% of the world's population, currently wear sunlenses to protect their eyes.

The reading glasses market represents 250 to 300 million [1] pairs and nearly €1.2 billion in sales per year.

Among the companies in the Sunglasses & Readers Division, FGX International is the US segment leader in non-prescription reading glasses. In the rest of the world, its competitors are small local producers. Costa is one of the US leaders in high-performance sunglasses and Xiamen Yarui Optical is the largest Chinese manufacturer of mid-tier sunglasses.

The Sunglasses & Readers Division sells its products to mass retailers, pharmacies and specialty retailers, including travel retail chains, eye care professionals and department stores.

1.3.3.3 Organization and facilities

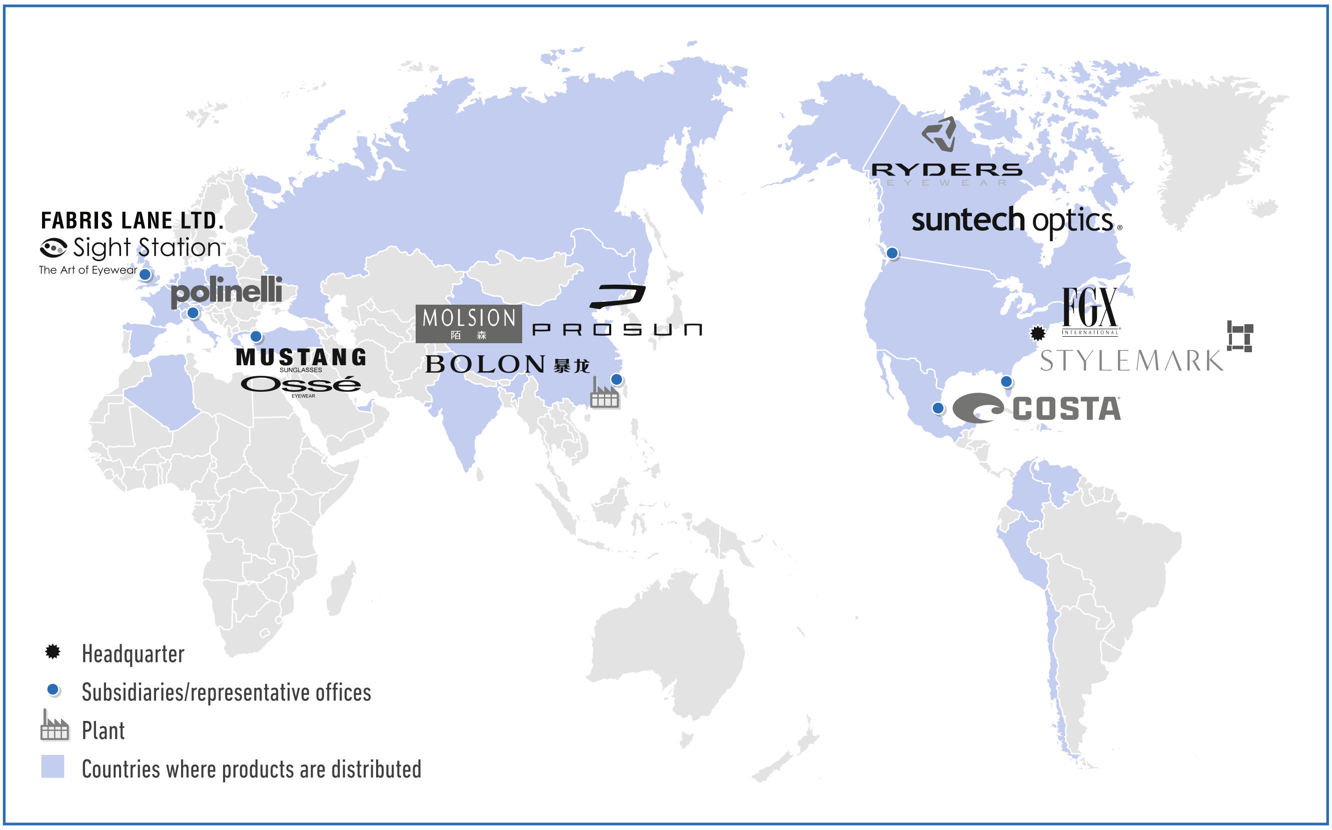
The Sunglasses & Readers Division has subsidiaries and representative offices in Canada, China, Great Britain, Italy, Mexico, Turkey and the United States.

The registered office of:

- FGX International is in Smithfield, Rhode Island, United States;
- Costa is in Daytona Beach, Florida, United States;
- Xiamen Yarui Optical is in Xiamen, southeastern China;
- Merve is in Istanbul, Turkey.

With the 2013 acquisition of 50% of Xiamen Yarui Optical, the owner of the Bolon™, Molsion™ and Prosun™ trademarks, the Sunglasses & Readers Division has a production plant in Xiamen in southeastern China.

(1) 2015 estimates; Source: Essilor.



1.4 STRATEGIC VISION

In a commitment to improving lives by improving sight, Essilor designs, manufactures and markets a wide range of lenses to correct and protect vision. Most of our business operations and resources are focused on three market segments:

- corrective lenses;
- sunglasses and readers;
- online optical products retailing.

Our strategic vision for the entire business is shaped by four proven growth drivers:

- innovating in products, services and technology, thereby enabling the introduction every year of an extensive array of products delivering improved performance and new wearer benefits to resolve vision problems;
- developing solutions tailored to every segment and every geography, to meet the diverse needs of eye care professionals and consumers;
- actively acquiring new companies and forming partnerships with industry stakeholders, to deepen our local presence or enhance our asset portfolio;
- stimulating demand, by deploying vision awareness programs, screening campaigns and initiatives to make visual correction more widely accessible.

These four drivers are supported by sustainable manufacturing and operational efficiency and a deep commitment to corporate social responsibility (see Chapter 4).

1.5 ESSILOR IN 2015

The optical market continued to be driven in 2015 by demand from ageing populations and the unmet vision needs of the more than 2.5 billion [(1)] people around the world who still require corrective eyewear.

During the year, Essilor pursued the strategy of broadening its playing field initiated in 2014, while continuing to implement a dynamic innovation policy and its unique partnership model. As part of this commitment, around 250 new products were introduced in 2015 and 19 new partnerships or acquisitions were carried out.

These initiatives further broadened the Company's presence in the global corrective lens market, with the improvement evenly distributed between developed and fast-growing countries.

In addition, Essilor continued to build its online optical products retailing business through its existing websites, which are enjoying strong growth overall, and by rolling out solutions in new countries, such as China and Brazil. The sunlens strategy was also pursued during the year, with two new acquisitions and the rapid development of Costa® sunglasses in the United States and the Bolon™ trademark in China.

Other highlights of 2015 included:

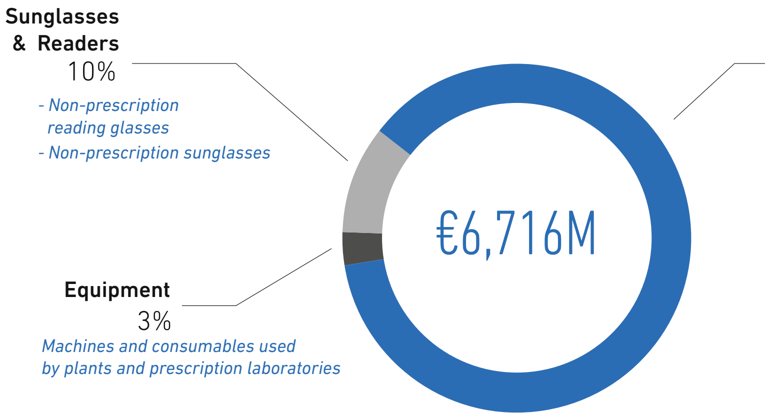
- an acceleration in like-for-like revenue growth, to 4.6%, led by a robust Lenses and Optical Instruments Division (up 4.8%) and the Sunglasses & Readers Division (up 7.3%). Growth gained momentum quarter after quarter, hitting 5.3% in the final three months of the year;
- the success of the value-added lenses in the Crizal®, Varilux®, Transitions® and Xperio® lines, supported by the consumer marketing campaigns;
- the increase in consumer marketing investments, which rose to around €203 million in 2015, including the photochromic, sunlens and online retailing businesses;
- a historically high contribution from operations [(2)], at 18.8% of revenue, illustrating the Company's ability to use operating leverage and the synergies from acquired companies to finance the additional marketing spend;
- the completion of 19 new acquisitions representing total full-year revenue of around €214 million. In particular, Essilor strengthened its relationship with independent eye care professionals in the United States by acquiring Vision Source, a national independent optometrist services network, and PERC / IVA, a group purchasing organization (see Section 1.5.5 "Acquisitions and Partnerships");
- gross margin at a high 59.7% of revenue, a healthy €1,245 million in operating cash flow and disciplined management of working capital.

1.5.1 2015 Consolidated Revenue

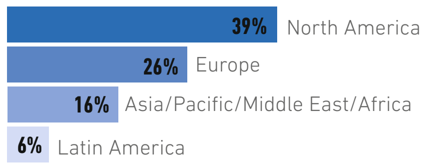
Revenue € millions	2015	2014	% Change (reported)	% Change (like-for-like)	Change in the scope of consolidation	Currency effect
Lenses and Optical Instruments	**5,840**	**4,970**	**+17.5%**	**+4.8%**	**+3.7%**	**+9.0%**
North America	2,587	2,038	+26.9%	+4.4%	+4.0%	+18.5%
Europe	1,777	1,653	+7.5%	+4.0%	+2.4%	+1.0%
Asia/Pacific/Middle East/Africa	1,071	898	+19.3%	+6.1%	+2.0%	+11.2%
Latin America	405	381	+6.2%	+8.0%	+10.9%	-12.7%
Equipment	**203**	**197**	**+2.7%**	**-8.1%**	**-0.9%**	**+11.8%**
Sunglasses & Readers	**673**	**503**	**+33.9%**	**+7.3%**	**+7.6%**	**+19.0%**
TOTAL	**6,716**	**5,670**	**+18.4%**	**+4.6%**	**+3.9%**	**+9.9%**

(1) 2015 estimates; Source: Essilor.
(2) Contribution from operations corresponds to revenue less cost of sales and operating expenses (research and development costs, selling and distribution costs, other operating expenses).

Breakdown of 2015 revenue by operating segment and by region



Geographical breakdown of the Lenses and Optical Instruments Division
As a % of total Group revenue



Revenue generated by fast-growing countries (1) amounted to €1,502 million, or 22.4% of the Company's revenue.

Change in revenue from 2014 to 2015

	Reported change	Change on a like-for-like basis	Change in the scope of consolidation	Currency effect
€ millions	1,046	261	219	566
As a %	+18.4	+4.6	+3.9	+9.9

In 2015, consolidated revenue totaled €6,716 million, an increase of 8.5% excluding the currency effect.

Like-for-like growth was 4.6%, reflecting the increase in momentum from the first half (up 4.2%) to the second (up 5.0%).

The positive 3.9% impact of changes in scope of consolidation was attributable to both bolt-on acquisitions (2), which added 2.1%, and the contribution from the 2014 strategic acquisitions of Transitions Optical and Coastal, which accounted for 1.8%.

The positive 9.9% currency effect stemmed from the steep rise in the US dollar and the other main billing currencies (except the Brazilian real) against the euro.

1.5.2 Revenue by Operating Segment and by Region

1.5.2.1 Lenses and Optical Instruments

The Lenses and Optical Instruments Division delivered like-for-like growth of 4.8%, led by the success of Essilor innovations with independent eye care professionals and optical chains, robust demand in the fast-growing economies and extensive consumer marketing campaigns.

North America

Like-for-like growth was 4.4% in North America with sustained demand in the United States and Canada.

In the still expanding **US market,** lens volumes rose sharply as the steady roll-out of consumer advertising campaigns spurred strong unit sales of high value-added Crizal®, Transitions®, Varilux® and Xperio® lenses. This momentum, plus the partnerships formed with two leading platforms for delivering services to independent optometrists (see Section 1.5.5 "Acquisitions and Partnerships"), helped to broaden the Company's presence in this fast-growing optical products retailing segment.

The year also saw continued growth in demand from managed care organizations, in sales to independent labs and in the contact lens distribution business. On the other hand, the performance with the large optical chains was dampened by high prior-year comparatives.

Operations in **Canada** turned in solid results, led by product innovation and marketing campaigns, particularly for Varilux® lenses.

(1) Fast-growing countries: Africa, ASEAN, China, Hong Kong, India, Latin America, Middle East, Russia, South Korea and Taiwan.
(2) Local acquisitions or partnerships.

Lastly, online sales climbed steeply overall, with very robust growth at EyeBuyDirect™ and Frames Direct™ and a steady upswing in sales via the Coastal™ websites (Clearly™ in Canada, Coastal™ in the United States and Lensway™ in Europe) that steadily gained momentum as the months went by.

Europe

Operations in Europe enjoyed a markedly better year in 2015, with a 4.0% like-for-like gain on account of three main factors.

First, the product mix improved as consumer marketing campaigns for the Crizal®, Varilux® and Transitions® trademarks drove a noticeable increase in their unit sales. These investments helped drive Essilor's growth in the United Kingdom, Russia and Eastern European countries, improve its positioning in the independent eye care market in Germany and defend its positions in France.

Second, business with key accounts continued to expand during the year as Essilor successfully leveraged contracts to supply products and services to several optical chains, particularly in the United Kingdom and Spain.

Lastly, the multi-network strategy demonstrated its effectiveness once again, with especially strong momentum for Novacel in France, Nika in Germany, Omega in the Czech Republic and Nikon in the United Kingdom.

Asia/Pacific/Middle East/Africa

Revenue from the Asia/Pacific/Middle East/Africa region rose by 6.1% like-for-like, as solid gains in the fast-growing countries offset a more mixed performance in the mature markets. Operations in **India** had an excellent year, led by the increase in nationwide coverage and the strong momentum for partner labs acquired in recent years. Positions were broadened across the market thanks to the shift from glass to plastic lenses in the entry range, the successful Kodak® media campaigns in the mid-tier and the high consumer awareness of the Crizal®, Varilux® and Transitions® trademarks in the premium segment. Business in **China** continued to expand in the domestic market, led by a solid performance in the premium end. Sales of Crizal® anti-reflective lens and Kodak® mid-range lenses were boosted by the media campaigns, while the photochromic lines enjoyed brisk growth in a fast-expanding segment. Export sales turned upwards in the second half. Business was also good in **South Korea,** supported by Varilux® progressive lenses, the Nikon® trademark and the Perfect UV solutions from Chemi, Essilor's primary partner in the country. **Southeast Asia** posted double-digit revenue growth over the year. **Africa** and **the Middle East** continued to offer strong potential, with major gains in Saudi Arabia, Morocco and Turkey. In the region's developed markets, business was flat in **Australia** and **New Zealand** for the year as a whole as the Australian economy cooled in the second half. Full-year sales in **Japan** came out on a par with one year earlier following an uptick in performance in the second half of the year.

Latin America

Demand in Latin America gained momentum in every country except Brazil, driving an 8.0% like-for-like increase in revenue for the year. In **Brazil,** overall growth was impacted by the ongoing recession and slowed down especially in the second-half of the year. However, the Crizal® and Kodak® trademarks bucked the trend with excellent results thanks to successful media campaigns. The year's performance also showcased Essilor's ability to capitalize on local output to strengthen positions in an otherwise depressed economy. Further gains were made on the web with the launch of the glasses4you™ e-commerce platform and the fourth-quarter acquisition of two leading online optical product retailers, e-lens and eÓtica.

Colombia saw an upsurge in sales driven by the consistent performance of the partnership with the ServiOptica laboratory, and the launch of the marketing programs for Crizal® and Varilux® lenses.

After a lackluster first half, operations in **Mexico** delivered much faster gains in the second half on the back of economic recovery and promotional activity.

Business in **Chile** continued to benefit from the deployment of an integrated supply chain contract with a leading regional optical chain.

In **Costa Rica** and **Nicaragua,** the partnership formed early in the year with integrated laboratory and distributor Grupo Vision has widened access to Central America and brought Essilor closer to the end customer.

Instruments

The Instruments Division, which develops solutions and technology for optometrists and opticians, is included in the operating regions of the Lenses and Optical Instruments Division. It had a good year in 2015, with revenue rising 5.2% like-for-like on gains in both the developed and fast-growing countries.

The performance reflected i) the robust market for refraction, screening and other optometry systems, where the Company strengthened its presence, and ii) the strong sales of Neksia®, the leading mid-range edging system.

Despite key account acclaim for the M'Eyefit® measuring tablet, business was more mixed in the sales support segment. Lastly, sales of consumables and small devices rose slightly over the year.

1.5.2.2 Equipment

The Equipment Division ended the year down 8.1% like-for-like, but performance varied by region.

Demand trended upwards in the developed markets, as key accounts continued to purchase vacuum treatment and surfacing machines. This is a segment where Satisloh's Duo-FLEX™ polisher is being gradually replaced by its new generation Multi-FLEX™ model offering improved productivity and throughput. Sales were also lifted by the sustained roll-out of the new ART™ alloy-free blocking technology.

The situation was more challenging in the fast-growing economies, especially in Latin America, where the fall-off in Brazilian orders offset the new business won in neighboring markets like Colombia, Argentina and Peru.

Lastly, as a result of Essilor's dynamic acquisition policy, a significant portion of Equipment Division revenue is classified as intragroup sales. As these items are eliminated on consolidation, this has an adverse impact on the division's like-for-like and reported growth.

1.5.2.3 Sunglasses & Readers

Sunglasses & Readers sales gained momentum quarter-after-quarter in 2015, culminating in double-digit growth in the second half and a 7.3% like-for-like increase for the year as a whole.

The annual performance reflects the positive shift in the sunglasses trademark portfolio following the acquisition of the Costa® trademark in the United States and the Bolon™ trademark in China. Heightening the awareness of these trademarks during the year enabled Essilor to reach a larger number of consumers. Costa® has gradually extended its line-up and is now positioned as the go-to sunglasses trademark for all water-based activity enthusiasts. While continuing to expand in China, Bolon™ is becoming an increasingly global trademark, with its first shelf space gained in leading duty-free chains in major Asian airports and on cruise ships. Online sales and an increasing array of prescription sunlens solutions are also helping to drive faster growth at both trademarks.

Revenue also steadily picked up speed over the year at FGX, impelled by shelf space gains for its non-prescription readers at two key accounts in the United States. For both chains, the company developed new displays that considerably enhance the customer experience and increase purchase rates. Abroad, FGX also had a more robust second half, particularly in Southern Europe.

1.5.2.4 Exceptional factors

No exceptional factors influenced the Company's main businesses or markets in 2015.

1.5.3 R&D

1.5.3.1 Innovation at the heart of Essilor's strategy

Ever since its beginnings, which saw the invention of organic lenses and progressive lenses, innovation has been a key strategic focus and competitive advantage for Essilor.

With €214 million committed in 2015 (before research tax credits), Essilor devotes a significant and growing amount in R&D spend.

R&D teams are organized around three specific areas of expertise: Optics, Physics & Chemistry, which studies materials and thin film coatings, and Breakthrough Technologies. They are supported by regional networks built up with the world's leading experts and by a solid and expanding base of international patents.

Each year brings innovations in terms of materials, coatings and designs (especially for progressive lenses). In addition, Essilor uses technologies from other industries to continually improve the characteristics of its products.

1.5.3.2 A consumer-focused approach to innovation

Essilor's R&D work focuses on understanding the needs of consumers and eye care professionals in the areas of vision care, eye protection and the prevention of eye diseases.

The R&D teams develop innovative technical solutions, products, processes and services to meet individual vision correction needs around the world. Changes in consumer lifestyles, including trends such as online and connected objects as well as longer life expectancy, represent major R&D challenges for the vision care sector. As a result of these shifts, new needs are emerging for pathologies such as cataracts and age-related macular degeneration.

In order to round out its worldwide consumer product testing program, in 2015 Essilor opened its first Wearers Evaluation Center in Singapore dedicated to testing new R&D theories, product concepts and prototypes directly with end users.

1.5.3.3 A global structure based around five R&D Centers

Essilor has more than 500 researchers in its 5 R&D Centers:

- three Innovation & Technology Centers located in the heart of the Europe (Créteil, France), North America (Dallas, United States) and Asia (Singapore) regions. These centers aim to optimize product quality, performance and time-to-market worldwide in order to respond to individual consumer and market needs, and to identify and forge the best research partnerships;
- an R&D Center dedicated to photochromic lenses in Tampa (Florida, United States);
- the Nikon-Essilor International Joint Research Center in partnership with Nikon in Japan (NEIJRC).

In 2015, Essilor also set up a development and evaluation center in Danyang (China), opening in early 2016, to forge a better understanding of the ophthalmic optics industry based in this region. Its role will be to assess, compare and improve the performance of products manufactured by Essilor's Chinese partners.

1.5.3.4 R&D partnerships focusing on innovation

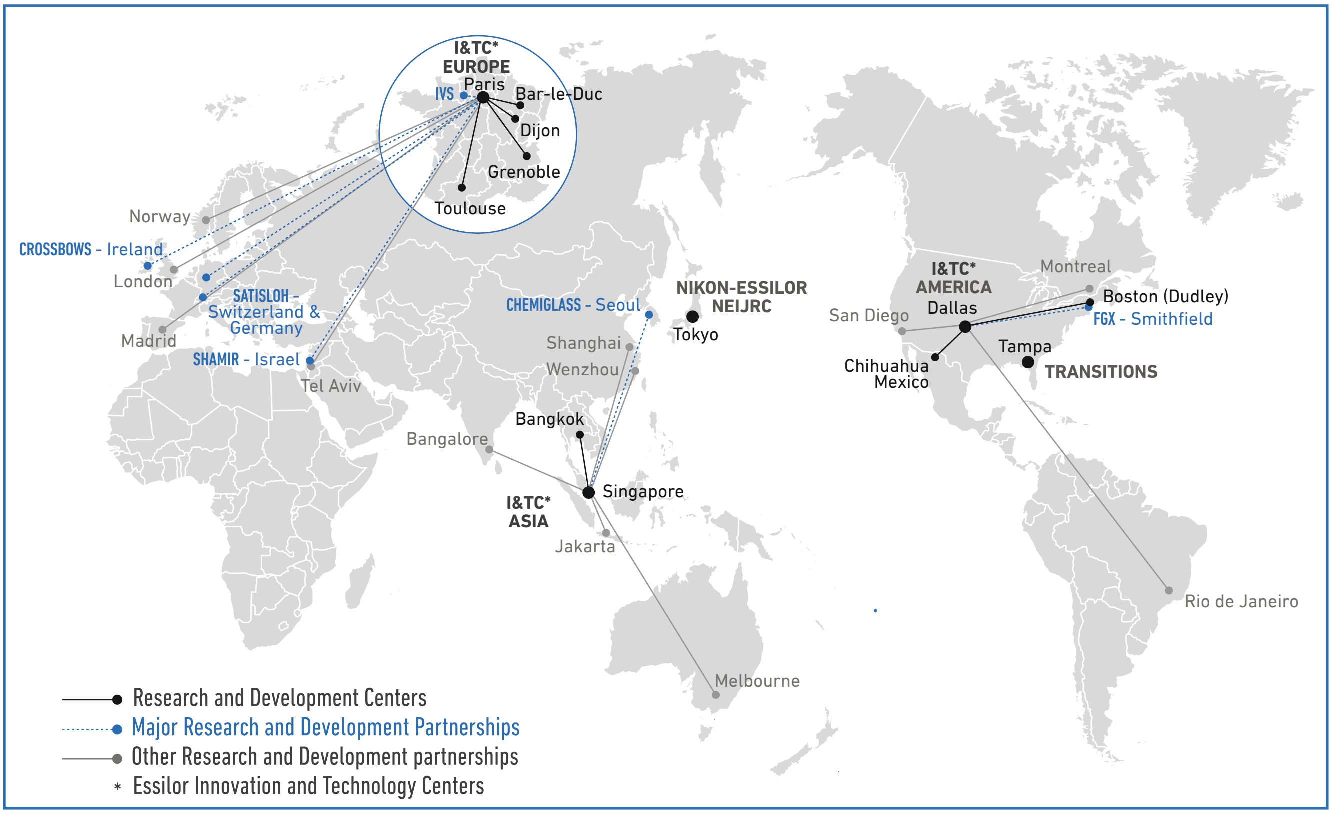
To develop its products, Essilor works alongside many universities, public and private research centers, and R&D teams in other industrial sectors (major groups and innovative SMEs).

Several research partnerships have been set up in recent years, including:

- a research chair dedicated to non-pathological vision aging and its consequences on loss of independence, in partnership with the Vision Institute and the Pierre and Marie Curie University in Paris, France;
- a laboratory run jointly with Wenzhou University in China to study the origins and causes of juvenile myopia;
- a laboratory run jointly with Shanghai University in China and working on the application of nanotechnologies to surface coatings;
- a research chair on presbyopia set up with the University of Montreal, Canada.

In 2015, Essilor finalized a new research partnership with France's National Scientific Research Center (CNRS). The tie-up with the CNRS' systems analysis and architecture research unit will lead to the creation of a joint research laboratory on "connected eyewear" with active and online functionalities. It will be tasked with identifying and analyzing the latest technologies that can be used to design future generations of optical lenses offering end users better visual correction performance and comfort, as well as new smart functionalities.

A global R&D organization supported by scientific, industrial and academic partners



1.5.3.5 Patents, trademarks and domain names

At the end of 2015, Essilor International and its wholly-owned subsidiaries, held:

- 1,500 patent families, each representing an invention protected in France and around the world, covering a total of more than 7,900 individual patents;
- 1,200 trademark families, each representing a trademark, such as Varilux®, Crizal® or Eyezen™, protected in France and around the world, and covering a total of 7,200 trademarks;
- 1,900 domain names;
- 400 industrial designs.

During the year, Essilor filed 139 new patent applications worldwide and filed 40 new trademark families and 100 new domain names worldwide.

Essilor's assertive innovation strategy is supported and strengthened by an equally active intellectual property policy, both upstream by using patents to foster innovation and downstream by improving protection across the innovation portfolio.

We are also committed to preventing any form of intellectual property infringement, in particular by providing every employee with infringement detection methods and reporting forms. The Intellectual Property Department also leads IP awareness training courses for a wide range of employees, so that they can create, protect and defend our intellectual property around the world.

The Company is not dependent on any customer contracts, patents or licenses that currently have a material impact on its operations and that could have a significant impact on expiration.

1.5.3.6 Around 250 new products launched in 2015

Essilor brought around 250 new products to market in 2015 – a high number that reflects the increasing customization of lenses and the Company's commitment to fulfilling the unique needs of its subsidiaries and customers.

The year began with the launch of **Eyezen**™, a new line of lenses for users of computers, tablets, smartphones and other connected devices that features two technologies. The first, Eyezen™ Focus, eases or supports the eye's efforts to adjust its focus, particularly in moving from one screen to another. Based on the postures taken in using each type of display, it improves visual comfort by adjusting correction to the reading distance. The second, Light Scan®, is a light filtering application drawn from our Crizal® Prevencia® lens technology, which protects eyes against certain harmful blue-violet light emissions from device screens. Eyezen™ lenses were launched in Europe in the first-half, with gradual roll-out in the other regions through March 2016. They are available both with correction and without, for people without vision issues who want to relax or protect their eyes when using digital displays. The innovation won the Silmo d'Or award in the Vision category at the Silmo optical industry trade fair in Paris in September 2015.

In the **Varilux**® lens family, the year saw the introduction of the Varilux® Physio® 3.0 and Varilux Comfort® 3.0 progressive lenses. The Varilux® Physio® 3.0 lens features the new Binocular Booster technology that considers the right and left lens prescriptions so that the lenses can be made as a pair, with each one surfaced in line with the other's correction. This also makes it possible to optimize lens design, because both eyes work together as a single visual system. The Varilux Comfort® 3.0 lens offers W.A.V.E. 2.0 technology that optimizes wavefront management regardless of ambient brightness by analyzing variations in pupil size, thereby enhancing vision in all lighting conditions. Both new lenses, which are manufactured exclusively with digital surfacing technology, were introduced in 2015 in the United States and will be deployed in the Asia-Pacific region in 2016.

In France, the **E-SPF**® UV lens protection index was extended with the new E-SPF® 35 level, which aims to offer a stronger protection against UV light.

In the **Transitions**® lens photochromic line, a new version of the Transitions® Xtractive® lens was introduced in the United States. Available in gray, brown and graphite green and designed to be extra-dark outdoors, the Transitions® Xtractive® lenses also darken behind a car's windshield.

In the **mid-tier,** Kodak® lenses were launched in India and China (via Essilor's partner Wanxin) and deployed nationwide in Brazil, all with the support of consumer advertising campaigns.

In Europe, the **prescription sunlens** range was enhanced with new colors and the introduction of the new e-mirror UV line of sunlenses, which combine a mirrored front, available in eight colors, and scratch-resistant, smudge and water-repellent and UV-protection coatings on both sides.

In 2015, programs underway to develop new **instruments, tools and sales support services** for opticians were also pursued during the year, with in particular the launch of the Nautilus™ 3D demonstrator headset that brings virtual reality to the eyewear store by offering consumers the opportunity to wear their lenses virtually and experience the benefits.

Lastly, in the **Readers** segment, FGX International introduced eReaders™, a line of glasses for on-screen reading.

To support the new product launches and drive faster growth in trademark sales, **consumer advertising and marketing initiatives** were ratcheted up in 2015. As a result, consolidated consumer marketing spend ended the year at around €203 million, of which €120 million for the corrective lens trademarks (Crizal®, Kodak®, Transitions®, Varilux® and Xperio®). The outlays, which spurred the growth of these lenses, were focused on a dozen or so countries around the world.

1.5.4 Production and Supply Chain

1.5.4.1 Production and capital expenditure

Essilor and its partners operate 32 lens production facilities around the world: 5 in North America, 2 in Latin America, 7 in Europe and 18 in Asia/Middle East [(1)]. A plant in Puerto Rico ceased production in June 2015. Of the current facilities, 24 produce prescription lenses, 5 photochromic lenses and 3 non-prescription sunlenses.

In 2015, their aggregate output, including sales to third-party lenscasters by photochromic lens producer Transitions Optical, stood at around 495 million prescription lenses and some 30 million non-prescription sunlenses. The increase over the year was led by the growth in worldwide demand and the sustained commitment to insourcing a portion of the lenses previously sourced from other lensmakers.

During the year, plant operating performance continued to improve thanks to the sustained roll-out of the Lean Manufacturing program initiated in 2013 and already in effect in a dozen plants (including two Transitions photochromic lens plants and a Polycore sunlens plant) and in four export laboratories in Asia. This helped to deliver significant year-on-year productivity gains and production cost savings.

In 2015, capital expenditure was primarily committed to:

- building a new photochromic lens production line and other capacity extensions at the Manaus plant in Brazil;
- continuing to automate end-of-line processes at the Dudley plant in the United States;
- building a new prescription laboratory in Tijuana (Mexico).

1.5.4.2 Global engineering and prescription lens laboratories

Essilor has a network of 490 prescription laboratories, edging-mounting facilities and local distribution centers around the world, including 7 large export laboratories (2 in Mexico, 2 in Thailand, 2 in India and 1 in China) that make lenses primarily for the European and North American markets. These facilities produce custom lenses based on the wearer's prescription, as ordered by opticians, optometrists and other eye care professionals. The prescription laboratories and edging centers take the semi-finished lenses manufactured at the various plants and complete the surfacing, polishing, multi-layer coating and edging-mounting processes. In all, around 123 million lenses were surfaced and coated in 2015 (excluding acquisitions completed and partnerships formed during the year).

Other highlights of the year included the sustained deployment by the global engineering teams and local units of the Digital Surfacing External Offer (DEO) to independent laboratories. DEO encompasses the installation of digital surfacing technologies, the provision of semi-finished lenses, training in process control and technical support, so that Essilor lenses can be digitally surfaced locally, around the world. It also includes the patented Digital Surfacing Process Control (DSPC) system that guarantees the quality and performance of the finished lenses. The system is connected to all of Essilor optical calculation platforms, so that it can be used not only with Varilux® lenses, but also with other products and trademarks, such as Kodak®, Nikon®, Crossbows™ Optical and Shamir®. By the end of the year, the number of DEO-surfaced lenses had risen by 20% and 170 independent laboratories, primarily in the United States and Latin America, had signed up for the service, compared with 140 at the end of 2014.

In addition to the DEO laboratories, the DSPC system is also gradually being installed in every Essilor laboratory.

On the product side, 2015 was an eventful year in development, with polarized lens coloration technologies and new mirrored colors for prescription sunlenses. Key product launches included the introduction of the E-SPF® 35 index to extend the range of UV-protection indices.

Another key development was the new optimized industrial edging process that meets standard appearance criteria with superior edging, regardless of the type of frame or edging system used by eye care professionals.

1.5.4.3 Supply Chain

Essilor's global supply chain covers all of the product and lens flows around the world, from production plants to central logistics hubs, prescription labs and retail eye care outlets. It offers the unrivaled ability to simultaneously manage the flows of both stock lenses (mainly single-vision finished lenses manufactured in the production plants) and custom-finished prescription lenses (semi-finished lenses made in the production plants that are surfaced and coated at a prescription laboratory). In all, this totals around 3,000 discrete deliveries a day and more than one million SKUs.

Despite the increase in output in 2015, the sustained focus on siting inventory closer to end-markets helped to reduce inventory by value during the year, in line with the targets defined in the 2013 action plan. For example, the logistics hub in Créteil, France was closed and its flows reallocated to other hubs in France and the rest of Europe.

(1) As of December 31, 2015.

During the year, the supply chain teams continued to work with key accounts to deploy their range of integrated service solutions, which include the provision of Essilor-produced stock or edged lenses and frame management services. These collaborative solutions are now up and running with several optical chains in Europe, the United States and Australia, as well as with independent optometrists in the United States.

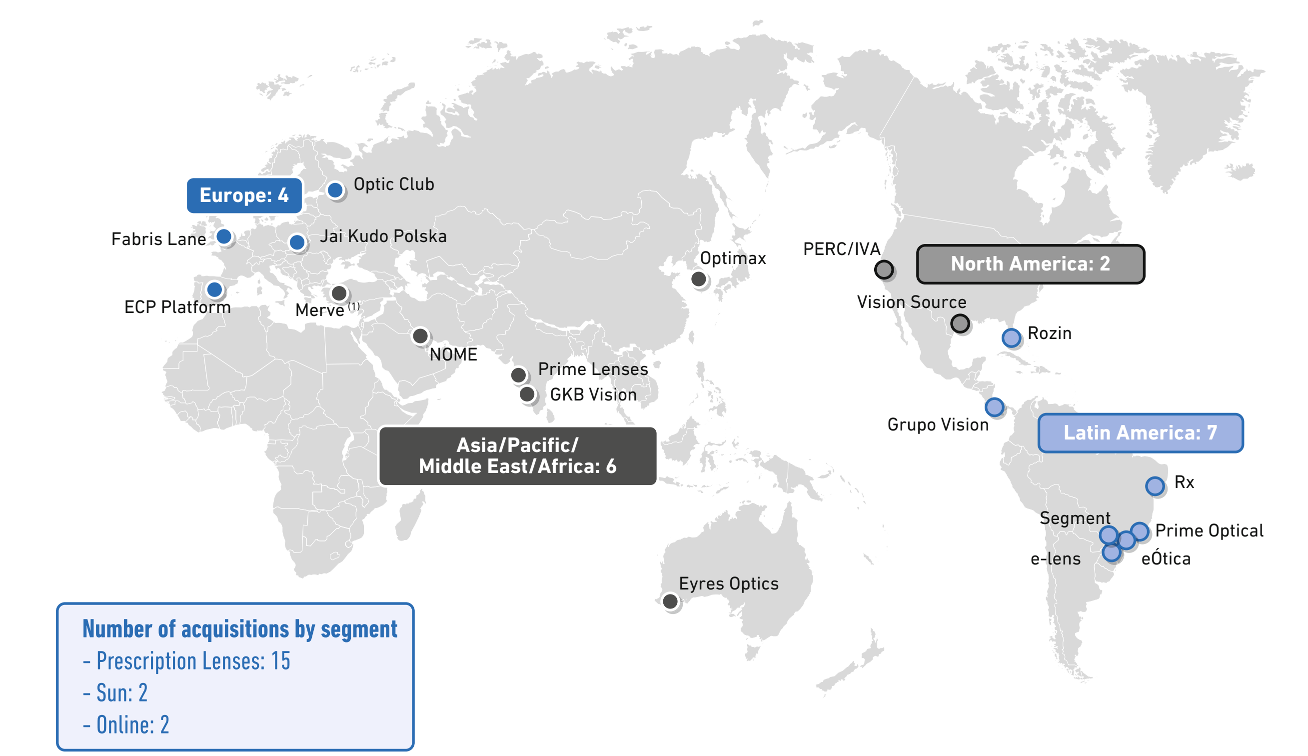
The supply chain teams were also actively involved in a number of product launches, including the market introduction of Eyezen™ lenses, the new Varilux Comfort® 3.0 and Varilux® Physio® 3.0. progressive lenses and the Transitions® Xtractive® lens.

Lastly, the teams supported the expansion of e-tailing operations by continuing to roll out dedicated organizations for Coastal and other online units. They also developed an integrated online ordering, production and delivery platform for a leading optical chain in the United States.

1.5.5 Acquisitions and Partnerships

Essilor pursued its acquisitions and partnerships strategy in 2015, closing 19 transactions that brought in total additional full-year revenue of around €214 million and strengthened the Company's positions in the corrective lens, sunlens and online retailing segments.

19 acquisitions and partnerships completed in 2015



(1) The acquisition of Merve's ophthalmic lens business remains subject to standard regulatory approvals.

Name	Country	Business	Full-year revenue	% stake acquired
		Lenses and Optical Instruments – North America		
Vision Source	United States	National network providing services to independent optometrists	N/A	100%
The Professional Eyecare Resource Co-Operative/Infinity Vision Alliance (PERC Holdings L.L.C.)	United States	Group purchasing organization for independent eye care practices	N/A	80%
		Lenses and Optical Instruments – Europe		
Jai Kudo Polska Sp. z o.o.	Poland	Lens distributor	~€5 million	51%
ECP Platform S.L.	Spain	Distribution platform of CECOP, a group purchasing organization	~€3 million	50.8%
		Lenses and Optical Instruments – Asia/Pacific/Middle East/Africa		
Eyres Optics (Shamir OHS Pty Ltd)	Australia	Manufacturer and distributor of prescription sunglasses and safety eyewear	~AU$6 million	40%
GKB Vision Ltd	India	Manufacturer and distributor of glass lenses and molds	~€7 million	54.2%
Primes Lenses Pte Ltd	India	Ophthalmic lens manufacturer and distributor with 10 prescription laboratories		59.3%
Nikon Optical Middle-East (NOME) for Medical and Sunglasses WLL.	Kuwait	Exclusive distributor of Nikon® trademark lenses in the Gulf Cooperation Council (GCC) states	~€3.5 million	24.5%
Optic Club L.L.C.	Russia	Contact lens distributor	~RUB 1.65 billion in 2015 (~€20 million at the December 31, 2015 exchange rate)	75%
Optimax Co., Ltd	South Korea	Lens manufacturer	~€1 million	50%
		Lenses and Optical Instruments – Latin America		
e-lens Comercio de Artigos de Optica E Cosmeticos Ltda	Brazil	A major online contact lens distributor	~BRL 12 million	69%
eÓtica Comercio de Oculos SA	Brazil	A leading online vendor of optical products	~BRL 15 million	42.5%
Prime Optical Industria E Comercio de Artigos Opticos Ltda	Brazil	Prescription laboratory based in Rio de Janeiro	~BRL 49 million	75%
RX Soluçoes Opticas Ltda	Brazil	Prescription laboratory based in Recife, Pernambuco state	~BRL 8 million	70%
Segment Produtos Oftalmicos Ltda	Brazil	An ophthalmic lens manufacturer and distributor based in São Paulo state	~€4 million	52%
Grupo Vision (Brine Holdings, Inc.)	Costa Rica / Nicaragua	Integrated laboratory and distributor	~US$40 million	80%
Rozin Optical International L.L.C.	United States	Optical products distributor operating exclusively in Central America, Venezuela and the Caribbean	~US$19 million	51%
		Sunglasses & Readers		
Merve [(a)] Optik Sanayi Ve Ticaret AS.	Turkey	Optical products distributor with a portfolio of proprietary sunglass frame trademarks, including Ossé™ and Mustang™	N/A	65%
Fabris Lane (Three Hundred Limited)	United Kingdom	Specialized designer and distributor of mid-tier sunglasses	~£14 million	100%

(a) The acquisition of Merve's ophthalmic optics business is subject to regulatory approval.

All of the above companies will be fully consolidated by Essilor. ECP Platform S.L./Jai Kudo Polska Sp. z o.o./eÓtica Comercio de Oculos SA/Prime Optical Industria E Comercio de Artigos Opticos Ltda/RX Soluçoes Opticas Ltda will be consolidated from 2016.

Note:

Pursuant to the acquisition strategy conducted by the Company and in order to retain the management teams of the companies acquired, Essilor frequently acquires only a majority of the share capital in the first phase, most frequently between 75% and 90%. Cross options generally expiring in three to five years are then set up with the sellers for the remaining percentage. As part of its acquisition programs and particularly in countries with strong growth, Essilor may gradually increase its interest in target companies from 10% to 51% over a three- to five-year period or create a 50/50 joint venture. These options are recognized in the consolidated balance sheet at their exercise price, which is available in Section 3.3.2.

1.5.6 Investments made in 2015 and planned for 2016

1.5.6.1 Investments made

€ millions	2015	2014	2013
Property, plant & equipment and intangible assets (gross of disposals)	327	232	297
Depreciation	400	413	253
Financial investments net of cash acquired	780	1,840	333
Purchase of treasury shares	0	36	169

1.5.6.2 Capital expenditure

In the industrial sector, capital expenditure net of the proceeds from asset sales increased, amounting to €321 million (or 5% of revenue), up from €227 million the previous year. This included capital expenditure for supporting the Group's growth, as well as the entry fees (buy backs) associated with FGX International's renewal of a contract with a key account (Sunglasses & Readers Division).

Investments were distributed between Lenses and Optical Instruments (€224 million, of which €51 million for Europe, €52 million for North America and €121 million for the rest of the world), Sunglasses & Readers (€91 million) and Equipment (€6 million).

1.5.6.3 Financial investments

Financial investments net of cash acquired fell to €780 million in 2015 from €1,840 million in 2014. These investments include, on the one hand, the acquisitions made during the year, in particular Vision Source and PERC / IVA, two national networks of services for optometrists in the United States, and, on the other, price supplements on transactions made prior to 2015.

In addition, the Company did not buy back any of its own shares in 2015 (€36 million in 2014).

See Section 3.1.3.

1.5.6.4 Principal outstanding investments

Capital expenditure committed but not completed amounted to €101 million at December 31, 2015, corresponding mainly to pending industrial equipment orders. This amount can be broken down as follows: €19 million for Europe, €29 million for North America and €53 million for the rest of the world (see Section 3.1.3).

1.5.6.5 Principal future investments

In 2016, the Company will continue its capital expenditure in production and prescription.

In the area of finance, the Company will continue its acquisitions strategy.

1.6 RISK FACTORS

Because of what it does and where it is based, the Essilor International group is exposed to various types of risk (operational, industrial, commercial and financial). Essilor international has put in place an internal control system for improved risk anticipation and management (see the Chairman's Report on internal control in Section 2.2.3).

The main risk factors to which the Group believes that it is exposed and considers to be actually or potentially significant as of the date of this Registration Document are described below. At that date, there may be other risks of which the Group is not aware or considers as non-significant and that may adversely impact it.

1.6.1 Operational risks

Operational risks are managed by the operating divisions to which they relate. It is their mission to anticipate, to the greatest extent possible, and actively monitor changes in such risks in order to reduce any potential impact and, if necessary, escalate them to the Executive Committee.

The risks described below may be inherent to our industry (such as substitution risk where raw materials are concerned), or specific to our Group (such as the risks in implementing the Group's external growth strategy).

Risks related to changing economic conditions

The Group's sales may be linked to fluctuations in average per capita purchasing power, the economic conditions in its main markets, and the high volatility of currency exchange rates. Given the economic uncertainty affecting a number of countries that are of significance for the Group, both mature markets and those with a strong growth potential, the Group cannot exclude the possibility of drop in consumer sales or a change in consumption patterns.

To benefit from the opportunities associated with fast-growing markets over the medium and long term and to diversify its geographic risk, the Group continues to strengthen its dedicated organizations, one of which covers the "AMERA" (Asia / Pacific / Middle East / Russia / Africa) region and the other Latin America. Essilor's growth in these regions remains strong and its medium- to long-term potential is extremely buoyant, boosted by demographic factors, increased purchasing power and the introduction by the Group of a tailored mid-range product offering. As a result, fast-growing markets are an ever-increasing part of the Group's revenue and accounted for approximately €1.5 billion in 2015.

Essilor continues to focus on reaching its full potential in mature markets, primarily by adopting a policy of continuous innovation, stimulating high-end demand through the launch of new differentiated products, and developing customer services and solutions. Finally, an increasingly international geographic presence is underpinning our ability to lessen the impact of unfavorable economic conditions in a given region.

Risks related to substitutions of raw materials, chemicals, and consumables

Changing national or transnational regulations (such as, for example, the REACH ["Registration, Evaluation, Authorization and Restriction of Chemicals"] regulation in the European Union, and the Proposition 65 law on "The Safe Drinking Water and Toxic Enforcement Act of 1986" in the state of California) may require us to find alternatives for raw materials, chemicals and consumables. A change in the raw materials, chemicals, or consumables used in our lens manufacturing processes can theoretically mean a temporary or permanent inability to produce certain types of products or coatings.

In order to anticipate any impact, define priorities, and review current action plans, a Critical Raw Materials, Chemicals, and Consumables Committee ("MPCC") meets on a monthly basis and is chaired by a member of Essilor's Executive Committee.

This inter-departmental committee includes, in particular, the R&D, Purchasing, Logistics, Engineering, and Global EHS Departments. It reviews the assumptions underlying our priorities (criticality of change, time available to find a solution, impact on our processes) in terms of possible or confirmed changes, establishes action plans, and follows up these plans for key points. It also sends an up-to-date list of the main suppliers to Senior Management each year.

Risks related to changes to traditional business models in the optical industry

The optical industry is constantly changing, under the combined effect of product innovation and distribution methods (including online sales), to meet new consumer demands. To further develop its global leadership in this dynamic environment, Essilor continues to focus on product innovation, identifying segments offering new opportunities for growth, and positioning itself accordingly.

In terms of its ability to innovate, Essilor is taking steps to offer innovative solutions that meet the correction, protection and prevention need of consumers around the world – as illustrated by the launch of the new Eyezen™ category of lenses adapted to our increasingly connected lifestyles. In the area of marketing, it is stepping up its communication efforts by launching marketing campaigns for the general public in relation to flagship trademarks such as Varilux®, Transitions® and Crizal®. Solar and photochromic lenses are also major assets for the future, which we will continue to leverage. We are also innovating in the field of research, where Essilor has established active monitoring systems, including for new technologies as they may give us a competitive edge in the future.

Expanding accessibility to solutions more closely tailored to the needs of consumers is another priority with, in particular, the development of an online sales strategy (Essilor is already positioned as a key player in this distribution channel), the development of inclusive business models with "2.5 NVG" and also philanthropic activities (see Chapter 4). At the same time, Essilor is continuing to actively collaborate with both large chains and independent distributors to remain as close as possible to the needs of consumers.

Risks related to logistics chain management

The Group's quality of service relies on a sophisticated logistics chain that aims to control, over very short time cycles, complex flows (mass production plants, laboratories, transporters, distribution centers) and an extremely large number of possible product combinations (over 1 million references to suit indices, materials, the unique prescription of every glasses wearer, coatings chosen, color, personalization markings, etc.).

This logistics chain can experience malfunctions, even temporary blockages, due to external factors (such as natural disasters and geopolitical events that can result in a blockage of the transportation capacity in a given country) or internal factors (such as risks linked to information systems, see below). Ultimately, this could translate into long delivery delays or even a temporary inability to supply certain customers or certain products.

To reduce this risk, Essilor has implemented a diversified industrial strategy aimed at spreading risk across a large network of production plants around the world and at setting up distribution centers on every continent. Furthermore, with almost 500 laboratories spread over all continents, Essilor has the capacity to reorient its flows quickly in the event of a crisis. Lastly, the Group's Logistics Department and its regional counterparts are responsible for implementing substitution and business continuity solutions, especially in regard to what it considers to be the most sensitive sites.

Risks related to the security of IT systems

The Group's activity depends in part on its information systems for managing the proper functioning of its production, distribution, order-taking, billing, reporting and consolidation activities, and for effectively organizing its internal and external communications.

A failure (whether due to a malfunction or malicious action, internal or external) or a total system shutdown could result in the loss or corruption of sensitive data, delivery delays, or loss of market shares and could adversely impact the Group's reputation.

The Group's IT Systems Department and its local units contribute, through various strategies, to reducing the likelihood that this risk will occur. These strategies include, in particular, publishing an IT Systems security policy, distributing security regulations regarding (among other topics) compliance with local regulations such as the gathering and protection of personal and bank data, implementing system backup rules, network access, technical architecture principles aimed at ensuring enhanced system integrity and robustness, and programs to raise awareness of users.

Risks related to the implementation of its external growth strategy

The Group's external growth strategy consists of acquiring equity interests (generally majority interests) in well-defined target companies, with the objective of helping them grow profitably and to benefit from that growth. As part of the acquisition process, Essilor carries out regular audits and consults a range of experts in order to do so. There remains, however, an inherent risk in any acquisition. Essilor therefore needs to put in place the necessary resources to achieve the projected synergies, and oversee that these partner companies it has acquired develop in accordance with forecasts and operate appropriate governance policies. Should there be any execution problems following an acquisition, the profits from the external growth strategy may not be as high as expected. If the recoverable value of a Cash Generating Unit (see Section 3.4 – Note 12) is less than the net book value of the assets, including goodwill, an asset impairment loss is recognized in the income statement.

Although it cannot guarantee that these objectives will be achieved, Essilor capitalizes on its extensive experience in welcoming new companies into the Group and promoting its values – including entrepreneurial spirit, respect, and trust – to maximize its chances of success in fostering its acquisitions. Partners are thus invited, by various means, to invest and participate in the Group's development – including discussion meetings with the Executive Committee. The Group also pays particular attention to the shareholders' agreement with each acquired company. Lastly, Essilor's ten Partnership Principles provide a framework for the relationships that it wishes to maintain with each of its partners.

With regard to the joint ventures in which it is involved, the Group is not aware of specific risks other than those inherent in such partnerships (partner relationships, political changes in the countries concerned, environmental risk that may affect operations, etc.).

1.6.2 Market risks

The Group's policy consists of limiting the impact of market risks on its earnings and cash flows. Risks are managed by the Group Treasury Division, which reports to the Corporate Finance Department.

The Financial Risk Committee is tasked with defining and approving the financial risk management policy, identifying and assessing risks, and approving and monitoring of hedging. The committee meets as often as necessary and at least once a quarter. It is made up of members of the Group's Corporate Finance and Internal Audit Departments.

Liquidity risk

The Group aims to maintain continuous liquidity in order to ensure its independence and growth. Key to this is substantial free cash flow that is growing steadily. It also operates a financing policy that guarantees available funding capacity at all times at low cost. This policy is based on the diversification of funding sources, the use of medium- and long-term financing and the establisment of committed credit facilities.

Most of the long-term financing and credit facilities are issued by the parent company, which then refinances its subsidiaries. Some companies may, however, arrange their own local financing when local regulations hamper intra-Group loans.

Details of the liquidity risk are given in Section 3.4 – Note 26 to the consolidated financial statements.

Currency risk

Due to its international presence, the Group is naturally exposed to currency fluctuations. This impacts its operations, its financing, and the conversion into euros of the financial statements of foreign subsidiaries denominated in other currencies.

Currency hedging is, for the most part, managed by Essilor International.

The Group seeks to limit currency risk first with natural hedges, then by hedging residual transactional exposure through currency forwards or options. Foreign exchange transactions are entered into solely to hedge currency risks arising on business operations. The Group does not carry out any currency trading transactions without any underlying commercial transaction.

Note 26 to the consolidated financial statements, Section 3.4, describes the Group's sensitivity to currency risk and related hedges.

Interest rate risk

The purpose of the interest rate management policy is to minimize the cost of financing while limiting the volatility of financial expenses linked to changes in interest rates. The major part of financing is therefore kept at fixed rates, either in the initial agreement or via hedging.

As the vast majority of the Group's financing is concentrated on the parent company, interest rate risks are therefore also centralized at the parent company level. The interest rate risk on financial liabilities is structurally limited.

Interest rate risk is disclosed in Section 3.4 – Note 26 to the consolidated financial statements.

Counterparty risk

The Group is exposed to financial counterparty risk in its short-term investments, hedges and credit facilities. Default by a counterparty may result in an impairment (non-repayment of an asset) or loss of liquidity (inability to draw down a credit facility).

To limit this risk, the Group only deals with top-tier banks with the best credit ratings, while maintaining prudent diversification.

Note 26 to the consolidated financial statements, Section 3.4 discloses the credit quality of the Group's counterparties.

Risk on shares and other financial instruments

Information on this risk can be found in Note 23 to the consolidated financial statements (Section 3.4).

1.6.3 Legal risk (material claims and litigation, proceedings, arbitration)

Alleged anti-competitive practices

Germany

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

Following this investigation, on June 10, 2010, the BKA sent formal notification of fines to the major ophthalmic optics companies in Germany. Accordingly, our two subsidiaries were officially notified of violations representing an aggregate amount of around €50 million. This amount was provided for in the consolidated financial statements since December 31, 2010.

Essilor GmbH and Rupp & Hubrach Optik GmbH contest BKA's findings and lodged an appeal against the BKA's decisions.

However, our two subsidiaries have decided to withdraw their appeal to avoid long and costly proceedings further to ending of all settlement discussions. Accordingly the BKA's decision is final and the amounts due were provided for at December 31, 2015.

France

In July 2014, the French competition authority's inspection department made unannounced visits to selected Group subsidiaries in France and other actors in the ophthalmic lens industry related to the online sale of ophthalmic lenses. The Group has appealed against the seizure order; the proceedings are still pending.

In 2015, no events justify any change in the assessment of the proceedings.

Group actions

Following the settlement of charges brought by the Federal Trade Commission after an investigation into Transitions Optical Inc.'s business practices in 2009, around twenty motions for authorization to bring class actions were filed in late March 2010 against Transitions Optical Inc., Essilor International, Essilor of America, and Essilor Laboratories of America before US and Canadian courts. The plaintiffs in these motions are alleging that the companies concerned endeavored jointly to monopolize the market for the development, manufacture, and sale of photochromic lenses between 1999 and March 2010. A settlement was agreed in 2014, closing these class actions, and leaving only the action by VisionEase with respect to TOI pending.

In 2015, no events justify any evolution of this litigation appreciation.

Intellectual property

Hoya filed a court claim in Tokyo, Japan on July 24, 2013, alleging that the sale of products by Nikon-Essilor in Japan fell within the scope of a patent originally registered by Seiko and sold to Hoya on March 15, 2013. Hoya's claim covers Nikon-Essilor sales in Japan for the period from March to July 2013.

In 2014, Nikon-Essilor filed a motion with the Tokyo district court and the Japanese patent office to seek the invalidation of the patent. The matter is currently under investigation.

In 2015, no events justify any evolution of this litigation appreciation.

Tax disputes

Due to its presence in numerous countries, the Group is subject to various national tax regulations. Any failure to observe these regulations may result in tax adjustments and the payment of fines and penalties.

To the Company's knowledge, there are no current or pending legal or tax disputes, governmental or judicial proceedings or arbitration that may have or have had a significant impact on the financial position, income, profitability, operations or assets of the Company or Group in the past 12 months.

Provisions for risks and claims are described in Notes 21 and 28 to the consolidated financial statements.

1.6.4 Industrial and environmental risks

Industrial risks

See Section 1.3 of this Registration Document, for a description of the Company's business activities (and Note 27 to the consolidated financial statements).

To the Company's knowledge, the nature of its industrial business does not present any particular risk.

The acquisitions made in activities that are significantly different from the Company's traditional activities, particularly in instruments and machine tools or pre-mounted lenses, have not led to any specific outcomes in their industrial activities that would expose the Company to any new specific risks. However, the Company believes that these new activities could create new risks and is updating a map to identify resulting probable risks and opportunities.

The Company has set up a global monitoring system for the application of regional, national or more local regulations relating to chemical products. REACH, a single integrated European system for the registration, evaluation and authorization of chemicals, similar Chinese and Korean regulations and the California Proposition 65 are examples of such regulations. To its knowledge, the Company complies with these regulations.

Environmental risks

Within the scope of the entities that it controls operationally on a day-to-day basis, environmental management systems have been implemented and are being maintained at upstream production facilities and, where appropriate, at downstream prescription laboratories. The Company aims to have the environmental management systems of all its sites audited and certified, site by site, to the ISO 14001 standard.

These systems help to minimize the environmental impact of our operations and prevent incidents, while also forming the basis for developing targeted action plans based on environmental performance improvement targets.

The starting point in each case is a detailed environmental analysis to identify and qualify the environmental risks.

As part of the gradual widening of the boundaries of environmental reporting within the Group's consolidated companies, the Company has begun to establish regular relations with selected new companies and the Group's operating divisions.

This is mostly, but not exclusively, the responsibility of the Global EHS Department. This department reports directly to a member of the Executive Committee (Corporate Senior Vice President, Global Engineering) and organizes its global network from Singapore, at the heart of the Asia / Pacific region. The Group can thus allow these new entities to benefit from its experience and expertise in these fields so as to extend its culture of environmental risk prevention along with oversight of certain management procedures and systems and the sharing of best practices used by the Group.

Ongoing efforts to continuously improve the eco-efficiency of production are gradually decoupling volume growth from resource use.

Thus, two key indicators are part of the "Change Accelerating Program" (CAP) dashboard: the number of kilowatt hours and the number of liters of water per ophthalmic lens produced.

Information about corporate social responsibility and sustainable development is presented in Chapter 4 of this document.

1.6.5 Insurance

Essilor and its subsidiaries have comprehensive high-level risk prevention programs and the Group follows a risk prevention and protection strategy designed to drive constant improvement in behaviors, procedures, and equipment.

Essilor's plants throughout the world are audited by our insurers, who issue reports detailing the levels of insurance cover required at each facility and, where applicable, recommending measures to reduce insurance risks. The Engineering Departments of Essilor's insurers are consulted concerning the design and protection of certain construction projects and other major works as necessary. The projects are reviewed and adjusted to take into account both the needs of the Group and the prevention targets set jointly with the insurers. Physical assets are regularly valued by independent experts.

In addition, the growing geographical diversification of our operations helps to limit the potential impact of a major loss at a given facility on the Group's financial position.

In view of the nature of the business, the Group is not exposed to any specific insurance risks.

Insurance cover is provided mainly by our worldwide insurance programs negotiated at corporate level. The programs comprise a master policy drawn up in France and local policies in other countries, which together provide the same level of cover for all of our controlled subsidiaries throughout the world.

They are taken out with leading insurers that have no ties with the Group.

Local insurance policies compliant with local insurance requirements are taken out by subsidiaries in areas such as car insurance, workers' compensation, Employment Practice Liability (EPL), etc., to add to the cover provided by the Group's worldwide programs.

The programs cover property and casualty risks (fire, explosion, machine damage, flood, theft, natural disasters), consequential business interruption (loss of gross margin due to the halting of production following an accident), losses due to the interdependence of the various sites, transportation risks (covering all movements of goods), and civil liability risks (operating, after-sales, professional, clinical trials, and environmental liability also covering biodiversity and site decontamination costs, as well as the responsibility incumbent on Essilor and its subsidiaries to transport raw materials, waste and products).

Under the laws of certain countries, insurance cover must be taken out with local insurers, in which case coverage may differ from that provided under the programs defined by the Group: in such circumstances, local policies are supplemented by the master policy of the programs, which is issued in France and can be invoked if the local insurance cover is insufficient.

The Group does not have any insurance policies with a captive insurance company; minority-owned entities manage their insurance needs independently.

Thanks to its low claims record, the Group has maintained a low deductible policy for each type of cover, thereby transferring to the insurance market virtually all of the insured risks.

No major damage was recorded in 2015 and none of the Group's companies was involved in significant insurance disputes.

To determine the required level of cover for its international insurance programs, the Essilor group has estimated the extent of exposure to major risks, after taking into account the mitigating effects of internal controls, preventive and protective measures and alternative flows.

A key feature of 2015 was the renewal at the end of the year of two of the Group's international insurance policies, namely "Property damage and business interruption" and "Civil liability and after-sales", allowing it to improve the conditions of the cover while significantly decreasing the premium in 2016, thereby reducing the Group's overall insurance costs by around 30%. This has made it possible to adjust maximum cover limits, bringing them into line with the size of the Group and the changing risk landscape.

2 CORPORATE GOVERNANCE

IN BRIEF

Essilor's unique mode of governance reflects a **strong, atypical business culture** which aims to unite all employees around a single ambition: to cultivate the performance of the Group. Since employees share in Group profits in the same way as shareholders, value distribution is a cornerstone of Essilor International's governance. This stake in the results of business operations goes hand in hand with a presence on the Board of Directors of the Company. The Valoptec Association, which represents the **employee-shareholder base**, is Essilor's largest shareholder. This encourages dialog and ensures employee participation in the Group's major decisions.

The presence on the Board of a large proportion of Independent Directors, and of three representatives of the Valoptec Association and a Director representing employees, ensures that a balance of power in relations with the Senior Management is guaranteed.

Under the authority of the Senior Management, the Executive Committee oversees the Group's activities and implements its policies.

COMPOSITION OF THE BOARD OF DIRECTORS

Hubert SAGNIÈRES,
Chairman and Chief Executive Officer

Philippe ALFROID,
Non-Independent Director

Benoît BAZIN,
Independent Director

Antoine BERNARD DE SAINT-AFFRIQUE,
Independent Director

Maureen CAVANAGH [(a)],
Director representing employee shareholders

Yves CHEVILLOTTE,
Independent Director

Juliette FAVRE [(a)],
Director representing employee shareholders

Xavier FONTANET,
Non-Independent Director

Louise FRÉCHETTE,
Independent Director

Franck HENRIONNET,
Director representing employees

Yi HE,
Director representing employee shareholders

Bernard HOURS,
Independent Director

Maurice MARCHAND-TONEL,
Independent Director

Marc ONETTO,
Independent Director

Olivier PÉCOUX,
Non-Independent Director

Michel ROSE,
Independent Director

16
Directors
including

8
Independent Directors [(b)]

4
employees
(3 Directors representing employee shareholders and 1 Director representing employees)

For more information:
@ Group/ Governance
www.essilor.com

COMMITTEES OF THE BOARD

- Audit and Risk Committee
- Executive Officers and Compensation Committee
- Nominations Committee
- Corporate Social Responsibility (CSR) Committee
- Strategy Committee

(a) Term of office to be renewed or ratified at the Shareholders' Meeting of May 11, 2016.

(b) The AFEP-MEDEF Code of November 2015 states that Directors representing employee shareholders and the Director representing employees should not be included when calculating the percentages of Independent Directors. As such, the independence ratio (8 out of 12) is 66.6%, pursuant to the AFEP-MEDEF Code.

2.1 BOARD OF DIRECTORS

2.1.1 Board of Directors

As of December 31, 2015, Essilor's Board of Directors had 16 members, including three members representing employee shareholders and one member representing employees.

The average age of Board members in 2015 was 60.

2.1.1.1 Committees of the Board

On the recommendation of the Chairman, the Board of Directors has five special standing committees composed of members of the Board:

- the Audit and Risk Committee;
- the Executive Officers and Compensation Committee;
- the Nominations Committee;
- the Corporate Social Responsibility (CSR) Committee;
- the Strategy Committee.

Each committee reports to the Board on its work and the resulting proposals.

In early 2013, the work of the Audit Committee was extended to cover the monitoring of certain risks. By law, this role is the responsibility of the Board, which will continue to monitor strategic risk directly (including reputation risk) and risk associated with governance of the Company.

At its meeting of February 27, 2013, the Board decided to form a Corporate Social Responsibility Committee.

As part of the 2014 self-assessment of the operations of the Board of Directors and its committees, the degree of coordination between them was reviewed in order to streamline the flow of information and improve efficiency.

The role, organization, operations and accomplishments of each committee are described in Section 2.2.2.6.

2.1.1.2 List of directorships on December 31, 2015

HUBERT SAGNIÈRES

60 years old (Countries of citizenship: Canada and France)

Number of shares: 317,155

Main position held within the Company: Chairman and Chief Executive Officer (since January 2, 2012)

Business address: Essilor International – 147, rue de Paris – 94227 Charenton Cedex – France

First appointment as Director: May 14, 2008

Current term ends: 2017

Personal information – Experience and expertise

Hubert Sagnières has been Chairman and Chief Executive Officer of Essilor since January 2, 2012. He joined Essilor in 1989 as President of International Marketing. He was appointed President of Essilor Canada from 1991 to 1996 and President of Essilor Laboratories of America in 1996, then President of Essilor of America, a position he held until 2005. From 2006 to 2009, he was President of Essilor Europe and North America before being named Chief Operating Officer in August 2008, then Chief Executive Officer from January 1, 2010 to January 2, 2012.

Other positions and terms of office held on December 31, 2015

Chairman and Chief Executive Officer, Essilor International *

Other Essilor group companies

President Essilor of America, Inc. (USA)

Director, Essilor International and subsidiaries

- Essilor of America, Inc. (USA)
- Essilor Amera Pte Ltd (Singapore)
- Essilor Vision Foundation (USA)

Past positions and terms of office held over the five past years

Essilor group companies

Chief Executive Officer, Essilor International *

Director, Essilor International and subsidiaries

- Transitions Optical Inc. (USA)
- Frames for America, Inc. (USA)
- Essilor Canada Ltée / Ltd (Canada)
- Transitions Optical Holdings B.V. (Netherlands)
- Omics Software Inc. / Logiciels Omics, Inc. (Canada)
- Cascade Optical Ltd (Canada)
- Reseau Essilor in Canada Inc. / Essilor Network in Canada Inc., (Canada)
- Groupe Vision Optique Inc. (Canada)
- Optique de l'Estrie Inc. (Canada)
- Optique Lison Inc. (Canada)
- Vision Optique Inc. (Canada)
- Vision Optique Technologies Ltée (Canada)
- Visionware Inc. (Canada)
- Westlab Optical Ltd (Canada)
- Vision Web Inc. (USA)
- Econo-Optic Ltée (Canada)

* *Listed company.*

PHILIPPE ALFROID

Non-Independent Director
70 years old (Country of citizenship: France)
Number of shares: 260,740
Business address: Not applicable – retired since June 30, 2009
First appointment as Director: May 6, 1996
Current term ends: 2017
Personal information – Experience and expertise

Philippe Alfroid was Chief Operating Officer of Essilor until his retirement in June 2009. He began his career with PSDI (Project Software and Development Inc.) in Boston before joining the Essilor group in 1972. He has held executive positions in various operational departments, including contact lenses and frames. He was appointed Vice President Financial Control in 1987 and promoted to Chief Financial Officer in 1991. He was appointed Chief Executive Officer in 1996 (and became Chief Operating Officer in 2001). Philippe Alfroid, brings to the Board his very broad knowledge of the Company.

Other positions and terms of office held on December 31, 2015

Essilor group companies

Director

- Essilor of America, Inc. (USA)

External companies (non Essilor group)

Chairman of the Supervisory Board Faiveley Transport*

Director

- Eurogerm*
- Gemalto N.V. (Netherlands)*

Past positions and terms of office held over the five past years

External companies (non Essilor group)

Director

- Faiveley Transport*

BENOÎT BAZIN

Independent Director
47 years old (Country of citizenship: France)
Number of shares: 1,000
Major positions:
Senior Vice President at Compagnie de Saint-Gobain
Chairman of the Construction Products Sector at Compagnie de Saint-Gobain
Business address: Saint-Gobain – Les Miroirs – 18, avenue d'Alsace – 92096 Paris La Défense – France
First appointment as Director: May 15, 2009
Current term ends: 2018
Personal information – Experience and expertise

Benoît Bazin, Senior Vice President at Compagnie de Saint-Gobain, in charge of the Building Distribution Sector until December 31, 2015, and in charge of the Construction Products Sector as from January 1, 2016. He began his career at Saint-Gobain in 1993 as a project manager. He was subsequently Corporate Planning Director of the Saint-Gobain group from 2000 to 2002, President of the Abrasives – North America Division from 2002 to 2005, and Chief Financial Officer from 2005 until 2009. Benoît Bazin brings to the Board his experience as former Chief Financial Officer and as senior manager of a major international group involved in distribution.

Other positions and terms of office (1)

Saint-Gobain group companies

Senior Vice President, Compagnie de Saint-Gobain *

Chairman
- Saint-Gobain Produits pour la construction SAS
- Saint-Gobain Matériaux de construction SAS

Chairman of the Supervisory Board
- Saint-Gobain Weber

Chairman of the Board of Directors
- Saint-Gobain Isover
- Saint-Gobain Pam

Director
- Fondation Saint-Gobain Initiatives

External companies (non-Saint-Gobain group)
- Association Proquartet-Cemc

Past positions and terms of office held over the five past years

Saint-Gobain group companies

Chairman
- Saint-Gobain Distribution Bâtiment Sas (b)
- Partidis Sas (b)

Chairman of the Supervisory Board
- Point P S.A. (b)
- Lapeyre (b)

Chairman of the Board of Directors
- Projeo (b)
- Saint-Gobain Distribution Nordic AB (Scandinavia) (b)
- **Director**
- Jewson Ltd (United-Kingdom) (b)
- Saint-Gobain Building Distribution Ltd (United-Kingdom) (b)
- Norandex Building Material Distribution Inc. (USA) (b)

Member of the Supervisory Board
- Saint-Gobain Building Distribution Deutschland GmbH (Germany) (b)
- Saint-Gobain Distribution The Netherlands B.V. (Netherlands) (b)

(1) As from January 1, 2016.
(b) Term of office expired during the fiscal year.
** Listed company.*

ANTOINE BERNARD DE SAINT-AFFRIQUE

Independent Director
51 years old (Country of citizenship: France)
Number of shares: 1,000
Major position: Chief Executive Officer of Barry Callebaut (Switzerland)
Business address: Barry Callebaut, Pfingstweidstrasse, 8005 ZÜRICH (Switzerland)
First appointment as Director: May 15, 2009
Current term ends: 2018
Personal information – Experience and expertise

Antoine Bernard de Saint-Affrique is Chief Executive Officer of Barry Callebaut since October 1, 2015. He joined Unilever in 2000 after serving as Marketing Director of Amora-Maille (Danone group then PAI), holding the positions of Vice President, Sauces and Condiments Europe until 2003 and of Chairman and Chief Executive Officer of Unilever Hungary, Croatia, Slovenia from 2003 to 2005. He was subsequently Vice President of the Unilever group, in charge of Central and Eastern Europe and Russia from March 2005 until August 2009 and Executive Vice President in charge of skin products for the Group from August 2009 to September 2011, then President of Unilever's Foods category and member of the Group's Executive Committee until September 30, 2015. Bernard de Saint-Affrique brings to the Board his international experience and his skills in marketing and sales.

Other positions and terms of office held on December 31, 2015

Barry Callebaut group companies

- Chief Executive Officer of Barry Callebaut [(a)] *

Director

- Barry Callebaut Sourcing AG [(a)]
- Barry Callebaut Cocoa AG [(a)]

Past positions and terms of office held over the five past years

Unilever group companies

- President of Unilever's Foods category * [(b)]

Executive Vice President, Unilever, Skin Care and Skin Cleansing Unilever (Central & Eastern Europe)

Director

- Inmarko (Russian Federation)
- Icosmeticals SAS

(a) Term of office started during the fiscal year.
(b) Term of office expired during the fiscal year.
** Listed company.*

MAUREEN CAVANAGH

Director representing employee shareholders

52 years old (Country of citizenship: USA)

Number of shares: 2,025

Major position: President of Vision Impact Institute (USA)

Business address: 13515 N Stemmons Frwy – Dallas – TX – 75234 (USA)

First appointment as Director: November 27, 2012 [(1)] / May 16, 2013

Current term ends: 2016

Personal information – Experience and expertise

Maureen Cavanagh has been President of the Vision Impact Institute (Dallas) since October 1, 2014 and was previously President of Nassau Lens Company and of OOGP since December 2009. After working at Johnson & Johnson, she joined the Essilor group in October 2005. Since May 2012, she has represented the Essilor Employee Shareholders' Association in the USA and has been a member of the Board of Directors. She brings to the Board her experience and knowledge of the ophthalmic industry. In addition, she contributes to the broadening of international representation and diversity on the Board.

Other positions and terms of office held on December 31, 2015

Essilor group companies

President

- Vision Impact Institute (USA)

Member of the Board of Directors, Valoptec Association

Past positions and terms of office held over the five past years

Essilor group companies

President

- Nassau Lens Co, Inc. (USA)
- OOGP, Inc. (USA)

Director

- Nassau Lens Co, Inc. (USA)
- OOGP, Inc. (USA)
- Shore Lens Co, Inc. (USA)

(1) Cooptation followed by ratification by Shareholders' Meeting.

YVES CHEVILLOTTE

Independent Director

72 years old (Country of citizenship: France)

Number of shares: 2,257

Business address: Not applicable – retired since January 2004

First appointment as Director: May 14, 2004

Current term ends: 2016

Personal information – Experience and expertise

Yves Chevillotte was Chief Executive Officer of Crédit Agricole SA from 2002 to his retirement in 2004. He started at the Crédit Agricole group in 1969, where, in 1985, he became head of its regional branches. In 1999, he joined of the Caisse Nationale du Crédit Agricole as Executive Vice President in charge of the Market Development Division. Yves Chevillotte brings to the Board his experience as senior manager of a major international bank and his knowledge of financial matters.

Other positions and terms of office held on December 31, 2015

Chairman of the Board of Directors

- Arvige
- G.A.S.F.O.

Vice President of the Board of Directors SA Soredic

Member of the BPI Orientation Committee

Past positions and terms of office held over the five past years

Director

- Mission Possible
- F.R.A.C.

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JULIETTE FAVRE

Director representing employee shareholders
43 years old (Country of citizenship: France)
Number of shares: 2,479
Major position: Director of the Global Customer Service for the Instruments Division
Business address: 64*bis* avenue Aubert – 94300 Vincennes (France)
First appointment as Director: May 5, 2015 (with effect from May 6, 2015)
Current term ends: 2017
Personal information – Experience and expertise

Juliette is Director of the Global Customer Service for the Instruments Division of Essilor group and President of Valoptec Association. She began her career at SEITA as engineer in the industrial sector. She joined Essilor in 2000 on Europe distribution sector to manage organization and support projects. In 2007, she joined the Research and Development Department as project manager in charge of New Products. In 2007 she was sent to Singapore to provide technological advisory to Asia-Pacific zone, then to Bangkok in 2009 in charge of Asia industrial engineering teams. In 2012, she is appointed as Industrial Director and comes back to France to ensure industrial recovery of the Instruments Division and develop new service activities with high added value by developing the customer service and the supply chain.

Other positions and terms of office held on December 31, 2015

Essilor group companies

- Chairman of the Board of Directors of Valoptec Association
- Chairman of the Supervisory Board of Fonds Valoptec International fund

Past positions and terms of office held over the five past years

None

XAVIER FONTANET

Non-Independent Director

67 years old (Country of citizenship: France)

Number of shares: 324,307

Business address: Not applicable – retired since December 31, 2011

First appointment as Director: June 15, 1992

Current term ends: 2016

Personal information – Experience and expertise

Xavier Fontanet was Chairman and CEO of Essilor from 1996 to 2009, then Chairman of the Board of Directors from January 1, 2010 to January 2, 2012. He is still a Director. He began his career as Vice President of the Boston Consulting group and became Chief Executive Officer of Bénéteau in 1981. He managed food service operations for the Wagons-Lits group from 1986 until 1991. He joined Essilor in 1991 as Chief Executive Officer. Xavier Fontanet brings to the Board his extensive knowledge of the ophthalmic optics industry and of the Company.

Other positions and terms of office held on December 31, 2015

Director

- L'Oréal * (Chairman of the Appointments and Governance Committee)
- Schneider Electric SE *

Permanent representative of Essilor International on the Board of Directors of Association Nationale des Sociétés par Actions (ANSA)

Chairman

- Fondation Fontanet

Past positions and terms of office held over the five past years

Essilor group companies

Chairman of the Board of Directors, Essilor International *

Chairman

- Nikon and Essilor International Joint Research Center Co. Ltd (Japan)

Director

- Nikon-Essilor Co. Ltd (Japan)
- Nikon and Essilor International Joint Research Center Co. Ltd (Japan)
- Essilor Manufacturing India Private Ltd (India)

External companies (non Essilor group)

Director

- Crédit Agricole SA*
- Fonds stratégique d'investissement (SA)

* *Listed company.*

LOUISE FRÉCHETTE

Independent Director
69 years old (Country of citizenship: Canada)
Number of shares: 1,000
Business address: Not applicable
First appointment as Director: May 11, 2012
Current term ends: 2018
Personal information – Experience and expertise

Louise Fréchette is a member of the Board of the Global Leadership Foundation. From 1998 to 2006, she was the Deputy Secretary-General of the United Nations, the first appointee to this position. Prior to that, she pursued a career in the Public Service of Canada, serving as Ambassador to Argentina, Ambassador and Permanent Representative to the United Nations, Associate Deputy Minister of Finance and Deputy Minister of National Defense. Louise Fréchette brings to the Board, among other things, her UN and non-governmental organizations experience, her knowledge of emerging countries and her experience in sustainable development and governance matters. She is Chairman of the CSR Committee.

Other positions and terms of office held on December 31, 2015

Member of the Board of Directors
- Global Leadership Foundation (United Kingdom) [(a)]

Past positions and terms of office held over the five past years

Chairman of the Board of Directors
- Centre Pearson pour le Maintien de la Paix (Canada)
- CARE CANADA (Canada) [(b)]

Member of the Board of Directors
- Centre Pearson pour le Maintien de la Paix (Canada)
- Conseil des relations internationales de Montréal (Canada)
- CARE CANADA (Canada) [(b)]
- CARE INTERNATIONAL (Switzerland) [(b)]

(a) Term of office started during the fiscal year.
(b) Term of office expired during the fiscal year.

YI HE

Director representing employee shareholders

62 years old (Country of citizenship: China)

Number of shares: 22,477

Major position: Chairman of Essilor (China) Holding Company

Business address: Unit D2, 20th Floor – N° 398 Huai Hai Middle Road – Luwan District – Shanghai – China P.R.C. 200020

First appointment as Director: January 27, 2010 (1) / May 11, 2010

Current term ends: 2017

Personal information – Experience and expertise

Yi He is a Director representing the Valoptec Association. Since September 2010, he has been Chairman of Essilor (China) Holding Company. After studying Management and Strategy at École des Hautes Études Commerciales, in 1991 he joined the Danone group as Chief Executive Officer of the Shanghai subsidiary. He joined the Essilor group in 1996 as Chief Executive Officer of Shanghai Essilor Optical Company Ltd (China).

Other positions and terms of office held on December 31, 2015

Essilor group companies

Chairman and Director at Essilor (China) Holding Company

Director

- Shanghai Essilor Optical Company Ltd (China)
- Danyang ILT OPTICS Co. Ltd (China)
- Jiangsu Wanxin Optical Co. Ltd (China)
- Jiangsu Youli Optical Spectacles Ltd (China)
- Xin Tianhong Optical Co. Ltd (China)
- Shanghai Nvg Optics Co. Ltd (China)
- Xiamen Yarui Optical Company Ltd (China)
- Xiamen Artgri Optical Company Ltd (China)
- Xiamen Prosun Trading Co. Ltd (China)

Member of the Board of Directors, Valoptec Association

Member of the Supervisory Board, Essilor group

7-year French Purchasing Stock Plan (FCPE)

External companies (non Essilor group)

- Sun Art Retail Group Ltd (China) *

Past positions and terms of office held over the five past years

Chief Executive Officer of Shanghai Essilor Optical Company Ltd (China) (b)

(1) Cooptation followed by ratification by Shareholders' Meeting.
(b) Term of office expired during the fiscal year.
** Listed company.*

FRANCK HENRIONNET

Director representing employees
44 years old (Country of citizenship: France)
Number of shares: 2,008
Major position: European Service Center Manager at the Instrument Division of “La Compasserie” (Meuse – France)
Business address: 61, rue Bontems – 55500 Ligny-en-Barrois (France)
First appointment as Director: October 28, 2014 (Works Council appointment)
Current term ends: 2017
Personal information – Experience and expertise

Franck Henrionnet is at the head of the European Service Center at the Instrument Division of “La Compasserie” (Meuse – France) since January 2016. He joined Essilor in September 2006 as Quality Manager, Instrument Plant at “La Compasserie” until September 2010 and then was Production Manager at the Instrument Plant in Shanghai (China) until December 2012. From January 2013 to December 2015, he steered the Lean Manufacturing Project in the Instrument Division of “La Compasserie”.

Other positions and terms office held on December 31, 2015

None

BERNARD HOURS

Independent Director
59 years old (Country of citizenship: France)
Number of shares: 2,776
Business address: Not applicable
First appointment as Director: May 15, 2009
Current term ends: 2018
Personal information – Experience and expertise

Bernard Hours held the position of Chief Operating Officer of Danone from January 2008 to September 2014 and Vice President of the Board of Directors from April 2011 to October 2014. He had joined Danone in 1985 initially in sales and marketing for Evian and Kronenbourg then as Marketing Director for Danone France in 1990. He was subsequently Managing Director of Danone Hungary (1994), then of Danone Germany (1996) and lastly Managing Director of LU France in 1998. In 2001, he joined the Fresh Dairy Products Division as CEO Business Development and became Vice Chairman in 2002. Bernard Hours brings to the Board his experience as Director of a major international group and his knowledge of marketing and sales.

Other positions and terms of office held on December 31, 2015

Essilor group companies

Director

- Essilor of America, Inc. (USA)

External companies (non Essilor group)

Member of the Supervisory Board

- Somfy SA * [(a)]

Director

- Medved Limited (United Kingdom) [(a)]
- Verlinvest (Belgium) [(a)]
- Vitacoco (USA) [(a)]

Past positions and terms of office held over the five past years

Danone group companies

- Chief Operating Officer and Vice President of the Board of Directors, Danone (SA)*
- Managing Director Danone Trading B.V. (Netherlands)

Member of the Supervisory Board, Ceprodi

Director

- Danone (SA)*
- Flam's
- Danone Industria (Russia)
- OJSC Unimilk Company (Russia)
- Fondation d'Entreprise Danone (Association)

Permanent Representative of Danone (SA) (Spain)

(a) Term of office started during the fiscal year.
** Listed company.*

MAURICE MARCHAND TONEL

Independent Director

71 years old (Country of citizenship: France)

Number of shares: 1,000

Major position:

Senior Advisor, BearingPoint France SAS

Advisor Director, Invescorp. Bank B.S.C.

Business address: EACC, 37 rue de Liège, 75008 PARIS (France)

First appointment as Director: November 22, 2006 (1) / May 11, 2007

Current term ends: 2016

Personal information – Experience and expertise

Maurice Marchand-Tonel is an independent consultant. He began his career in 1970 at The Boston Consulting Group, (a start-up) and then served successively as CEO of Compagnie Olivier (1979), Sommer (1984) and Givenchy (1987). After that, he headed Ciments Français International and Transalliance. In 2000, he became a partner at Arthur Andersen / BearingPoint where he served as Senior Advisor until 2013. He is Chairman of the European American Chamber of Commerce (Paris & New York), Senior Advisor at Newbury Piret (Boston), Wombat Capital (NY), Templars Capital (Miami), and member of the Supervisory Board of Faiveley Transport. Maurice Marchand-Tonel brings to the Board his experience both as a CEO and as a high level corporate advisor.

Other positions and terms of office held on December 31, 2015

Chairman, European American Chamber of Commerce (France)

Member of the Supervisory Board, Faiveley Transport *

Director

- European American Chamber of Commerce (New York, USA)

Past positions and terms of office held over the five past years

Director

- French American Chamber of Commerce (Chicago, USA)
- European American Chamber of Commerce (Cincinnati, USA) (b)

(1) *Cooptation followed by ratification by Shareholders' Meeting.*
(b) *Term of office expired during the fiscal year.*
* *Listed company.*

MARC ONETTO

Independent Director
65 years old (Country of citizenship: France and USA)
Number of shares: 1,000
Business address: Not applicable
First appointment as Director: May 5, 2015
Current term ends: 2018
Personal information – Experience and expertise

Marc Onetto was Senior Vice President Worldwide Operations and Customer Service at Amazon from 2006 to 2013, and Executive Vice President Worldwide Operations for Solectron, a global leader in electronic manufacturing, from 2003 to 2006. Before joining Solectron, he held numerous positions with General Electric, including VP Operations Europe for GE Corporate and VP Supply Chain for GE Medical. Mr. Onetto brings to the Board his competency in the area of internet sales and logistics.

Other positions and terms of office held on December 31, 2015

Director
- Flextronics International Ltd (Singapore) *
- Forward Ventures L.L.C. (USA) [(a)]

Member of the Advisor Board
- Vidéodesk SA (France)
- Netcycler Oy (Finland)

Chairman of the Board of Directors
- Friends of Alliance EMLyon / Centrale Lyon (USA)

Past positions and terms of office held over the five past years

Senior Vice President Worldwide Operations and Customer Service of Amazon

(a) Term of office started during the fiscal year.
** Listed company.*

OLIVIER PÉCOUX

Non-Independent Director

57 years old (Country of citizenship: France)

Number of shares: 1,000

Major positions:

Executive Officer of the group Rothschild & Co

Managing Partner of Rothschild et Cie Banque

Business address: ROTHSCHILD & Cie – 23bis avenue de Messine – 75008 Paris – France

First appointment as Director: January 31, 2001 (1) / May 3, 2001

Current term ends: 2018

Personal information – Experience and expertise

Olivier Pécoux is Chief Executive Officer of the group Rothschild & Co, which he joined in 1991. Since June 2012, he is Executive Director of Rothschild & Co Gestion, General Partner of Rothschild & Co SCA. He began his career at Peat Marwick then at Schlumberger as a financial advisor in Paris and New York. In 1986, he joined Lazard Frères in Paris and was named Vice President of the investment bank's New York office in 1988. Olivier Pécoux brings to the Board his experience in financial and banking matters and his extensive knowledge of Essilor that he has accompanied since 2001.

Other positions and terms of office held on December 31, 2015

Rothschild group companies

Chief Executive Officer, Group Rothschild & Co *

Managing Partner, Rothschild et Cie Banque

Executive Director of Rothschild & Co Gestion

Director

- Rothschild España (Spain)
- Rothschild Italia (Italia)
- Rothschild GmbH (Germany)

External companies (non-Rothschild group)

- Extend Capital

Past positions and terms of office held over the five past years

Rothschild group companies

Member of the Executive Board, Paris Orléans

Member of the Supervisory Board of Financière Rabelais

(1) Cooptation followed by ratification by Shareholders' Meeting.

** Listed company.*

MICHEL ROSE

Independent Director
72 years old (Country of citizenship: France)
Number of shares: 1,000
Business address: Not applicable – retired since May 1, 2008
First appointment as Director: May 13, 2005
Current term ends: 2016
Personal information – Experience and expertise

Michel Rose was Co-Chief Operating Officer of Lafarge, where he was mainly responsible for the Cement Division before his retirement in 2008. He joined Lafarge in 1970 as an engineer, moved to the Research Center and was later named to lead the Company's internal communications team. After managing Lafarge's activities in Brazil from 1980 to 1984, he was named Executive Vice President Human Resources and Communication and later headed the Biotechnologies Division. He was appointed Senior Executive Vice President in 1989, served as Chairman and Chief Executive Officer of Lafarge North America from 1992 to 1996 and was named to manage the Company's operations in high-growth markets in 1996. In 2003, he became Chief Operating Officer of the Lafarge group in charge of the Cement Division. Michel Rose brings to the Board his experience in human resources and of senior management of a major international group.

Other positions and terms of office held at December 31, 2015

None

Past positions and terms of office held over the five past years

Director

- La Poste
- Neopost
- Lafarge Maroc (Morocco)
- Malayan Cement (Malaysia)
- Unicem (Nigeria)

2.1.2 The Executive Committee

Chaired by Hubert Sagnières, the Executive Committee comprises the Group's main functional and operational managers with responsibilities that are either global in nature, such as Global Engineering, or pertain to major markets (Europe, North America, Latin America, Asia-Pacific and Africa).

The Executive Committee meets at least nine times a year to review the performance of the Group and its activities. It plays a unifying role by liaising with the Group's other cross-functional bodies and committees. The Executive Committee is tasked with reviewing, understanding, considering, implementing and organizing the Company's strategy and, in some cases, making strategic decisions. It reviews proposed changes and the Group's medium- and long-term outlook and goals. It issues opinions on the actions to be implemented in order to achieve them.

As at December 31, 2015, the Executive Committee has 24 members.

Tadeu	ALVES	President, Latin America Region
Eric	BERNARD	President, AMERA (Asia / Pacific / Middle East / Russia and Africa)
Jayanth	BHUVARAGHAN	Chief Corporate Mission Officer
Carl	BRACY	Executive Vice President Marketing & Business Development, Essilor of America
Jean	CARRIER-GUILLOMET	Chief Operating Officer
Lucia	DUMAS	Senior Vice President, Corporate Communications
Bernard	DUVERNEUIL	Chief Information Officer
Norbert	GORNY	Chief Research and Development Officer
Réal	GOULET	Senior Vice President, Rx Sunwear
Lena	HENRY	President, e-commerce
Eric	LEONARD	President, Essilor of America
Alexander	LUNSHOF	Corporate Senior Vice President, Legal Affairs
Frédéric	MATHIEU	Corporate Senior Vice President, Human Resources
Bernhard	NUESSER	President, Europe Region and Instruments Division
Géraldine	PICAUD	Chief Financial Officer
Patrick	PONCIN	Corporate Senior Vice President, Equipment Division and Group Support Functions (Engineering, Quality, Health & Safety, Sourcing & Procurement)
Alain	RIVELINE	Corporate Senior Vice President, Global Marketing
Thierry	ROBIN	Senior Vice President, Digital Surfacing Strategic Opportunity
Bertrand	ROY	Senior Vice President, Strategic Partnerships
Kevin	RUPP	Executive Vice President, Finance & Administration, Essilor of America
Hubert	SAGNIERES	Chairman and Chief Executive Officer
Paul	DU SAILLANT	Chief Operating Officer
Eric	THOREUX	President, Sun, Readers and Photochromics
Laurent	VACHEROT	Chief Operating Officer

2.2 CHAIRMAN'S REPORT ON CORPORATE GOVERNANCE

Reference Code: the AFEP-MEDEF Code

Pursuant to Article L.225-37 of the French Commercial Code and in accordance with the decision of the Board of Directors' Meeting of March 4, 2009, the Company declares that it adheres to the AFEP-MEDEF Corporate Governance Code for listed companies of November 2015.

This Code can be viewed online at the following address: http://www.medef.com.

In accordance with the provisions of Article L.225-37, this report includes the Chairman's Report on:

- the composition of the Board and the application of the principle of equal representation of men and women;
- the conditions governing the preparation and organization of the work of the Board of Directors during the fiscal year ended December 31, 2015;
- the internal control and risk management procedures implemented by the Company (see Section 2.2.3);
- the restrictions on the powers of the Chief Executive Officer decided by the Board of Directors;
- the specific procedures for shareholder participation in Shareholders' Meetings;
- the principles and rules applied by the Board of Directors to determine Executive Board Directors' compensation and benefits (see Chapter 2.3);
- the information that may have an impact in the event of a public offering is described in Chapter 5, Section 5.2.6.2.

In accordance with the recommendations of the AFEP-MEDEF Code and the AMF, this report includes a summary table (Chapter 2.4) which identifies the provisions of the Code that were not implemented and explains the reasons for these choices.

This report was prepared following certain procedures, mostly performed by the Secretary General and, as regards part 2.2.3 of the report, in close collaboration with the Internal Audit Department, based on written consultation and discussion with the heads (at corporate level) of the various internal control sectors within the Group. It was presented to the Audit and Risk Committee during its meeting on February 16, 2016, before being submitted to the Board of Directors for approval. This makes it possible for priorities and works in progress to be validated and for awareness of the importance of internal controls to the Company to be raised. The drafting of this report was also guided by the principles set out in the AMF's reference framework on the risk management and internal control mechanisms of listed companies. Finally, the content of this report was approved by the Board of Directors on February 18, 2016.

We are committed to steadily improving our corporate governance, year after year, not only in terms of the practices of the Board of Directors and the special committees of the Board, but also as regards the Company's internal control procedures.

2.2.1 Composition of the Board of Directors

Article 12 of Essilor's bylaws stipulates that the Company is administered by a Board of Directors of at least three members and no more than fifteen, excluding the Directors representing employee shareholders (referred to in Article 24.4 of the bylaws) and the Director representing employees.

As of December 31, 2015, the Board of Directors of Essilor was composed of sixteen members, including three Directors representing employee shareholders and a Director representing employees whose term of office started on October 28, 2014. The composition of the Board and the committees is reviewed each year, under the authority of the Nominations Committee, as part of the Board of Directors' self-assessment.

The principles which guide the composition of the Board of Directors are as follows:

- the search for a balance between experienced Directors with extensive knowledge of the Group on the one hand and, on the other, new Directors who contribute experience which can serve the Group and its future development;
- diversity of backgrounds and skills. As part of this, in 2015 and early 2016 the Nominations Committee continued its selection work with a view to appointing an increased number of women, Independent Directors and individuals with an international background.

It is in this context that changes in the composition of the Board of Directors will be submitted for approval by the Shareholders' Meeting of May 11, 2016.

Proposals submitted for approval by the Shareholders' Meeting of May 11, 2016:

The directorships of Mr. Yves Chevillotte, Mr. Xavier Fontanet, Mr. Maurice Marchand-Tonel and Mr. Michel Rose which will expire at the close of the Shareholders' Meeting of May 11, 2016 will not be renewed and the appointment of two new Directors, Ms. Henrietta Fore and Ms. Annette Messemer will be proposed:

Ms. Henrietta Fore is Chairman of the Board of Directors and Chief Executive Officer of Holsman International. She also serves on the Boards of General Mills Inc., Exxon Mobil Corporation, and Theravance Biopharma Inc. From 2007 to 2009, Ms. Fore was Administrator of the United States Agency for International Development (USAID), and Director of United States Foreign Assistance. She was the first woman to hold these positions. From 2005 to 2007, Ms. Fore served as Under Secretary of State for Management (Chief Operating Officer for the Department of State). Ms. Fore served as the 37th Director of the United States Mint in the Department of Treasury from 2001 to 2005, a role for which she received the Alexander Hamilton Award in 2005, the Department of Treasury's highest honor. Previously, she had managed private companies specialized in the manufacture of steel and cement products for use in the construction industry.

Ms. Fore also holds positions in the following organizations:

- Chair: Middle East Investment Initiative;
- Global Co-Chair: Asia Society;
- Co-chair: the North Africa Partnership for Economic Opportunity In Partners for a New beginning;
- Former Co-Chair: WomenCorporateDirectors;
- Honorary Chair of WCD Institutes, the WCD Foundation;
- Trustee: Aspen Institute; Center for Strategic and International Studies;
- Member of the following Boards: Committee Encouraging Corporate Philanthropy, Diagnostics for All, Center for Global Development, Committee for Economic Development; Initiative for Global Development;
- Member of the following organizations: American Academy of Diplomacy; American Leadership for a WaterSecure World Campaign Cabinet; Economic Club of New York; Council on Foreign Relations, the committee of 200, the International Women's Forum, the Wellesley Business Leadership Council, the Young Presidents' Organization and World Presidents' Organization, and the Chief Executives Organization.

Ms. Annette Messemer is a divisional Director at the "Corporates & Markets" at Commerzbank AG in Frankfurt (Germany). She served on the Supervisory Board of WestLB AG in Düsseldorf (Germany) until 2011. She began her career as associate at JP Morgan before taking the position as Vice President in 1999 and then as Senior Banker at JP Morgan Chase in 2003. From 2006 to 2009, she served as Managing Director at Merrill Lynch.

Ms. Annette Messemer is also a member of the Supervisory Board of K+S Aktiengesellschaft (Germany) and of Commerz Real AG (Germany).

Subject to the approval of the Shareholders' Meeting of May 11, 2016, the Board of Directors would be composed of 14 members:

- seven Directors would be independent pursuant to the AFEP-MEDEF Corporate Governance Code to which Essilor refers and the Board's independence ratio would be 70% in accordance with the rules of that Code (see Section 2.2.1.5 below);
- five Directors would be women, *i.e.*, 38.5% in accordance with the rules of the Code (see Section 2.2.1.1 below);
- five nationalities would be represented (see Section 2.2.1.4 below).

These long-awaited changes form part of the management of the term and turnover of directorships (see Section 2.2.1.2 below).

The complete list of functions of Directors in office is given, as required by law, in Chapter 2 of the 2015 Registration Document, "Corporate Governance".

2.2.1.1 Representation of women on the Board of Directors

The Board of Directors, which currently includes three women among its 15 Directors (excluding the Director representing employees, who is not counted in accordance with the Law and the AFEP-MEDEF Code), complies with the provisions of Law No. 2011-103 of January 27, 2011 regarding balanced representation of men and women, which has required 20% female representation since 2014. On the recommendation of the Nominations Committee, the Board of Directors submits the applications of two new Directors to the Shareholders' Meeting of May 11, 2016; subject to approval of these applications, the balance of men and women would be significantly improved with five female Directors, *i.e.*, 38.5% in accordance with the rules of the Code. In 2017, the composition of the Board will comply with the Law which requires balanced representation of men and women. This law provides for a minimum proportion of 40% of Directors of the same gender.

See also "Major accomplishments of the Nominations Committee in 2015" in Section 2.2.2.6.

2.2.1.2 Directors' term

Directors are currently appointed for a term of three years, which may be renewed. The Board of Directors is renewed each year during the Ordinary Shareholders' Meeting called to approve the financial statements for the previous fiscal year, so that the entire Board is re-elected over a rolling three-year period. The Shareholders' Meeting of May 7, 2014 approved a revised version of Article 14 of the bylaws, which was intended to facilitate such a harmonious renewal and to prepare for changes in the composition of the aforementioned Board of Directors.

The records pertaining to each Director (Chapter 2.1) mention the start and end dates of their directorships and the table below, which notes the end date for the term of each Director, shows balanced time phasing.

At the close of the Shareholders' Meeting of May 11, 2016, the directorships of Mr. Yves Chevillotte, Mr. Xavier Fontanet, Mr. Maurice Marchand-Tonel and Mr. Michel Rose will expire and will not be renewed. The Board thanks them warmly for their very active contributions to the Board of Directors and the committees in recent years.

End dates of the current directorships:

Members of the Board of Directors	2015	2016	2017	2018
Hubert Sagnières			x	
Philippe Alfroid			x	
Benoît Bazin	x			x
Antoine Bernard de Saint-Affrique	x			x
Maureen Cavanagh		x		
Yves Chevillotte		(b)		
Juliette Favre *	(a)		x	
Xavier Fontanet		(b)		
Louise Fréchette	x			x
Yi He			x	
Franck Henrionnet			x	
Bernard Hours	x			x
Maurice Marchand-Tonel		(b)		
Marc Onetto	x			x
Olivier Pécoux	x			x
Michel Rose		(b)		
TOTAL RENEWALS	**6**	**5**	**5**	**6**

(a) Juliette Favre was co-opted by the Board of Directors from May 6, 2015 for the remaining term of the directorship of Aicha Mokdahi, i.e., until the close of the 2017 Annual Shareholders' Meeting; ratification of the appointment of Juliette Favre will be submitted for approval by the 2016 Shareholders' Meeting.

(b) Directors whose directorships are due to expire and will not be renewed.

2.2.1.3 Obligation of Directors appointed by Shareholders' Meetings to hold shares

In accordance with Article 13 of the bylaws in force on December 31, 2015, each Director appointed by Shareholders' Meetings must own at least 1,000 shares of the Company. As an exception, the Director representing employees is not required to hold shares, pursuant to Article L.225-25 of the French Commercial Code.

The records relating to each Director (Chapter 2.1) state the number of shares held by each of them.

2.2.1.4 Expertise and experience of Directors

Members of the Board of Directors contribute management expertise and/or experience to the Company in a variety of areas, including general and practical business knowledge, expertise in a specific Essilor International business segment or several years' experience in managing international companies, and thus contribute their management expertise and/or experience. This diversity and complementarity of backgrounds is also a result of the internationalization of the Board of Directors, which includes individuals of four different nationalities as of December 31, 2015 (French, Canadian, American and Chinese); this number would increase to five subject to the approval of the Shareholders' Meeting of May 11, 2016 of the appointment of two new Directors, who are of American and German nationality respectively.

For more details, see the list of directorships and their respective nationalities in Section 2.1.1.2.

The Company's Directors have a duty to be vigilant and exercise complete freedom of judgment.

Above all, this freedom of judgment allows them to participate independently in the decisions or work of the Board and, if necessary, the special Board committees.

2.2.1.5 Independence of the members of the Board of Directors

The criteria for determining Board members' independence are set out in the Company's internal rules as adopted by the Board of Directors on November 18, 2003 and amended from time to time. These criteria, which comply with the AFEP-MEDEF Corporate Governance Code, are as follows:

"A Board member is independent when he or she has no relationship of any kind whatsoever with the Company, the Group or the management thereof which may color his or her judgment. In particular, a Board member does not qualify as an Independent Director if:

- such Board member is an employee or Executive Board Director of the Company or of a company of the Group (or has been during the previous five years);
- such Board member is an Executive Board Director of a company in which the Company holds, either directly or indirectly, a seat on the Board or in which Board membership is held by an employee of the Company designated as such or by a current or former (going back up to five years) Corporate Director of the Company;
- such Board member is a customer, supplier, investment banker or financing banker – in each case – which is material for the Company or its Group, or for which the Company or its Group represents a material proportion of the entity's activity;
- such Board member has any close family ties with a corporate director;
- such Board member has been a Statutory Auditor of the Company over the past five years;
- such Board member has been a Director for more than 12 years.

Board members representing shareholders who do not have a controlling interest in the Company are considered Independent Directors.

However, if a Board member represents a shareholder holding more than 10% of the share capital or voting rights, the Board of Directors determines whether that Board member is an Independent Director, based on the opinion of the Nominations Committee issued in writing. Such opinion takes into account:

- the composition of the share capital of the Company;
- and whether there exists a potential conflict of interest."

Each year, the Board of Directors reviews the situation of each Director with regard to the independence criteria set out in the AFEP-MEDEF Code in force.

At its meeting of December 2, 2015, the Board of Directors, on the recommendation of the Nominations Committee and after having examined the situation of each Director with regard to the independence criteria established by the AFEP-MEDEF Code, concluded out of the 16 Board members, eight could be considered independent, namely:

Louise Fréchette, Benoît Bazin, Antoine Bernard de Saint-Affrique, Yves Chevillotte, Bernard Hours, Maurice Marchand-Tonel, Marc Onetto and Michel Rose.

On December 31, 2015, the independence ratio of the Board was 66.6%, pursuant to the recommendations of the AFEP-MEDEF Code (*i.e.*, not including the three Directors representing employee shareholders and the Director representing employees).

The Board is of the opinion that none of these Directors who qualified as independent had any material business relationships with the Company and its Group. It is especially noteworthy that the Saint-Gobain group, where Benoît Bazin is an officer, has no significant current business with the Company.

However, the following Directors did not qualify as independent:

- Hubert Sagnières, Chairman and Chief Executive Officer since January 2, 2012;
- Xavier Fontanet, Chairman of the Board of Directors until January 2, 2012;
- Philippe Alfroid, Chief Operating Officer until June 30, 2009, who remained a Director after his retirement on that date and whose term has exceeded 12 years;
- Olivier Pécoux, a Director whose term has exceeded 12 years. Mr. Alfroid and Mr. Pécoux, whose respective terms have exceeded 12 years, are not considered as Independent Directors, pursuant to the recommendations of the AFEP-MEDEF Code. That said, the individuals concerned have always demonstrated an independence of mind and the exercise of a mandate over time constitutes an assurance of the capacity to act freely;
- the three Directors representing the employee shareholders: Maureen Cavanagh, Juliette Favre, Yi He;
- the Director representing employees: Franck Henrionnet.

The proportion of Independent Directors at the close of the Shareholders' Meeting of May 11, 2016 would increase to 70% pursuant to the recommendations of the AFEP-MEDEF Code, subject to approval of the resolutions put to the vote. As part of the review of the two candidacies (see Section 2.2.1), the business dealings between Essilor International and Commerzbank AG, where Ms. Annette Messemer serves as a Director of the "Corporates & Markets" Division at Commerzbank AG in Frankfurt (Germany) were analyzed. The possibility for Essilor International of having access to a panel of banks, in a competitive environment, excludes any dependent relationship with regard to Commerzbank AG. The remuneration received by the bank accounts for an insignificant amount of its revenue and is not therefore liable to create a dependent relationship vis-à-vis Essilor International.

In addition, in light of the low value of both the credit commitments granted by the bank to Essilor International (or its Group) and the value of the transactions between Essilor International and Commerzbank AG, Ms. Annette Messemer is deemed an Independent Director.

Summary table detailing each Director's compliance or non-compliance with regard to the independence criteria of the AFEP-MEDEF Code

The criteria used to rule out the qualification of independence are indicated by the letter "C".

	AFEP-MEDEF independence criteria						
	Employee or Executive Board Director						
Directors	of Essilor International or a Group company	of Essilor International during the previous five years	Cross-directorships	Is a client, supplier, business banker or financing banker (significant business relationships)	Has a close family tie with a corporate director	Has been a Statutory Auditor of Essilor International over the last five years	Has been a Director of Essilor for more than 12 years
HUBERT SAGNIÈRES	C						
Philippe ALFROID							C
Benoît BAZIN							
Antoine BERNARD DE SAINT-AFFRIQUE							
Maureen CAVANAGH	C						
Yves CHEVILLOTTE							
Juliette FAVRE	C						
Louise FRÉCHETTE							
Xavier FONTANET		C					
Yi HE	C						
Franck HENRIONNET	C						
Bernard HOURS							
Maurice MARCHAND-TONEL							
Marc ONETTO							
Olivier PÉCOUX							C
Michel ROSE							

Non-independent.

2.2.1.6 Directors' ethical awareness

No potential conflicts of interest

In accordance with the Directors' Charter (Section 2.2.2.1), Directors have an obligation to inform the Board of any conflict of interest, even potential, and must refrain from participating in votes for corresponding resolutions and in discussions preceding this vote, including the works of special Board committees.

Participation of the Director in a transaction in which the Company, or any other company in the Group, is directly involved is brought to the attention of the Board of Directors prior to the completion of that transaction.

As part of an annual declaration, the Director informs the Board of Directors of the directorships and roles they hold in other companies and must request the opinion of the Board prior to accepting any new directorship.

The Director must, more specifically, make an annual declaration of any conflicts of interest, even potential, they have detected. On the basis of these declarations, the Board of Directors has identified no conflicts of interest. The information referred to in Appendix 1 of European Commission Regulation (EC) No 809/2004 of April 29, 2004 below contains additional information.

Based on the information above, to the Company's knowledge:

- there are no potential conflicts of interest between the duties, with regard to the issuer, and the private interests and/or other duties with regard to third-parties, of any of the members of the Company's Board of Directors. To this end, the Directors' Charter stipulates that Directors have an obligation to inform the Board of any conflict of interest, even potential, and must refrain from participating in the deliberations related thereto;
- none of the Executive or non-Executive Board Directors has a service contract with Essilor or any of its subsidiaries providing for the award of benefits at the end of such contract;
- none of the Executive or non-Executive Board Directors has been convicted of a fraudulent offense in the last five years;
- in the last five years, none of the Executive or non-Executive Board Directors has been involved in a case of bankruptcy, receivership or liquidation as a member of a Board, a management or supervisory body or as a Chief Executive Officer;

- none of the Executive or non-Executive Board Directors has been publicly charged and/or sanctioned by statutory or regulatory bodies (including designated professional bodies);
- there are no family ties between the members of the Board of Directors.

Insider dealing rules

During its meeting of December 2, 2015, the Board of Directors reviewed the applicable regulations regarding the prevention of insider misconduct, especially as regards periods during which transactions involving Essilor International securities are prohibited. Consequently, on December 2, 2015, the Board approved changes to the Directors' Charter, which, above all, included the obligation for anybody with privileged information to refrain from performing, having a third-party perform or allowing another party to perform transactions involving the Company's securities based on this information, during the period in which this information has not been made public (Articles 622-1 and 622-2 of the AMF General Regulation). The charter indicates that Directors must, in addition to the period preceding the publication of any privileged information of which they are aware, refrain from performing any transaction involving the securities during the abstention periods set in accordance with recommendation no. 2010-07 of the French Financial Markets Authority (AMF) of July 8, 2013.

Finally, Directors inform the AMF of transactions they performed or transactions performed by individuals with whom they are closely associated involving Essilor International securities on a yearly basis. These individual securities transaction reporting obligations are covered in the Directors' Charter, which is reviewed annually by the Board. The summary statement of transactions involving Essilor International securities carried out in 2015 by the corporate officers is included in Section 2.3.5.

2.2.2 Preparation and organization of the work of the Board of Directors

The operations of the Board of Directors and the special Board committees are governed by internal rules adopted by the Board at its meeting of November 18, 2003 and revised several times, and by a Directors' Charter. These documents are reviewed annually by the Board of Directors, as part of the self-assessment of the operations of the Board of Directors, in order to account, above all, for changes in regulations and in the AFEP-MEDEF Code. The main elements of these two documents are reproduced or summarized below. The complete version of these documents is also available, along with the bylaws, under the "governance" section of the Company's website.

2.2.2.1 Internal rules of the Board of Directors and the Directors' Charter

The internal rules of the Board of Directors and the Directors' Charter, whose current versions were updated on December 2, 2015, describe (i) the operating methods for the Board and the committees and (ii) the rights and obligations of each Director of Essilor International respectively.

The charter requires each Board member to commit to regularly attending meetings of the Board of Directors and Shareholders' Meetings, to informing the Board of Directors of any potential or actual conflict of interest, and to refraining from participating in the corresponding proceedings, including the work of special Board committees. Board members must also keep the Board informed of directorships held in other French and foreign companies and, in the case of Executive Board Directors, seek the opinion of the Board before accepting a new corporate office. Directors must consider themselves subject to an obligation of professional secrecy as regards information which is not public and which they have come to know in the course of their duties; this goes further than the obligation of discretion provided for in Article L.225-37-4 of the French Commercial Code.

The main amendments made in 2015 to the internal rules of the Board and the charter mainly concerned the following points:

- updates in accordance with recommendations in the AFEP-MEDEF Code of November 2015;
- the composition of the Nominations Committee, of which at least half of the members must be appointed from among the Independent Directors;
- the abolition of the Strategy Committee's steering group;
- in terms of training, it is specified that, where necessary, training delivered to the Director representing employees must be undertaken in accordance with legal conditions, particularly with regard to the number of hours of training each year. This clarification refers to the obligations under the Decree of June 3, 2015 on which the Board of Directors of Essilor International deliberated at its meeting on July 29, 2015.
- insertion of a reference to the policy of reimbursing Directors' expenses.

2.2.2.2 Roles and responsibilities of the Board of Directors

The Board of Directors is a collegial body whose roles and responsibilities – in addition to those defined by law and regulations – are to:

- decide the criteria to be applied to determine whether Directors are independent and review these criteria each year;
- identify the Directors who meet the independence criteria;
- review and, if appropriate, approve major strategic choices;
- review (i) any acquisition or sale, as part of the new business / new country strategy, which exceeds €100 million and (ii) any acquisition or sale other than those referred to in (i) which exceeds €150 million. These transactions are subject to formal approval by the Board;

- approve material restructuring and investment projects that do not form part of the stated strategy;
- monitor the implementation of the Board's decisions;
- review and approve the financial statements;
- assess the performance of Board members (collectively and individually) and of members of Senior Management;
- ensure that the Company's tradition of managerial excellence is maintained;
- discuss and, if appropriate, approve the choice of candidates for election as corporate offices and their compensation on the recommendation of the Executive Officers and Compensation Committee;
- discuss and, if appropriate, approve the appointment of the members of the special Board committees on the recommendation of the Nominations Committee;
- discuss and if appropriate, approve Group Senior Management succession plans and major organizational changes;
- review the procedures for identifying, evaluating, auditing and monitoring the Group's commitments and risks;
- monitor the Group's financial reporting so as to ensure that investors receive relevant, balanced and strategic information on the Company's strategy, development model and long-term outlook.

On the recommendation of the Nominations Committee and with the approval of the Chairman of the Board of Directors, the Board may create special committees and set the rules governing their remit and composition. These committees act on the authority delegated to them by the Board and make recommendations and proposals to the Board. The structure of the tasks allocated to each committee as well as their respective compositions are reviewed by the Board of Directors on an annual basis, as part of the self-assessment of the operation of the Board of Directors.

2.2.2.3 Self-assessment of the operation of the Board

A formal assessment of the operation of the Board of Directors has been performed on an annual basis since 2004 and is included in two specific items on the agenda for meetings of the Board of Directors:

- during the launch of the process whereby the Board of Directors approves the methodology and appoints one Independent Director responsible for overseeing it;
- when the findings of the self-assessment are announced by said Independent Director, after having previously been shared with the Nominations Committee.

Such assessments often lead to changes in the internal rules of the Board of Directors and the Directors' Charter. The results of the self-assessment are presented to shareholders in the Registration Document. The assessment covers the three objectives set out in Article 10.2 of the AFEP-MEDEF Corporate Governance Code (review the operating procedures of the Board, ensure that important issues are suitably prepared and discussed, and measure the contribution of each Director to the Board's accomplishments).

In 2015, a new formal self-assessment was entrusted to an Independent Director, assisted by the Secretariat of the Board of Directors, under the authority of the Nominations Committee.

The Independent Directors meet at least once a year without the Executive Directors in attendance, to conduct the performance evaluation of the Chairman and Chief Executive Officer.

The report on the questionnaires showed that the Directors have an overall positive assessment of the Board and the committees, whom they acknowledged in 2015 for the substantial improvements made in terms of the quality of documentation, the quality of presentations and the timeliness of communication; in particular, they noted the mutual respect shown during discussions and the constructive nature of such discussion that encourages the consideration of concerns and freedom of expression.

The Directors welcomed the follow-up given to the previous self-assessment in 2014 as regards the diversification of the composition of the Board of Directors: a key feature of 2015 was the appointment of new Directors Marc Onetto and Juliette Favre and in 2016, the candidacies of two new Directors will be submitted for approval by the Shareholders' Meeting on May 11, 2016. The Nominations Committee's long-standing commitment to this process is to be continued in 2016, in order to reach the 40% minimum threshold of Directors of the same gender in 2017.

Additional improvements could be made to further enhance the quality of governance:

- presentations that are more summary in nature, aimed at increasing the time spent in debate sessions;
- increased importance given to the Company's overall strategy and further development of certain subject areas;
- shorter time frames for the publication of minutes of the meetings of the Board of Directors and committees;
- management of speaking time during meetings.

2.2.2.4 Information and training for the Board of Directors

Information

All documents that are necessary for informing the Board members about the agenda and any matters to be discussed by the Board are enclosed with the notice of meeting or sent, handed to or otherwise made available to them within a reasonable period in advance of the meeting.

These documents may be sent via a secure digital platform within a reasonable time frame prior to the meeting.

Each Board member is required to ensure that he or she has all the information they deem essential to the proper conduct of the work of the Board or the special Board committees. If any information is not made available or if a Director believes that information may have been withheld, he or she must ask for it to be supplied. Board members' requests are made to the Chairman of the Board (or the Chief Executive Officer if the two positions are separated), who is obliged to ensure that Board members are able to fulfill their duties.

Between meetings, Board members also receive all useful as well as business-critical information about all events or transactions that are material to the Company. In particular, they receive copies of all press releases published by the Company.

As in prior years, Board members were informed of the blackout periods for 2016, during which they may not trade in Essilor International shares or any instruments that have Essilor

International shares as their underlying, either directly or through a third-party. They were also given a copy of the ethics guidelines drawn up by the Company, which state that Board members are considered as permanent insiders because they regularly receive price-sensitive and other confidential information.

Training

Directors may receive training upon their appointment or throughout their directorship. These training sessions are organized and provided by the Company, at its expense. Directors may, if they deem it necessary, receive additional training in the specifics of the Company, its business and its industry.

Upon their appointment, the members of the Audit and Risk Committee are provided with specific details about the Company's accounting, financial and operational practices. The internal rules of the Board and the Directors' Charter, updated on December 2, 2015, expressly provide that any new Director is given a welcome pack including all documents pertaining to the governance of Essilor International and the option of participating in an integration program.

In 2015, Franck Henrionnet, Director representing employees, followed internal and external training in finance and governance; and Juliette Favre, Director representing employee shareholders, was undertaking an external training program provided by the French Institute of Directors (Institut Français des Administrateurs – IFA) and Sciences Po, leading to the award of a company Director certification.

2.2.2.5 Meetings of the Board of Directors in 2015

The Board meets as often as necessary in the Company's interest, and at least five times per year. The dates of the Board Meetings for the following year are set by August 31 at the latest, except in the event of an extraordinary meeting. The Independent Directors meet at least once a year without the Executive Directors in attendance, to conduct the performance evaluation of the Chairman and Chief Executive Officer.

In accordance with the internal rules of the Board, Directors are convened at least seven days prior to each meeting. The Statutory Auditors are invited to attend the Board Meetings called to review the interim and annual financial statements, as provided for in Article L.823-17 of the French Commercial Code. As in prior years, the Works Council representatives on the Company's Board of Directors attended all Board Meetings held in 2015.

In 2015, the Board of Directors held five meetings on the dates set out in the schedule established in 2014, including one meeting held abroad devoted to the Group's strategy. The average duration of the meetings was 2 hours and 30 minutes.

Increased commitment from the members of the Board of Directors

In addition to participation in the meetings of the Board and the committees, the organization and preparation of these meetings requires increased availability and commitment from Directors. Between meetings, Directors must spend even more time examining information and documents. More specifically, an Independent Director is appointed in order to supervise the progress of the Board's annual self-assessment and the members of the Nominations Committee are contacted periodically so that they can meet potential candidates for directorships. The Chairmen of the committees make an active contribution in preparing the schedule for the committees' work and in preparing agendas.

Attendance of the members of the Board of Directors

The Company's bylaws state that Directors may participate in certain meetings by using videoconferencing or other forms of telecommunications, with the exception of those cases explicitly stipulated, such as the approval of the financial statements and preparation of the Management Report. The internal rules state that Directors who participate in this way are considered to be present when calculating the quorum and voting majority for the meeting.

In 2015, none of the Directors used videoconferencing or other forms of telecommunications.

Furthermore, all the Directors were present at the Combined Shareholders' Meeting on May 5, 2015.

The table below shows the number of Board and committee meetings held during the 2015 fiscal year, as well as their members and the individual attendance at each of these meetings.

The average attendance of the Directors at Board Meetings was 96.73% for all meetings of the Board and the committees.

	Board of Directors	Audit and Risk Committee	Executive Officers and Compensation Committee	Nominations Committee	Strategy Committee	CSR Committee
NUMBER OF MEETINGS IN 2015	**5**	**4**	**3**	**6**	**4**	**3**
Participation (%)						
Hubert SAGNIÈRES	100%				100%	
Philippe ALFROID	100%	100%			100%	
Benoît BAZIN	80%	100%			75%	
Antoine BERNARD DESAINT-AFFRIQUE	80%	100%			75%	
Maureen CAVANAGH	100%				100%	
Yves CHEVILLOTTE	80%	75%		80%	75%	
Juliette FAVRE [(a)]	100%	100%	100%		100%	
Xavier FONTANET	80%			100%	100%	
Louise FRÉCHETTE	100%				100%	100%
Yi HE	100%				100%	
Franck HENRIONNET	100%					
Bernard HOURS	100%		100%		100%	100%
Maurice MARCHAND-TONEL	100%		100%	100%	100%	
Aicha MOKDAHI [(a)]	100%	100%			100%	100%
Marc ONETTO [(a)]	100%		100%			
Olivier PÉCOUX	100%				100%	
Michel ROSE	100%		100%	100%	100%	

(a) Incoming or outgoing Directors during the fiscal year (see the Director records in Section 2.1.1.2 for additional information).

Major accomplishments of the Board of Directors in 2015

The matters discussed by the Board in fiscal year 2015 and the decisions taken covered a wide range of areas, including:

- **business development:** at each meeting planned in the annual schedule (excluding exceptional meetings convened to deliberate on a strategic transaction), the Chairman and Chief Executive Officer presented the Company's general position for the previous period: changes in key financial indicators, "key events" in the commercial and technical fields, state of competition, consolidation of acquired businesses, etc.;
- **2015 budget:** reviewed at one meeting at the beginning of the fiscal year;
- **financial statements:** examination and/or closure of the 2014 annual financial statements and the half-yearly financial statements, and the provisional financial statements, having heard the reports from the Audit and Risk Committee and the Statutory Auditors. On this occasion, the financial position and cash flow statement were reviewed;
- **external growth:** during each planned meeting on the schedule, the Board receives information about and debates acquisition transactions which are underway or are being considered. Furthermore, the Board is informed beforehand of the Company's general external growth policy, based on the reports of the Strategy Committee; examination of the financing arrangements for external growth operations. A meeting devoted to strategy was held abroad in September 2015;
- **financial authorizations:** approval of the renewal of authorizations to issue European bonds (European medium term notes) and delegations of powers to the Chairman and Chief Executive Officer to issue said bonds; delegation of the implementation of the share buyback program authorized in the 12th resolution of the Shareholders' Meeting of May 5, 2015; authorization to issue sureties, endorsements and guarantees and to delegate to the Chairman and Chief Executive Officer, with the power to sub-delegate, their power to grant the Company's guarantee, within the overall annual limit of €400 million;
- **notice of Shareholders' Meeting:** examination, at two meetings, and approval of draft resolutions to be submitted to the Shareholders' Meetings of May 5, 2015 and May 11, 2016;
- **governance:** amendment of the composition of committees; updating of the internal rules of the Board of Directors and the Directors' Charter and approval of a policy of reimbursing Directors' expenses; information for Directors on the AMF recommendations regarding strategic acquisitions and disposals that gave rise to the update to the AFEP-MEDEF Code in November 2015; completion of the annual self-assessment and examination, based on the recommendations of the Nominations Committee, of its composition and anticipated changes (see Section 2.2.2.3) and annual review of the independence qualification of the members (see Section 2.2.1.5); with regard to the compensation of corporate officers, the Board has decided to change the distribution of

Directors' fees between members following approval by the Shareholders' Meeting of May 5, 2015 of the overall budget for Directors' fees, determining the compensation of the Chairman and Chief Executive Officer; pursuant to AMF recommendation No. 2012-05 of July 2, 2012, restated on February 11, 2015, regarding Shareholders' Meetings of listed companies, and in particular clause No. 20, the Company has adopted an Internal Charter regarding the certification of agreements uploaded to the Company's website; annual review of the related party agreements authorized during previous fiscal years, the implementation of which continued in 2015;

- **corporate social responsibility:** review of reports with regard to non-financial reporting; presentation of corporate mission activities as well as the sustainable development strategy roadmap and the key actions to be implemented;
- **employee-related issues:** information on Company developments in employee-related matters in 2014 (changes in the number of employees, major trade union negotiations, Company policy regarding equal employment opportunity and pay, etc.), review of Essilor International's principles and values, decision to award an additional incentive payment, award of capped performance-based stock subscription options and performance shares to employees in France and the major foreign subsidiaries pursuant to the 14th, 15th and 16th resolutions of the Shareholders' Meeting of May 5, 2015, completion of a capital increase reserved for employees who are members of a company savings plan pursuant to the 13th resolution of the Shareholders' Meeting of May 5, 2015 (see Section 5.2.1.4); examination of the opinion issued by the Central Works Council regarding strategic direction;
- **committees' reports:** the Board heard, for the preparation of its deliberations above in the areas that concern them respectively, reports from the Audit and Risk Committee (three reports), the Nominations Committee (four reports), the Executive Officers and Compensation Committee (three reports), the Strategy Committee (four reports) and the Corporate Social Responsibility Committee (three reports).

Minutes

The draft minutes of each Board Meeting were sent to all Directors no later than the date of notice of the next meeting.

2.2.2.6 Committees of the Board of Directors

On the recommendation of the Nominations Committee, the Board may create special committees and set the rules governing their remit and composition. The latest update to the composition of the committees was made during the meeting of the Board of Directors on December 2, 2015 and the Board's self-assessment of December 2, 2015 prompted no new changes. These committees act on the authority delegated to them by the Board and make recommendations and proposals to the Board. Indeed, the committees must not replace the Board, but are an offshoot which facilitates its work.

Audit and Risk Committee

Composition

The internal rules of the Board of Directors stipulate that the Audit and Risk Committee is to be comprised of at least three members, appointed by the Board of Directors from among the Directors of Essilor. At least two-thirds of the committee's members must be Independent Directors. The members of the Audit Committee cannot hold Senior Management positions, nor can they serve as Executive Board Directors of the Company. They should have specific expertise in accounting and financial matters.

The Audit and Risk Committee is chaired by an Independent Director appointed by the Board of Directors on the recommendation of the Nominations Committee. Their appointment or renewal, which is proposed by the Nominations Committee, is subject to particularly close scrutiny by the Board of Directors.

The Audit and Risk Committee is chaired by Yves Chevillotte.

On December 31, 2015, the Audit Committee also included Philippe Alfroid (as of July 1, 2009), Antoine Bernard de Saint-Affrique, Benoît Bazin and Juliette Favre. All of these individuals have, during the course of their career, undertaken tasks which require financial and accounting skills.

Role

Under the Board of Directors' internal rules and in accordance with Article L.823-19 of the French Commercial Code and AMF recommendations issued in 2010, the Audit and Risk Committee, acting under the responsibility of the Board of Directors, follows up on issues related to the preparation and control of accounting and financial information.

Without encroaching upon the responsibilities of Senior Management, the Audit and Risk Committee is tasked with overseeing:

- the process for the preparation of financial information;
- the effectiveness of internal control and risk management systems;
- the statutory audit of the annual financial statements and, if applicable, the consolidated financial statements by the Statutory Auditors;
- the Statutory Auditors' independence;
- and, generally speaking, the review of all financial statements presented during the year.

It makes recommendations concerning the choice of Statutory Auditors to be appointed by the Shareholders' Meeting or the body exercising an equivalent function.

As part of its role, the Audit and Risk Committee also has to report regularly to the collegial body in charge of the management of its activities and notify it immediately of any difficulties or material problems that it encounters.

In this context, its remit also extends to analyzing the procedures in place within the Company that ensure:

- the integrity of the financial statements:
  - presentation of the half-yearly and annual financial statements and elements of the associated Registration Document to the Audit and Risk Committee,
  - review of the key assumptions impacting the recognition and reporting of any material changes made to the accounting principles;

- the effectiveness of internal control and major risk management procedures:
  - understanding of how the Company identifies, evaluates, anticipates and manages its key financial, operational, compliance and reporting risks (on the contrary, the committee is not responsible for investigating issues related to strategic risks or to risks related to governance unless requested otherwise by the Board), assessment of the competence, availability and positioning of the organization in charge of monitoring the Company's risk control,
  - issuing recommendations, if necessary, for the (i) implementation of corrective actions in the event of weaknesses or significant deficiencies, (ii) improvement of existing procedures, and (iii), if required, the introduction of new procedures;
- the Audit and Risk Committee may also be consulted by the Board or by Senior Management about any issues concerning procedures to control non-recurring risks;
- compliance with legal and statutory requirements:
  - compliance with accounting regulations and proper application of the Company's accounting principles and policies,
  - cognizance of major disputes for the year,
  - review of measures to prevent risks related to economic regulation (compliance),
  - compliance with securities regulations and the strict insider dealing rules in force within the Company;
- the performance, qualifications and independence of the Statutory Auditors:
  - recommendation regarding the appointment or renewal of the Statutory Auditors,
  - resolution of potential disagreements between the positions of the Statutory Auditors and Senior Management,
  - review and evaluation of the qualifications, performance, fees, independence and compliance with the rules of professional incompatibility of the Statutory Auditors, including the main partner,
  - review of the rotation regulations applicable to the main partner and evaluation of the need for rotation among the Statutory Auditors,
  - review of the Statutory Auditors' Reports, information brought to the attention of the Board pursuant to Article L.823-16 of the French Commercial Code and the responses provided by Senior Management, including the quality of internal control procedures and the preparation process for financial information;
- the performance of internal audits:
  - review of the Internal Audit Charter, its role and scope of work,
  - review of the budget, resources and means available to the internal audit team,
  - review of the proposed audit plan for the year by the Internal Audit Director,
  - review of the main results presented by the Internal Audit Director,
  - review of the effectiveness of the Internal Audit Department,
  - opinion on the appointment and replacement of the Internal Audit Director.

In accordance with the internal rules of the Board of Directors, "the committee is endeavoring to meet at least two days before the Board Meeting, at least for meetings whose agenda involves the review of financial statements (annual and half-yearly financial statements).

In order to successfully complete their mission, the members of the Audit and Risk Committee must have a minimum of five days to familiarize themselves in advance with supporting documents for the discussions and, above all, to examine the financial statements prior to publication".

Major accomplishments in 2015

The work of this committee is based on the recommendations of the AMF Audit Committee Working Group of June 14, 2010 and the committee's 2014 self-assessment, renewed in December 2015 as part of the Board of Directors' self-assessment.

The Audit and Risk Committee met four times (with a participation rate of 94% for the year) and heard the Group's Chief Financial Officer, the Secretary General, the Group Chief Legal Officer, the Group Internal Audit Director, the Information Systems Director and the Statutory Auditors.

The committee discussed the following topics at these meetings:

- financial statements: review of the financial statements for the fourth quarter of 2014, 2014 annual financial statements, provisional management documents, the financial statements for the first quarter of 2015, the first half of 2015 and the third quarter of 2015 (this examination was performed with sufficient time (at least two days) before the relevant meetings of the Board of Directors); this examination was accompanied by a presentation by the Chief Financial Officer regarding the Company's significant off-balance-sheet commitments;
- internal audits and internal control: internal audit plan for 2016 as part of the multi-year "roadmap" with monitoring of internal and external audit assignments, Chairman's Report on corporate governance and internal control, performance indicators, budget and review of the activity (productivity measurement) of the internal audit and the internal control and associated Group risks self-assessment process, referred to as "iCare";
- finance: review of the share buyback policy, off-balance sheet commitments, financing and rating, asset mapping; post-acquisition review; presentation of the tax structuring and information on the draft regulation concerning the introduction of new country-by-country reporting on taxation;
- presentation and review of current regulations and in particular the draft European Regulation on data protection;
- risk control: presentation of information systems, information security systems, prevention of cybercrime, the legal compliance program and the 2016 action plan (particularly in respect of competition law and the prevention of corruption);

- litigation and fraud;
- preparation of the 2016 work schedule.

The Audit and Risk Committee also met with the Statutory Auditors with the Group executives not present.

On February 16, 2016, the 2015 consolidated financial statements were reviewed by the Audit and Risk Committee.

Nominations Committee

Composition

The internal rules of the Board of Directors stipulate that the Nominations Committee is comprised of a maximum of six members, at least half of whom are appointed from among the Independent Directors. The Chairman is appointed by the Board after approval by the members of the Nominations Committee.

The Nominations Committee is chaired by Xavier Fontanet, and comprised of Yves Chevillotte, Maurice Marchand-Tonel and Michel Rose, all three of whom are Independent Directors. The Chairman and Chief Executive Officer and a Director representing employee shareholders are involved in the work of the committee.

Role

As described in the Board's internal rules, the role of the Nominations Committee, as part of the duties of the Board of Directors, is to:

- make recommendations to the Board concerning the choice of Directors;
- supervise the Board's self-assessment process;
- make recommendations to improve the operations of the Board;
- identify Independent Directors to be approved by the Board;
- evaluate Directors' performance;
- manage the Board's development process and Directors' performance;
- suggest people to the Board of Directors as members of the special committees;
- reflect on the composition of the Board of Directors and any possible developments;
- prepare for a change of Directors, if necessary.

Major accomplishments in 2015

The committee met six times in 2015 (with a participation rate of 96% for the year), including two meetings held by means of telecommunications.

It reviewed the following matters:

- preparation of the appointment of the Director representing employees (training, distribution of Directors' fees, etc.);
- review of draft resolutions for submission to the Shareholders' Meeting regarding the composition of the Board of Directors;
- confirmation of the Independent Director classification given to certain Directors, following a review conducted by one of the Independent Directors (see Section 2.2.1.5);
- consideration of potential candidates for directorships and preparation of the reappointments over the next few years (especially in terms of improving the gender parity) and consideration of the composition of the committees;
- project involving preparation of a succession plan for Executive Board Directors;
- review of the findings of the Board's self-assessment (see Section 2.2.2.3).

Executive Officers and Compensation Committee

Composition

The Board of Directors' internal rules stipulate that the Executive Officers and Compensation Committee is to have at least three members, all of whom must be Independent Directors of Essilor International.

There are no Executive Board Directors on the committee. The committee is chaired by a Director appointed by the Board from among the independent members.

The Executive Officers and Compensation Committee is comprised of Michel Rose (Chairman), Bernard Hours, Maurice Marchand-Tonel and Marc Onetto, all four of whom are Independent Directors.

Role

The role of the Executive Officers and Compensation Committee, as described in the Board's internal rules, is to:

- make recommendations regarding the compensation of corporate officers (Executive Board Directors and Directors);
- make recommendations regarding the award of stock options and/or free "performance" shares for these Executive Board Directors and regarding the number of shares from options exercised or performance shares that Executive Board Directors must retain until their term is over;
- review the Company's general compensation policies;
- submit the draft report regarding compensation to the Board on an annual basis. The Shareholders' Meeting must make a decision regarding this report as part of an advisory vote;
- make recommendations to the Board regarding the selection of Executive Board Directors;
- assist the Chairman and the Board in the Group's Senior Management succession planning and their plans for major organizational changes.

Major accomplishments in 2015

The Executive Officers and Compensation Committee met three times in 2015 (with a participation rate of 100% for the year) to consider the following topics to submit recommendations to the Board:

- review the 2014 performance of the Chairman and Chief Executive Officer for the final calculation of his variable compensation for the previous fiscal year;
- rules for determining the variable compensation of the Chairman and Chief Executive Officer for fiscal year 2014;
- review of a benchmark for the compensation of executives of comparable companies;
- review of the budget for Directors' fees, in preparation for the Shareholders' Meeting of May 5, 2015;
- the structure and components of the compensation of the Chairman and Chief Executive Officer for fiscal year 2015;
- 2015 plans for free award of shares and stock subscription options and review of the conditions for future plans as part of the preparation of draft resolutions to be submitted to the shareholders for voting at the Shareholders' Meeting of May 5, 2015.

Strategy Committee

Composition

The internal rules of the Board of Directors stipulate that the Strategy Committee is to include all Essilor Board members. The Chairman of the Strategy Committee is the Chairman of the Board of Directors.

Role

The role of the Strategy Committee, as described in the Board's internal rules and as part of the duties of the Board of Directors, is to regularly review the Company's product, technology, geographic and marketing strategies. To do this, the Chief Executive Officer makes regular presentations to the Board on these issues, assisted where necessary by Executive Committee members.

Major accomplishments in 2015

The Strategy Committee met four times in 2015 (with a participation rate of 96% for the year).

The committee reviewed the following matters:

- strategy in France and in Europe;
- Essilor of America's strategy as well as strategy in the AMERA region;
- changes made to the strategy during the last two years, particularly as regards online activity, as well as the key strategic options in the coming years;
- the Sunglasses & Readers business.

After each of its meetings, a summary of the reports and discussions was presented to the Board of Directors by the Chairman.

The Corporate Social Responsibility (CSR) Committee

Composition

The CSR Committee was established following the deliberations of the Board during their meeting of February 27, 2013. The internal rules, which were amended for this purpose, provide that the CSR Committee must be comprised of a minimum of four members and a maximum of six members. Among these members, there must be two Independent Directors, as well as the Chairman and Chief Executive Officer and a Non-Independent Director representing the employee shareholders.

The CSR Committee is chaired by an Independent Director appointed by the Board of Directors on the recommendation of the Nominations Committee.

The CSR Committee is comprised of Louise Fréchette (Chair, Independent Director), Juliette Favre, Bernard Hours (Independent Director) and Hubert Sagnières.

Role

The main role of the CSR Committee, within the remit of the Board of Directors, is to ensure that the Group is even more effective at addressing the economic and societal challenges associated with our mission to "improve sight," which involves helping as many people as possible to see better, in order to live better. The Group strives to offer products customized to each individual within its entire global scope.

Its scope covers all areas of corporate social responsibility relating to the Group's mission and activities.

The CSR Committee is also responsible for the governance of the Group's societal project.

As such, and with particular regard to the Group's voluntary CSR process, the committee must:

- examine the main opportunities and risks for the Group and for all stakeholders regarding challenges specific to its role and activities;
- remain informed and help to define and approve the scope of the Group's general CSR policy as required;
- oversee the implementation and gradual roll-out of this policy and its initiatives;
- guide the Board of Directors on the Group's long-term development, including its economic development, through its CSR initiatives in the field of sight and its improvement;
- assess the risks, identify new opportunities, take account of the impact of the CSR policy in terms of economic performance and evaluate the impact for the Group of investments with social and societal goals in different businesses and in all countries;
- ensure that the Group's interests are protected and anticipate potential conflicts of interest regarding CSR investments and other Group activities;
- once a year, review a summary of the ratings given to the Group and its subsidiaries by rating agencies and via non-financial analyses;
- issue an opinion regarding the CSR Report to be published pursuant to legal obligations (Article L.225-102-1 of the French Commercial Code).

Major accomplishments in 2015

During 2015, the committee met three times (with a participation rate of 100% for the year) and discussed the following topics:

- review of the progress made in corporate mission activity and, in particular, the development of new, innovative, "inclusive" socio-economic models through the "2.5 New Vision Generation" Division;
- review of the sustainable development strategy roadmap and the main measures to be implemented;
- evaluation of the direct and indirect economic and societal impacts of corporate mission activity;
- the changing perception of Essilor's non-financial performance by recognized appraisers;
- the main CSR risks;
- review of the reports published regarding CSR and especially pursuant to regulatory obligations under the French Grenelle II law.

2.2.3 Internal control procedures implemented by Essilor

Essilor's system of internal control procedures exists pursuant to the legal framework applicable to companies listed on Euronext and is guided by the reference framework for risk management and internal control mechanisms published by the AMF on July 22, 2010.

2.2.3.1 Company internal control objectives

Generally speaking, internal controls at Essilor are a mechanism that is applicable to the parent company and its consolidated subsidiaries in France and abroad ("the Group") (see Section 2.2.3.3). Their aim is to ensure that:

- the achievement of economic and financial targets is conducted in accordance with the laws and regulations in force;
- the instructions and guidelines set by Senior Management are implemented;
- the Company's internal processes, particularly those contributing to the protection of its assets, perform properly;
- the Group's accounting and financial information is reliable and honestly presented.

Internal control contributes to the disciplined management of the business, the effectiveness of operations and the efficient use of resources. The parent company guarantees the existence of internal control mechanisms within its subsidiaries that are adapted to their sizes and associated risks.

More specifically, the purpose of internal control is to:

- ensuring that management actions or executions of transactions, and staff behavior, fall within the scope defined by the guidelines applicable to activities undertaken by the Company's corporate bodies. This includes compliance with applicable laws and regulations, as well as values, standards and rules internal to the Company;
- verify the quality and accuracy of all accounting, financial, legal and management information reported to the Company's corporate bodies, the regulatory or supervisory authorities, shareholders or the public;
- covering all of the Company's implemented policies and procedures that provide reasonable assurance that business is managed efficiently and effectively.

One of the goals of the system of internal control is to prevent and limit the risk of error or fraud, particularly of an economic, financial or legal nature, to which the Group may be exposed. However, no control system can provide an absolute guarantee that all such risks have been completely avoided, eliminated or entirely brought under control, or that the Group's objectives will be met. Indeed, the probability of achieving these goals does not depend solely on the Group's wishes, but rather on several factors, such as the uncertainty of the outside world or the commitment of an act of fraud, for example.

Risk control takes into account the main characteristics of the Group:

- its significant proportion of international activities;
- its decentralized structure;
- the specific nature of risks (see information on the risk factors that our Company may face, in Chapter 1.6);
- the strong corporate culture.

2.2.3.2 Components of the internal control mechanism

Control environment and Group values

The control environment that underlies the internal control mechanism plays an essential role at Essilor. It was built through a long history of commitment and a very strong entrepreneurial culture on the part of employees and executives. This foundation enables Essilor to welcome, both now and in the future, an ever-growing number of employees and partners, at the same time as preserving its corporate culture.

The "Essilor Principles" document, which was launched in 2011 and updated in 2014 by the Legal Affairs and Human Resources Departments and is the product of a broad consultation and gathering of proposals from around the world, forms the basis of this environment and makes it possible to share Essilor's mission, principles and values. The document is organized based on three major concepts which give Essilor's employees and partners the feeling of sharing the reputation and responsibilities of their Group in the broadest sense: a position as a world leader, rapid global expansion and a strong corporate culture. The document is currently available in 33 languages on the Group's intranet site and on its website.

Our values foster governance, business ethics and a culture of accountability and are based on "our entrepreneurial spirit," "respect and trust," "innovation," "working together," and "our diversity."

Sharing and respecting our common principles and values helps us, in our day-to-day work, to live out the mission and spirit of our Company, which consists of offering everyone ways to "see the world better." Our mission mobilizes us in the sense that good sight is an essential asset to health and also to social and professional integration, child development and personal well-being in our day-to-day lives.

At the same time, part of the charter of Valoptec, an association comprised of active and retired Essilor employees, includes a Code of Values. The goal of this association is to "promote the adoption by the Group of sound business practices and human resources management policies." The charter upholds the values of respect and trust among individuals. Members promise to uphold this charter as the foremost condition of their membership and, even though Essilor employees who are not Valoptec members do not sign this charter personally, its spirit infuses Group culture in a very real way. The members of Valoptec and other employee shareholders together hold 14% of Essilor International's voting rights. The association's bylaws are regularly updated and reviewed to ensure they are aligned with its development.

Organization of internal control

The internal control is based on:

- clear definitions of responsibilities, backed by the necessary resources and skills, appropriate information systems, procedures and processes, tools and practices;
- internal communication of all the information needed for each individual to fulfill his or her responsibilities;
- a system that aims to identify and analyze the main identifiable risks with respect to our Company objectives and to ensure the implementation of procedures to manage these risks;
- control procedures that are proportionate to the risks associated with each process and are designed to provide assurance that measures are taken to limit and, to the extent possible, manage the risks that could prevent the Company from fulfilling its objectives;
- supervision of the internal control and risk management system and regular reviews of its operations.

2.2.3.3 Key control activities and key players

Various internal control activities help to ensure that the application of standards and procedures defined at the corporate level are consistent with Senior Management's guidelines.

The departments with specific responsibility for monitoring activities are:

Internal audit and internal control

The ACS (Audit & Consulting Services) Department covers internal audits and the Group's internal control, with a total dedicated staff of 24 people as of December 31, 2015 (21 for internal audits, three for Group internal control, and its Director). Geographically, the ACS staff as of that date included employees located at the registered office in Charenton (eight people for Group internal control, Corporate, Europe and Africa operations), Dallas (six people for North America operations), Singapore (six people for Asia-Pacific and Middle East operations) and Rio de Janeiro (four people for Central America and South America operations). The ACS Director reports to one of the Chief Operating Officers. This Director has no authority over nor responsibility for the operations they control. The internal audit team also reports on its activities to the Audit and Risk Committee.

The ongoing role of the internal audit team is, within the limits of the resources allocated to it, to evaluate the functioning of risk management and internal control mechanisms, carry out regular checks and make any recommendations for its improvement. Internal audits are carried out using the same methodology applied in all geographic areas. For each audit, a report is prepared and distributed to the management of the entity, the regional Director(s) of the audited entity, the Chairman and Chief Executive Officer, the Corporate Finance Department and, depending on the nature and impact of the issues raised, the Chief Operating Officers, the Group's Legal Department and the operating or functional divisions. This report summarizes the observations and recommendations for improvement needed and the Audit and Risk Committee is informed of the most significant issues. Implementation of the recommendations is the responsibility of the audited entities. The internal audit function monitors the implementation of these recommendations by monitoring the implementation of action plans decided in agreement with them in accordance with the schedule set.

ACS regularly compares itself to the good practices in place within Internal Audit Departments at other companies. The substantial progress made in several fields in recent years – regarding its operating methods and internal efficiency – allowed ACS to win the "Innovation Prize" organized by the IFACI (French Institute of Internal Control) and its partners in November 2013. This award, for which 59 participating organizations compete, was established with the aim of increasing familiarity with and distinguishing good practices in companies and public organizations, as regards innovation in the field of internal audit and internal control. In its area of work, ACS is thus part of Essilor's long tradition of innovation at all levels.

In an effort to continuously improve, ACS has set itself new performance goals in terms of governance, risk management and internal control, mandate, human resources, technology, quality and value creation. The challenges faced by ACS (with the challenges associated with a fast-growing company and a highly decentralized operating model) are also shared with the main partners in the internal audit – including Essilor's Senior Management and Executive Committee, as well as the Audit and Risk Committee.

Consolidation

The Group's consolidated financial statements are prepared by the Group Consolidation and Reporting Department. The department is responsible for updating consolidation procedures that are first presented to the Audit and Risk Committee. With the support of Regional Financial Management Departments, this department is also tasked with training the newly consolidated subsidiaries and including them in the reporting.

The Group's consolidation is established on the basis of the local accounts of the various subsidiaries or existing sub-groups. The Consolidation and Reporting Department receives detailed financial statements according to a set schedule, performs a full review of the financial statements and makes the adjustments required for the preparation of the consolidated financial statements. These are audited by the Statutory Auditors who apply the standards of the profession.

The reporting process ensures that the Group's interim and annual financial statements are reliable. To prepare for the fiscal period-ends on June 30 and December 31, a hard close procedure is performed at May 31 and November 30.

Business analysis

Each Group entity or reporting unit has its own business analysis unit responsible for analyzing performance and preparing forecast cycles. The Group entities are supported by a business analysis unit in each operating division to which they are attached.

The Group's business analysis unit defines and monitors the indicators for checking that the Group is operating in accordance with its targets. It measures the contribution of the Group's various operating divisions.

It performs consistency tests on management reporting data to check the overall reliability of the information, working in collaboration with the business analysis units in each operating division.

It flags differences compared with targets set, identifies risks and opportunities and provides decision-making guidance. It oversees the forecasting phases (forecasts, budget and MTP).

It also manages and streamlines internal flows within the Group and in particular establishes transfer prices and royalties.

Sustainable development

The Corporate Sustainability Department plays a cross-functional role. This cross-functional unit is primarily responsible for anticipating and influencing changes in the business and analyzing the economic, human and environmental consequences, to enable the Company and its stakeholders to benefit from the opportunities that arise and to take account of and warn management of possible risks. As such, it defines and coordinates the sustainable development policy and is responsible for the Group's non-financial reporting.

Environment, Health and Safety (EHS)

The Global Environment, Health and Safety (EHS) Department reports directly to a member of the Executive Committee (the Corporate Senior Vice President, Global Engineering) and also has a dotted-line reporting relationship with the Corporate Sustainability Department. It is responsible for applying the Group's common safety policy to protect individuals, facilities and assets, prevent industrial risks, preserve employees' health and protect the environment. The department coordinates the network of EHS representatives and sets up programs and systems to ensure regulatory compliance and continually improve the Group's EHS performance. It also provides technical expertise in the areas of REACH compliance, chemical products management, fire protection, equipment safety, transportation of hazardous materials, ergonomics, etc., to the Group's other departments.

Legal Affairs

The Group's Legal Department advises and assists all departments of the Group and its subsidiaries in preventing risks and litigation. It is responsible for negotiating and drafting contracts, including those relating to external growth, in order to ensure that the warranties obtained are aligned with the related risks. It is located in North America, South America, China, France, India, Israel, Singapore, Switzerland and Thailand.

As part of its risk management policy, the Group's Legal Department includes the use of arbitration in as many contracts as possible. In addition, the department plays a key role in meeting legal and regulatory compliance objectives.

The department advises the Group regarding good corporate governance practices. It regularly attends meetings of the Audit and Risk Committee, the Corporate Social Responsibility Committee and the Strategy Committee. It ensures that executives from the parent company, regions and subsidiaries are aware of potential liability risks for the Company and proposes legal solutions which contribute to strengthening the control environment. It provides answers to all legal questions raised by the various departments of the Group in a French and international legal and regulatory environment that is increasingly complex and burdensome and in an increasingly competitive operating environment.

The Group's Legal Department has a contracts database that is constantly updated. It keeps an up-to-date list of claims and lawsuits filed by or against the Group (such as judicial disputes and industrial property disputes) and hosts information memoranda on its intranet site announcing changes in legal (including intellectual property) or insurance rules or practices. To help enhance the reliability and quality of legal and financial information on the Group's many subsidiaries, the department has integrated a web-enabled intranet application to manage and update legal and governance information on these subsidiaries.

The Insurance Department, which is part of Legal Department, also implements a policy that combines prevention, in the form of regular site visits and audits with our insurers and brokers, with protection, in the form of international insurance programs (see Section 1.6.5).

Our compliance policy for preventing legal risk is structured around major legal topics related to the Group's business activity, especially antitrust law, confidentiality management, and the prevention of corruption and fraud. Its main purpose is to inform and educate senior managers about legal risks, communicate and formalize good practices and ensure that this policy is truly effective by gradually building a culture of compliance within the Group. The legal risk prevention and management system is aimed at raising awareness and informing, auditing, training, controlling and reporting with regard to legal action and risks.

To this end, a roadmap was developed and approved by Senior Management, the Executive Committee and the Audit and Risk Committee. It covers the main points to be considered – risk identification, assessment of existing risks, individual accountability, capacity and effectiveness of compliance, and the necessary support of Senior Management – and continues to be rolled out gradually across the Group.

The Essilor Principles and Values are one of the formal bases for the risk prevention policy. These Principles were supplemented by the Principles governing relations with partners in connection with external growth, allowing for compliance with the prevention policy when integrating new partners.

Within this framework, local legal teams throughout the world continue to take targeted action to sensitize managers (including partners' managers) to, and inform them of, identified risks (*e.g.,* competition and corruption law). This sensitizing and informative action is supplemented by e-learning training programs for which local human resources departments are responsible, in coordination with the Corporate Training Department. The results were presented to Senior Management, the Executive Committee, and to the Audit and Risk Committee.

The results of these awareness-raising actions and a report of identified legal risks and actions to be implemented (legal audits, implementation of compliance programs and a good practices guide) were presented to the Executive Committee by the Group Chief Legal Officer, who may also arrange for inclusion of topics or reports on the Executive Committee agenda in order to raise the appropriate level of awareness. Thus, at a local level, legal experts also regularly report on compliance actions implemented alongside the priorities for improvement at the subsidiary Management Committee Meetings.

As part of the continued improvement of the legal risk prevention and management policy, Essilor performs the following actions:

- updating of the legal audits for competition law. Legal audits were undertaken as a matter of priority across Europe in the main subsidiaries (notably in Germany and France). The results of the audits were presented to Senior Management and the management team for Europe together with an action plan. A plan for monitoring these areas for improvement has been implemented in conjunction with the Internal Audit Department and will be regularly reported on to the Audit Committee for Europe;
- formalization of the Group compliance program for competition law, which is presented and submitted to all members of the Executive Committee, country managers and members of the Audit and Risk Committee. Roll-out has been entrusted, at the level of the subsidiaries, to the local legal teams. To this end, awareness sessions on local competition law were conducted with the Management Committees of the subsidiaries, including the partners and operations in Europe (in particular in France, Belgium and the Netherlands), the AMERA region (in particular in Australia, China, Taiwan, Turkey, Dubai, India, the Philippines and Thailand) and in Brazil. The compliance program has been rolled out to all participating managers. The annual seminar that brings together all of the country managers gave them the opportunity to attend an awareness session on best practices with regard to exchanging information across the Group and the provision of multimedia tools (quiz, specific e-learning module, Q&A session);
- roll-out of "made to measure" e-learning training modules in competition law and business practices that are adapted to the Group's needs and its activity. They have been translated into six languages (English, French, Spanish, Italian, German and Portuguese) and are available on the Essilor U platform. The results are regularly presented to the Audit and Risk Committee. The e-learning modules in European law and the "common principles" of European law have been submitted to the members of the Executive Committee, the Country managers, and all managers worldwide;
- dissemination to the top management of e-learning modules on the subject of the prevention of corruption and conflicts of interest for Group employees, and a "manager kit" for new managers worldwide;
- formalization of a good practice guide and guidelines at Group level to prevent corruption and fraud. This guide serves as the corpus of the Group's fundamental rules and common principles in this field and is applicable to all of its subsidiaries and partners. It will be rolled out to the Group's managers and employees with the Group's Human Resources Department and local HR teams;
- implementation of the Group "gifting" policy and conflicts of interest;
- updating, in collaboration with the Audit and Internal Control Department, of the conflict of interest declaration monitoring procedure with annual reporting on the status of signatures provided by local Human Resources Departments.

A Compliance Department was established within the Group's Legal Department under the authority of a Chief Compliance Officer, who reports to the Group Chief Legal Officer. This department ensures coordination and consistency of the Group legal risk prevention and management policy, supporting local teams who are responsible for applying this policy. It is responsible for the formalization and roll-out of policies in this area.

For the purposes of promoting insider trading rules and preventing money laundering and corruption, a memorandum has been available to all Group employees for several years on the intranet for the Group Legal Department. This memorandum was supplemented by an audio kit popularizing the legal financial information obligations. More generally, a memorandum, also supplemented by an audio kit, is available containing full details of all the criminal risks to which the Company may be exposed and the consequences for the criminal liability of the Company, its Directors and its employees.

Lastly, compliance measures are communicated regularly in internal publications such as Connection, Essilook, and "Repères" and all documentation, comprised of briefing notes, PowerPoint presentations, good practice sheets and guides, and the list of "dos and don'ts", and multimedia materials are bilingual (French / English) or translated into local languages to ensure that the compliance policy is applied consistently throughout the Group.

To provide regular information on developments in the legal environment that is targeted to compliance topics, a monthly newsletter has been established as a tool to prevent legal risks, intended mainly for legal experts and country managers. A legal book has been prepared which includes good legal practices and is widely accessible via a dedicated website, and was the subject of a communication by the Group Chief Legal Officer.

The action plan for 2016 for the roll-out of the legal compliance policy was presented by the Group Chief Legal Officer to the Audit and Risk Committee. A plan regarding communications, audits and raising the awareness of training in competition law for all Group employees, including partners, has been drawn up.

Quality

The "Quality and Client Satisfaction" Department reports hierarchically to the Corporate Senior Vice President, Global Engineering (member of the Executive Committee). Its four core aims are to:

- satisfy clients, in terms of products and services, taking into account the diversity and variation of expectations, in accordance with client segments;
- improve the efficiency and consistency of internal processes, aligning them with the overall strategic objectives and measuring their efficiency;
- control the factual nature of decision-making processes (results focus);
- represent the Essilor group in standardization bodies and promote the interests of consumers on these bodies.

To carry out its tasks, the Quality and Client Satisfaction Department works with local teams to increase familiarity with market realities and to increase the Company's responsiveness, especially as regards:

- defining roles and responsibilities;
- setting goals;
- defining and reviewing action plans;
- developing skills.

Mergers and acquisitions

The Mergers and Acquisitions Department reports to the Corporate Finance Department and defines the Group's external growth policy and coordinates initiatives in subsidiaries to ensure consistency. With the support of local M&A Departments which report functionally to it, the department also analyzes, monitors and validates the financial aspects of the Group's various planned business acquisitions and has the authority to approve the financial terms of such acquisitions or disposals. Group entities can never approve the acquisition of external companies, assets or business segments or the total or partial sale of Group companies, assets or business segments on their own. All external growth operations (including disposals) are submitted to the Board of Directors prior to being implemented. Projects worth over €100 million in the case of strategic investments in new business segments or new geographic markets, or over €150 million for all other acquisitions, must be formally approved by the Board of Directors.

Group treasury

The Group Treasury Department is in charge of ensuring the funding, risk hedging and cash management of the Group. It also provides a general advisory and assistance role for the Group subsidiaries for these duties. It reports directly to the Group's Corporate Finance Department.

Short-, medium- and long-term financing as well as a large percentage of short-term investments are managed in a centralized manner by the parent company, using bond loans, private investments, bank loans, confirmed medium-term lines of credit or commercial paper. Financing of the major Group subsidiaries is guaranteed through cash pooling and short- and medium-term inter-company loans, which allow for liquidity to be gradually centralized.

Cash investments are subject to a policy that encourages safety and liquidity on the return. Cash surpluses are invested only in short-term instruments (mutual funds, bank deposits, negotiable debt securities), thus limiting the risk of capital loss and making them immediately available.

Exposures to currency risk are routinely hedged by the appropriate market instruments. Invoicing in local currency of importing or exporting companies allows the bulk of foreign exchange risk to be concentrated on a small number of entities. Those companies that are exposed to significant currency risk are hedged with the support of the Group Treasury Department. The risk to other subsidiaries, although reduced, is nonetheless monitored centrally.

The interest rate management policy is to minimize the cost of financing while protecting the Group against an adverse change in interest rates. Since Group financing is centralized at the parent company, interest rate risk management is also centralized there.

Moreover, for the above responsibilities, the Group Treasury Department is in charge of the banking relationship.

It also participates with the Consolidation Department in the proper compliance with procedures related to the application of IFRS relating to financial instruments.

2.2.3.4 Reference texts, standards, procedures and membership of bodies that structure the internal audits

Group Standard Guide

The Group Standard Guide (GSG) sets out the mandatory policies and procedures to be followed by all Essilor units and departments in such areas as purchasing, acquisitions, communication, finance, legal affairs, operations, R&D and human resources.

The GSG brings together the various elements of internal control covering diverse organizational processes, including fixed assets, inventories, sales / clients, cash, purchasing, on- and off-balance sheet commitments, tax, R&D and production start-up costs, production accounting, fraud prevention, project benefit obligation procedures, insurance, human resources, legal affairs, consolidation and acquisition of companies, assets and businesses. It also includes ethical criteria that are applicable to the entire Group and focused around four themes: human rights, working conditions, the environment and the fight against corruption.

The GSG is accessible online in French and English on the Group's intranet site and via a dedicated extranet address. It is an indispensable tool, both for the preparation of financial statements and for guaranteeing and maintaining an internal control environment which is adapted in the Group's entities. The latest developments in the Group's rules are covered by a specific communication at the time of their inclusion in the manual (newsletter and intranet announcement).

The application of all of the rules and procedures contained in the GSG is the responsibility of operational and functional managers (financial managers, purchasers, etc.) at local and Group level.

In 2013, the Audit & Consulting Services (ACS) Department published the Minimum Control Standards (MCS), which show in a simple format 75 internal controls generally regarded as the most critical to have in place. Brochures available on the ACS intranet site were specially communicated and are available in 33 languages. The MCS also form the basis for the annual internal control self-assessment questionnaire (iCare).

Unified reporting system

In order to ensure the quality and reliability of its financial information, Essilor has a unified reporting system ("CARS – Consolidation And Reporting System"), which enables both the production of financial statements for the Group as well as the reporting of financial performance indicators and provisional information.

Consolidation procedures guarantee the consistency of financial information. A specific manual includes a glossary describing the information to be entered for each module in accordance with Group rules (income statement, balance sheet, notes, cash, inventories, capital expenditure and specification of accounting flows and business segments).

The glossary and all reporting instructions are available for consultation on the Group's intranet site. They are updated each time a change is made and when new standards are adopted.

Local and corporate finance managers are responsible for ensuring that the data reported in "CARS" complies with the Group's accounting policies and procedures. The use of this tool guarantees consistent treatment of the information and enables us to exercise regular control over the preparation of the financial statements of the various Group entities.

Other reporting systems

The unified reporting system now includes a twinned application, "Sustainability," which can be used to report economic, human (social and societal) and environmental data as well as produce the statements containing Group non-financial data reported by the Corporate Sustainability Department. The procedures associated with Sustainability are similar to those for the consolidation system and it is supported by specific reporting instructions and a specific glossary. The information is collected from the managers concerned by local and corporate finance managers.

The Group has numerous information systems to manage, monitor, analyze and secure both upstream activities (production / logistics) and downstream activities (prescription / distribution).

Various reports or controls by outside agencies (monthly, quarterly or annual) facilitate the monitoring and control of the activity of the Group's subsidiaries, particularly in the areas of financial, accounting and logistics performance, monitoring of business activities, accidents at work, health and safety controls, Apave controls, ISO certifications, reports on sustainable development, claims and loss prevention, insurance, litigation, etc.

Moreover, each function has the responsibility to document (in line with the GSG rules) the specific procedures to follow. An intranet charter makes it possible to coordinate internationally the various actions related to the circulation and sharing of information via the Essilor intranet.

Indices of corporate social responsibility and adherence to international initiatives

Essilor is included in four "Social Responsibility" indexes, specialized in the evaluation of the Company's commitment to sustainable development: ECPI Ethical EMU Equity & Europe Equity, Ethibel Excellence, FTSE4Good and STOXX 50 ESG Leaders.

For the fourth consecutive year, Corporate Knights has included the Group in its Global 100 Index of the 100 most sustainable corporations in the world.

Essilor also features, for the fifth consecutive year, in Forbes magazine's list of the "World's Most Innovative Companies" and was selected as one of the 51 companies that are "doing well by doing good" in the first edition of Fortune magazine's "Change the World" list.

Essilor has been a signatory to the United Nations Global Compact since 2003 and is committed to enacting its ten principles as far as possible within its sphere of influence. The Company regularly reports on its achievements and progress. Essilor International would like to take this opportunity to renew for the current year its commitment to include the ten principles of the Global Compact in its strategy and operations.

Attentive to and aware of the consequences of climate change, Essilor has supported the United Nations "Caring for Climate" initiative since its launch in 2007. The Group contributes to the work of the Carbon Disclosure Project (CDP) as part of the voluntary reporting of its carbon and water footprints. The ophthalmic lens mass production plants under the direct operational control of Essilor have ISO 9001-certified quality management systems, ISO 14001-certified environmental management systems and OHSAS 18001-certified occupational health and safety management systems. They guarantee the regular maintenance of these systems and the renewal of their certifications in subsequent accreditation audits.

2.2.3.5 Internal control procedures relating to the production and processing of accounting and financial information

Each operating division draws up its own three-year business plan, setting strategic objectives based on the overall strategy decided by Senior Management. All of these objectives are included in the medium-term plan presented to Senior Management.

The budgeting process begins each year in August, with significant input from the regional units, which provide analyses of transaction volumes between the central marketing unit, the logistics unit and the regions. Each Group entity prepares its budget on the basis of objectives issued by the regional or operating division and of the entity's own strategy for the coming year.

The budgets are presented to Senior Management at budget review meetings held at the end of the year. The consolidation of all budgets ends in November or December and is formalized in December or January of the following year. The budget is then presented to the Board of Directors. The annual budget is subject to a new forecast in the middle of the year, based on the results for the first half of the year. This forecast is updated in October when the new budget is drawn up. This budgeting process, which concerns all Group entities, is led and monitored by the Group Business Analysis Unit, in order to ensure that all budgets are prepared on the same basis and are consistent with the overall strategic objectives of Senior Management. Actual performance is monitored and analyzed on a monthly basis via the "CARS" reporting system, which is used not only for business analysis but also for statutory consolidation. All entities are managed by the system to maintain strict control over accounting and financial information.

As regards statutory consolidation, the data in the income statement, the balance sheet and the cash flow statement are reported on a monthly basis. The Consolidation Department checks the figures entered by the entities and ensures that they comply with Group policies. The aims of the consolidation procedures in place are to:

- guarantee compliance with the applicable rules (IFRS, Group policies, AMF guidelines, etc.), through the implementation of general Group procedures and the issuance of specific consolidation instructions to the various entities;
- provide assurance concerning the reliability of financial information, through the execution of controls inherent to the system or performed by the various Corporate Finance Departments (including business analysis, consolidation and cash) within the required time frames;
- guarantee data integrity through the system's security.

Specific instructions are issued to entities before each consolidation exercise, including a detailed reporting timeline. The procedures for monitoring off-balance sheet commitments and assets are included in the GSG. They stipulate the types of commitments to be recorded on and off the balance sheet. Full information about these commitments is included in our reporting system.

The budgeting process and consolidation procedures enable us to monitor the performance of the various entities on an ongoing basis and to swiftly identify any variances from the budget in order to take immediate corrective action.

All procedures included in the GSG are applicable by consolidated Group companies and enforcement is firstly the responsibility of operational management ("first line of control" in the terminology of the French Audit and Internal Control Institute (IFACI)), then the functional departments responsible for areas of expertise (management control, human resources, internal control, etc. or "second line of control") and finally the Internal Audit Department ("third line of control"). Moreover, at each period-end, the financial information deemed most relevant is presented by the Corporate Finance Department to the Audit and Risk Committee. Such meetings, which are attended by the Statutory Auditors, discuss all material transactions and the main accounting options selected to address potential risks.

Finally, even though they are not an integral part of the internal control procedures, the Statutory Auditors review the accounting and internal control systems to plan their audits, design their audit strategies and test a certain number of key internal controls. The financial statements of the vast majority of Group subsidiaries are audited by local auditors who are members of the networks of Statutory Auditors that audit the Group's consolidated financial statements.

2.2.4 Organization of the powers of management and control of the Company and powers of the Chief Executive Officer

At its meeting of November 24, 2011, the Board of Directors decided to entrust its chairmanship, effective January 2, 2012, to Mr. Hubert Sagnières, Chief Executive Officer, and thus re-combine the offices of Chairman of the Board of Directors and Chief Executive Officer. This structure combining the two functions ensures great responsiveness and efficiency of operations in terms of the governance and strategic management of the Company. In addition, the presence on the Board of a high proportion of Independent Directors, three representatives of the employee shareholders and one employee representative (while the important role of employee shareholders is a key feature of the Group's identity) ensures that the Board fully exercises its oversight functions over the executive part of the organization.

The Senior Management functions are carried out without formal limitation of the powers of the Chief Executive Officer. However, acquisitions and disposals as part of the "new business / new country" strategy, as well as restructuring and significant non-strategic investments must receive the prior approval of the Board, in accordance with Article 2 of the internal rules.

In addition, the Chief Executive Officer is assisted by three Chief Operating Officers.

2.2.5 Special procedures for shareholder participation in Shareholders' Meetings

All holders of ordinary shares are entitled to participate in Shareholders' Meetings, regardless of the number of shares they own, provided such shares have been paid up to the extent called.

The rights of shareholders to be represented by proxy at Shareholders' Meetings and to participate in the vote are exercised in accordance with the relevant laws and regulations. The Company's bylaws do not contain any restrictions on the exercise of these rights.

Essilor's bylaws (Section V – Shareholders' Meetings) include the following provisions concerning the functioning of Shareholders' Meetings, their main powers and the rights of shareholders, which are in compliance with the law:

2.2.5.1 Shareholders' right to information (Article 24)

Under the terms and periods defined by law, all shareholders have the right to receive the documents needed to allow them to make informed decisions and to form an opinion concerning the management and control of the Company.

The type of documents concerned and the manner in which they are sent or made available to shareholders are determined according to the relevant laws and regulations.

2.2.5.2 Ordinary Shareholders' Meetings (Article 25)

The Ordinary Shareholders' Meeting votes on all matters involving the Company's interests that do not fall within the competence of Extraordinary Shareholders' Meetings.

The Ordinary Shareholders' Meeting takes all decisions that exceed the powers of the Board of Directors and that are not intended to change the bylaws.

An Ordinary Shareholders' Meeting is held at least once a year, within six months of the fiscal year-end, to deliberate on all aspects of the annual financial statements and, as applicable, of the consolidated financial statements. This meeting may be held more than six months after the fiscal year-end by court order.

Ordinary Shareholders' Meetings may validly conduct business if holders of at least one-fifth of the voting shares are present or represented.

If the quorum is not met, the Shareholders' Meeting must be called again.

There is no quorum requirement for meetings held on second call. Resolutions of the Ordinary Shareholders' Meeting are adopted by a majority of the votes cast by the shareholders presented or represented, including postal votes.

2.2.5.3 Extraordinary Shareholders' Meetings (Article 26)

The Extraordinary Shareholders' Meeting has the power to modify all provisions of the bylaws, except to change the Company's nationality, other than in the cases provided by law or to increase the shareholders' commitments.

Subject to these restrictions, the Extraordinary Shareholders' Meeting may, for example, decide to increase or reduce the share capital, change the corporate purpose, change the Company's name, extend its term or agree on its early dissolution, or change its legal form. This list is not exhaustive.

The Extraordinary Shareholders' Meeting may validly conduct business provided that the shareholders present or represented, or voting by post, hold at least one-quarter of the voting rights on first call and one-fifth on second call. If the quorum is not met on either first or second call, the meeting can be postponed for up to two months, before being called again.

Resolutions of the Extraordinary Shareholders' Meeting are adopted by a two-thirds majority of the votes cast by the shareholders present or represented, including postal votes, except where different legal rules apply.

Notwithstanding the provisions set out above, an Extraordinary Shareholders' Meeting that decides to carry out a capital increase through the capitalization of reserves, profits or issue premiums, rules subject to the conditions of quorum and majority applying to Ordinary Shareholders' Meetings.

The Extraordinary Shareholders' Meeting may also amend the rights of various classes of shares. However, in the event that a decision by the Extraordinary Shareholders' Meeting would affect the rights attached to a class of shares, this decision will only become final after it has been ratified by a special meeting of the shareholders for the relevant class. Regarding the specific capital that it represents, said Special Meeting will be subject to the legal and regulatory provisions governing Extraordinary Shareholders' Meetings. If none of the Company's Directors holds shares in the class giving rise to a Shareholders' Meeting, this Special Meeting elects its own Chairman.

2.2.6 Principles and rules applied by the Board of Directors to determine non-executive Board Directors' compensation and benefits

Information regarding the compensation policy as well as the details of all of the elements of Executive Board Directors' compensation is included in Chapter 2.3 of the Registration Document.

Charenton, February 18, 2016

The Chairman of the Board of Directors

2.3 COMPENSATION AND BENEFITS

2.3.1 Board of Directors Compensation policy

Directors' fees

The Ordinary Shareholders' Meeting of May 5, 2015 voted to award Directors' fees of €750,000. At its meeting of May 5, 2015, the Board of Directors decided to allocate this sum as shown in the table below, giving priority to the variable component.

Directors' fees	Fixed component	Variable component based on attendance
All Board members	€12,000	€3,000 per meeting
Chairman of the Audit and Risk Committee	€22,000	€2,200 per meeting
Chairman of the Executive Officers and Compensation Committee and of the Corporate Social Responsibility (CSR) Committee	€11,000	€2,200 per meeting
Only for Directors not paid by Essilor, who are members of the Audit and Risk, Executive Officers and Compensation, Nominations and CSR Committees	€4,200	€2,200 per meeting
Members of the Strategy Committee	Not applicable	€2,000 per meeting

Total Directors' fees paid to the members of the Board of Directors in 2015 amounted to €689,238, of which €423,200 are for the variable component.

Maureen Cavanagh, Juliette Favre and Yi He, Directors representing employee shareholders, pay their Directors' fees to the Valoptec Association, net of tax and any applicable social security contributions. Franck Henrionnet, appointed as Director representing employees, pays his Directors' fees to a trade union organization.

2.3.2 Executive Board Directors Compensation policy

The compensation of executives, as defined in IAS 24, is presented in Note 30 to the financial statements, Section 3.4.

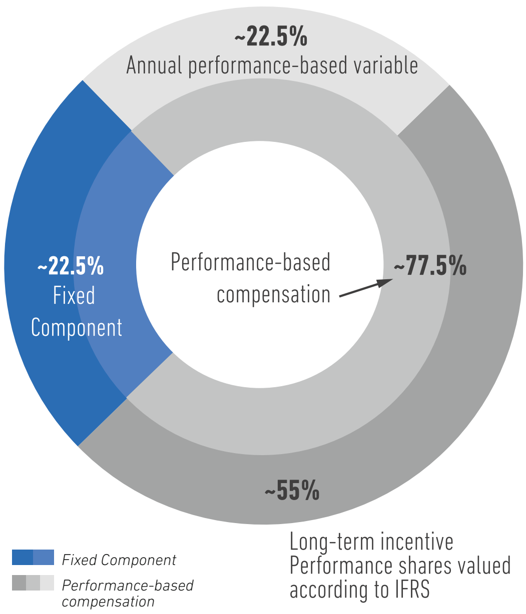
2.3.2.1 General principles

The compensation of Executive Board Directors is set by the Board of Directors on the recommendation of the Executive Officers and Compensation Committee.

The guiding principles on which the Board's decisions are based are as follows:

- the compensation policy must reflect the Company's **values** and **culture.** In line with this principle, Essilor's policy is to use the compensation tools and systems that are best able to foster sustainable performance, long-term vision, loyalty to the Company and entrepreneurial risk-sharing, in particular, through the ownership of a stake in the Company's share capital;
- a significant portion of the compensation of Executive Board Directors must be **performance-based**;
- performance should be assessed over a **short-term outlook** as evidenced by the achievement of Essilor's annual strategic targets, as well as through **long-term** incentive plans whose performance targets and value are ultimately based on the creation of lasting value for all stakeholders.

As such, the 2015 compensation package for Hubert Sagnières, Essilor's Chairman and Chief Executive Officer is a good illustration of this policy:



- Executive Board Directors' compensation should be measured against and competitive compared with the practices of companies that are comparable to Essilor, taking into account the nature of their business, their international reach and size (as measured by revenue, headcounts and market capitalization). To this end, the Executive Officers and Compensation Committee has at its disposal benchmark compensation studies that were conducted by a firm of independent consultants;
- the Board of Directors considers all the components of compensation (fixed portion, annual variable portion, long-term incentive and supplementary pension benefits) and the balance of those components when determining the compensation of Executive Board Directors.

The Executive Officers and Compensation Committee also conducts an annual review of the compensation structure for Executive Board Directors, the balance between the various components of compensation, and the competitiveness of compensation as measured through compensation studies. On this basis, the Committee makes recommendations to the Board, where applicable, on the changes to be made to compensation for Executive Board Directors.

2.3.2.2 Situation of Hubert Sagnières, Chairman and Chief Executive Officer

Hubert Sagnières was an employee of the Group for 21 years before being appointed Chief Executive Officer of Essilor on January 1, 2010. He was appointed Chairman and Chief Executive Officer of Essilor on January 2, 2012.

His employment contract was suspended on January 1, 2010 when he became Chief Executive Officer, in accordance with the Company's policy which is recognized by the French financial markets regulator, the AMF (see Section 2.4).

The Group's policy consists of promoting talented internal candidates whenever possible. Employees who, after forging a successful career within the Company, assume the highest levels of responsibility have demonstrated a long-term ability to achieve a high level of performance and to embody the values and culture of the Group. Moreover, they have acquired the high levels of marketing, industrial, scientific or other expertise needed to develop a long-term vision.

2.3.2.3 Compensation package of Hubert Sagnières, Chairman and Chief Executive Officer

a) Annual compensation

Hubert Sagnières' annual compensation as Chairman and Chief Executive Officer includes a fixed component and a variable component. Hubert Sagnières requested that the Board of Directors no longer award him Directors' fees following his appointment as Chairman and Chief Executive Officer, a request endorsed by the Board in a formal resolution.

The Executive Officers and Compensation Committee had at its disposal in October 2014 two studies conducted by an independent firm of consultants specialized in executive compensation studies. The first of these covered the compensation packages of Chairmen and Chief Executive Officers and Chairmen of the Management Boards of French industrial groups included in the SBF 120 index with a market capitalization and/or revenue comparable to those of Essilor. The second study was based on a Europe-wide comparison of the compensation packages for the Chief Executive Officers of 15 companies (five French, five German and five English) comparable to Essilor in terms of their revenue, headcounts, market capitalization and significant international reach. These studies showed that the Chairman & Chief Executive Officer's cash compensation (fixed + variable component) was below the median of the two panels.

Fixed component

Hubert Sagnières' gross annual fixed compensation was maintained at €800,000 for 2015; this amount remains unchanged since 2012.

Annual variable component

The variable component of Hubert Sagnières' compensation package for 2015 was maintained at €800,000 for full achievement of target performance; this target amount remains unchanged since 2012. This variable component may vary from zero times to twice this target amount (versus 1.6 times for 2014), depending on the level of target achievement.

The reasons for increasing the maximum amount of the variable component were:

1) On the one hand, the Board of Directors' desire to rebalance the short-term cash compensation and long-term compensation based on awards of performance shares. As such, the number of performance shares awarded was reduced in December 2015 to 35,000, compared to 40,000 in 2014 and 45,000 in 2013.

2) On the other hand, to allow the cash compensation (fixed + variable component paid) for Hubert Sagnières to reach, or even exceed, the median of the two studies above-mentioned.

   Variable compensation for 2015 was 80%-based on financial targets and 20%-based on personal targets, broken down as follows:

   - 30% on a restated EPS target, or up to 66% if the target were to be exceeded significantly;
   - 40% on an organic growth target, or up to 80% if the target were to be exceeded significantly;
   - 10% on a bolt-on acquisition-led growth target, or up to 18% if the target were to be exceeded significantly;
   - 20% on three personal targets, relating to Group strategy, or up to 36% if the target were to be exceeded significantly. The targets set for 2015 related to the development of the strategy for the Sunglasses & Readers Division, the structuring of the Group Top Management and, in a context of rapid development, the consolidation of the Group culture which is a key factor for its success.

So as to best reflect Hubert Sagnières' performance and neutralize factors that are outside his control, the distortions introduced by fluctuations in exchange rates are removed when evaluating financial targets. In addition, net EPS is restated for the impact of non-recurring costs that cannot be budgeted for, and for the total impact from acquisitions for the year that are not taken into account under the "bolt-on acquisition-led growth" criterion.

Based on a review of performance against the targets, it was determined that the Chairman and Chief Executive Officer was entitled to variable compensation for 2015 equal to 169% of his gross fixed compensation for the year (versus 147% for 2014), or €1,350,400. The details of the calculation are shown in the table below:

W			A	W x A	W x A x target (€)
Weighting	Target	Performance measurement	% achievement	Weighted % achievement	Achievement (€)
30%	Restated net EPS	0 to 220%	196%	58.8%	470,400
40%	Organic growth	0 to 200%	140%	56.0%	448,000
10%	Bolt-on acquisition-led growth	0 to 180%	180%	18.0%	144,000
20%	Personal factor	0 to 180%	180%	36.0%	288,000
100%				**168.8%**	**1,350,400**

In 2015, Essilor achieved:

- published (non-restated) net earnings per share of €3.57;
- organic growth of 4.6%; and
- 19 bolt-on acquisitions equating to annual revenue of €214 million.

The level of performance required to achieve these targets was established in a precise, exacting and rigorous fashion but cannot be made public for reasons of confidentiality (in accordance with AMF recommendations and the AFEP-MEDEF Code): as Essilor is a listed company whose only business line (unlike its competitors) is ophthalmic optics, it considers that such disclosure would be detrimental to the proper execution of its strategy.

Regarding personal targets, and in particular the objective relating to the consolidation of Group culture, the Executive Officers and Compensation Committee reviewed the results of the opinion survey conducted among Group employees and found the results had improved since the previous survey (satisfaction up 5 points). The committee also highlighted the good execution of the other two personal objectives set for 2015 (the Sun & Reader activity strategy and the change in the Group's organizational structure).

b) Long-term incentive plans

General long-term incentive policy: stock subscription option and performance share awards

Long-term compensation plans are a fundamental component of Essilor's entrepreneurial culture and its compensation policy.

They contribute to:

- developing the company spirit that has helped drive Essilor's performance since it was founded;
- encouraging loyalty and long-term commitment among the Company's executives, key managers and other talents;
- ensuring that the Company's overall compensation policies are competitive.

Since 2006, Essilor has decided to award performance shares and, on an exceptional basis, capped performance options. Awarding performance shares in place of stock options is less dilutive for shareholders.

Awards of performance shares and performance options take place during the same calendar periods.

Award of December 2, 2015

Pursuant to resolutions 14, 15 and 16 adopted by the Shareholders' Meeting of May 5, 2015, the meeting of the Board of Directors of December 2, 2015 decided to award a maximum of 1,343,153 performance shares and 100,023 capped performance options to 9,691 Group employees. As a percentage of the share capital as at December 31, 2015, this amounts to an award of 0.62% allocated in the form of performance shares and 0.05% in capped performance options, *i.e.,* a total of 0.67% of the share capital.

Under this plan, Hubert Sagnières received a maximum award of 35,000 performance shares, compared with 40,000 in 2014 (valued as indicated in Table 2 in Section 2.3.3), *i.e.,* 2.4% of the total number of shares awarded (sum of performance shares and performance options allocated) and 0.016% of the share capital as at December 31, 2015.

Vesting conditions and lock-up period

Essilor's long-term compensation plans have been designed so that the interests of employee shareholders are aligned as closely as possible with those of external shareholders.

Performance shares are subject to the following vesting conditions:

- a performance condition based on growth in the Essilor share price measured over several years;
- an employment condition in order to guarantee the long-term commitment of the grantees and their loyalty to the Company;
- stricter conditions for Executive Board Directors and members of the Group Executive Committee.

Conditions applicable to all grantees of performance share plans

General performance condition

Following the deliberations in 2014 on the improvements to be made to performance share award plans, the Executive Officers and Compensation Committee recommended that the Board of Directors extend the period over which performance is measured from two years to three years. The aim of this adjustment is, firstly, to consolidate the appraisal of performance over a longer period and, secondly, to take into account the recommendations of regulators and stakeholders. Pursuant to resolutions 14 and 15 adopted by the Shareholders' Meeting of May 5, 2015, this change takes effect from the 2015 award plan.

The number of shares vested is determined on the basis of the annualized growth (1) in the Essilor share price, measured as follows:

- on the award date, the Initial Reference Price is determined (corresponding to the average of the 20 opening prices preceding the award date);
- three years after the award (N+3), an Average Share Price is calculated, corresponding to the average opening share price for the three months preceding the third anniversary of the award date;
- if the increase between the Average Share Price and the Initial Reference Share Price is:
  - greater than 22.5% (*i.e.,* annualized growth of 7%), all shares initially awarded will vest provided that the employment condition is met (see "Employment condition"),
  - between 6.1% and 22.5% (corresponding to annualized growth of between 2% and 7%), some of the shares initially awarded will vest provided that the employment condition is also met (see "Employment condition"), The vesting rates based on annualized growth in the Essilor share price are shown in the table at the bottom of the page.
  - less than 6.1% (*i.e.,* annualized growth of less than 2%), no shares will vest on the third anniversary of the award date. In this case, a further performance assessment is carried out three months later using the same method (based on an annualized share price growth target between 2% and 7%). This performance assessment may be repeated every three months and until the sixth anniversary of the award date (N+6). If the minimum annualized growth target of 2% – which corresponds in absolute terms to an increase of 12.6% on the Initial Reference Share Price – is not met at this time, the plan lapses and employees receive no Essilor shares.

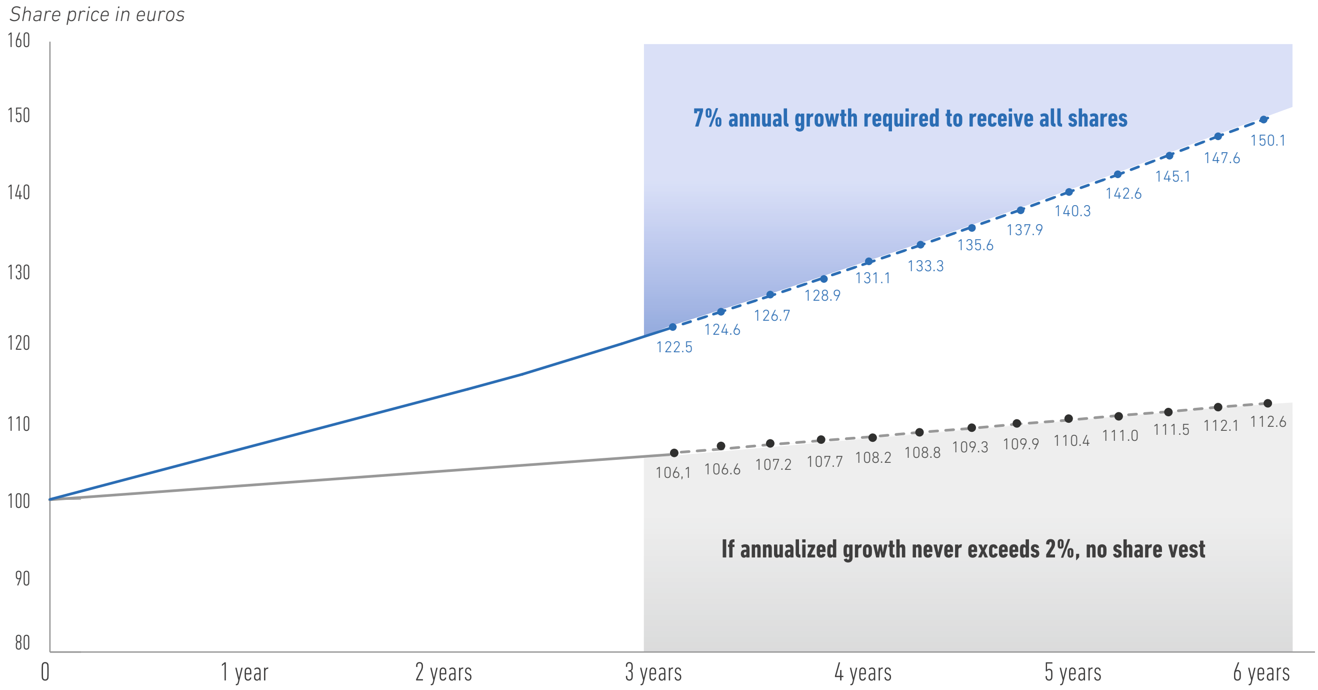
The number of shares that vest is determined when the annualized increase in the Average Share Price compared with the Initial Reference Share Price exceeds 2% for the first time, even if a higher annualized increase is subsequently observed. As time goes by, the minimum growth in the Average Share Price required for the minimum number of Essilor shares to vest gets steadily higher: +6.1% in N+3, +8.2% in N+4… and 12.6% in N+6.

As the general performance condition is based on the performance of the Essilor share price, this system helps to partly mitigate the impact of the volatility inherent in the financial markets by extending the period over which performance is measured. This volatility is likely to cause the performance of the share price to differ significantly from the Company's intrinsic performance in the short term. It should also be noted that in the event of annualized growth above or equal to 7%, the percentage of shares vested is capped at 100%.

Annualized growth:	Vesting rate
Less than 2%	0%
Greater than or equal to 2% and less than 3%	60%
Greater than or equal to 3% and less than 4%	68%
Greater than or equal to 4% and less than 5%	76%
Greater than or equal to 5% and less than 6%	84%
Greater than or equal to 6% and less than 7%	92%
Greater than or equal to 7%	100%

(1) *Calculation formula: (Average Share Price / Initial Reference Share Price)^(1/N)-1, where N is the number of years between the award date and the performance measurement date. N = 3 then, if the performance condition is not achieved, 3.25 and so on up to a maximum of 6.*

Application of the performance condition is illustrated in the diagram below. In the interest of simplicity, the share price is assumed to be 100 on the award date.



Employment condition

For French tax residents, the vesting of shares is contingent on the grantee still being employed in the Group on the date that the performance condition is achieved, which may occur between the third and the sixth anniversary of the award (see the detailed description of performance conditions above).

For non-residents, the employment condition is set at:

- the fourth anniversary of the award if achievement of the performance condition occurs between the third and fourth anniversary;
- on the date that the performance condition is met, if that day occurs after the fourth anniversary of the award;

This employment condition is waived in the event of the grantee's death, disability or retirement.

Lock-up period

If the performance and employment conditions are met, the shares are transferred to the grantees in a registered account. French tax residents must retain the vested shares for a minimum of two years. There is no lock-up period for non-residents.

Specific conditions for Executive Board Directors and members of the Group Executive Committee

Cap applicable to awards made to Executive Board Directors

Awards to Executive Board Directors are capped as follows:

- the IFRS value of performance stock options and/or performance shares awarded to each Executive Board Director may not exceed 60% of his or her total target compensation (corresponding to the sum of annual fixed compensation, target variable component for the fiscal year and the IFRS-based value of the long-term incentive);
- an Executive Board Director may not receive an award exceeding 7% of the total awards (performance stock options + performance shares) made each year by Essilor to employees.

Specific additional performance conditions applicable to Executive Board Directors

In addition to the performance condition applicable to all grantees, there is a second performance condition for Executive Board members. It is measured by means of an average ratio which corresponds to the average target achievement rate for their annual variable compensation during the period for measurement of performance (from three to six years). When the average ratio is less than 100%, the number of shares vested under the first performance condition is reduced proportionally. When it is greater than 100%, it is automatically capped at 100% and therefore does not change the number of shares obtained under the first performance condition.

Executive Board Directors are required to keep one-third of the shares vested throughout their term of office. This restriction no longer applies when the cumulative value of the shares acquired through vesting or exercise of stock options permanently represents the equivalent of two years' target cash compensation (fixed + variable component), based on the compensation for the current year in which the Executive Board Director intends to sell the performance shares.

In accordance with the AFEP-MEDEF Code, the Chairman and Chief Executive Officer has pledged not to use any hedging strategies to manage the risk related to the options and shares awarded under long-term incentive plans, until the expiry of his term of office.

Pursuant to the Directors' Charter, Executive Board Directors are required to refrain from any transactions involving the Company's stock during the period preceding the publication of privileged information of which they have knowledge, and to respect the 30-day "blackout periods" prior to the publication of the annual and half-yearly financial statements and the 15-day "blackout periods" prior to the publication of quarterly information. The day of publication of the relevant information is also part of the blackout period. The schedule for these blackout periods is drawn up annually.

Specific additional performance conditions applicable to members of the Group Executive Committee

In addition to the performance condition applicable to all grantees, a second performance condition is stipulated for members of the Group Executive Committee. It is based on the average rate of achievement of the targets set for the Group-based portion of their annual variable compensation during the period over which performance is measured (from three to six years). If the average rate is below 100%, the number of shares vested to the members of the Group Executive Committee is reduced proportionally. If it exceeds 100%, it is capped at 100% and therefore does not change the number of shares vested to the members of the Group Executive Committee under the general performance condition.

c) Deferred compensation policy

Supplementary defined benefit "loyalty-based" pension plan

Company executives within categories IIIC and HC (as defined in the Metallurgy Collective Bargaining Agreement) are entitled to a supplementary defined benefit pension plan (Article 39 of the French General Tax Code).

Under this scheme, a supplementary retirement pension is paid to category IIIC and HC executives:

- who have at least ten years' service in the Group (versus two years recommended by the AFEP-MEDEF Code);
- who retire from Essilor (or of a member company). In accordance with the applicable regulations, an executive whose employment is terminated after he or she reaches the age of 55 and who does not accept any other paid position is considered as having retired from the Company.

If both conditions are met, the supplementary pension is determined as follows:

- 10% of the reference compensation, corresponding to the average of the fixed and variable compensation paid for the three years preceding the last day worked;
- plus, for each year of service in excess of 10 years and up to and including 20 years:
  - 1% of the reference compensation,
  - 1.5% of the portion of the reference compensation that exceeds the "tranche C" ceiling for Social Security contributions or 5% of the reference compensation, whichever is lower.

Accordingly, the plan pays category IIIC and HC executives with at least 20 years' service a maximum pension benefit of up to 25% of their reference compensation (versus a maximum of 45% provided for in the AFEP-MEDEF Code). The increase in potential rights is therefore a maximum of 1.25% per year (versus a maximum of 3% provided by Law).

Hubert Sagnières had 27 years' service as of December 31, 2015 and his hypothetical benefit entitlement at that date would therefore be equivalent to 25% of his average actual compensation for the years 2013, 2014 and 2015 (approximately €451,000).

The benefit obligation is accrued in the balance sheet during the vesting period (i.e., the period during which the Executive Board Director remains in office). Upon the grantee's retirement, the liability will be fully outsourced to an insurance company which is responsible for paying the benefits.

Termination benefits

Hubert Sagnières is not entitled to any compensation for loss of office in the event that his appointment as Chairman and Chief Executive Officer is terminated.

His employment contract with the Company, which is currently suspended, includes a clause inserted many years before he became a corporate officer, guaranteeing him an amount equivalent to two years' contractual compensation in the event that his contract is terminated by the Company.

As at December 31, 2015, Hubert Sagnières' contractual compensation was €1,104,000 gross. This amount corresponds to the compensation to which he was entitled as an employee at the time that his employment contract was suspended, plus the annual average increase for Essilor group's category IIIC executives.

The maximum termination benefit that would be payable at December 31, 2015 would therefore be €2,208,000.

This amount breaks down as follows:

- **termination benefits payable under French labor law and the applicable collective bargaining agreement:** €901,600.

  This amount corresponds solely to the termination benefits payable under French law and the applicable collective bargaining agreement that would be due to Mr. Sagnières in respect of his 21 years of service as an employee prior to his appointment as a corporate director.

  French law stipulates that payment of this termination benefit cannot be avoided if his employment contract is terminated by the Company, other than for serious or gross misconduct or when he reaches normal retirement age;
- **a supplementary benefit** of up to €1,306,400.

  This amount corresponds to the benefits provided by his employment contract and goes beyond the strict application of the mandatory provisions under employment law.

  This benefit could be payable if Hubert Sagnières were forced to leave the Company following a change of control or strategy, and would be subject to the performance conditions described below.

Performance conditions

At its meeting of March 3, 2010, the Board of Directors reiterated the performance conditions upon which the Board of Directors had made any payment of this benefit contingent at its meeting of March 4, 2009, namely:

Performance will be measured using Mr. Sagnières' average rate of target achievement over the three years prior to his departure. These annual targets are set by the Board of Directors in respect of Hubert Sagnières' role as a corporate director and are used to calculate his variable compensation. For an average performance rate of at least 50%, the termination benefit will be determined on a strictly proportionate basis up to a maximum of 100% (for example, if actual results represented 90% of the target, 90% of the termination benefit will be paid).

If the average performance rate is less than 50%, no supplementary termination benefit will be paid.

d) Group death / disability and health insurance plans and defined contribution pension plan (Article 83)

Hubert Sagnières is eligible for the Group death / disability and health insurance plans and the defined contribution pension plan set up by the Company for all its managers and executives. Contributions paid by the Company to these plans on his behalf in 2015, in addition to the employee contributions paid by him, were as follows:

- €4,724 for the death / disability insurance plan;
- €1,375 for the health insurance plan;
- €9,966 for the defined contribution pension plan.

e) Benefits in kind

Hubert Sagnières is covered by an unemployment insurance plan with GSC. The contribution of €7,401 in 2015 was declared as benefits in kind.

2.3.3 Appendix: Compensation and benefits tables

Table 1 – Directors' fees and other compensation received by Non-Executive Board Directors [(a)]

€	2015	2014
Philippe ALFROID	48,000	35,800
Benoît BAZIN	43,000	35,800
Antoine BERNARD DE SAINT-AFFRIQUE	43,000	33,800
Maureen CAVANAGH	35,000	22,800
Yves CHEVILLOTTE	69,400	66,600
Mireille FAUGÈRE [(b)]		13,717
Juliette FAVRE [(b)]	23,883	
Xavier FONTANET	45,000	35,800
Louise FRÉCHETTE	52,600	42,500
Yi HE	35,000	22,800
Franck HENRIONNET [(b)]	35,000	3,192
Bernard HOURS	56,600	46,600
Maurice MARCHAND-TONEL	58,800	48,800
Aicha MOKDAHI [(b)]	11,116	22,800
Marc ONETTO [(b)]	32,238	
Olivier PÉCOUX	35,000	17,800
Michel ROSE	65,600	55,600
TOTAL	**689,238**	**504,409**

(a) No Non-Executive Board Director or non-employee has received any compensation other than Directors' fees.
(b) Director who was elected or whose term of office expired in 2014 or 2015.

Table 2 – Summary of compensation and options and shares awarded to the Executive Board Director

Hubert Sagnières €	2015 Chairman and Chief Executive Officer	2014 Chairman and Chief Executive Officer
Compensation for the year (detailed in Table 3)	2,157,801	1,985,706
Valuation of options granted during the year		
Valuation of performance shares awarded during the year [(a)]	1,975,400	1,565,600

(a) The amounts shown correspond to the accounting fair value of the shares in accordance with IFRS. Accordingly, they are not the actual amounts that may be received at vesting. In addition, share awards are contingent on employment and performance conditions.

Table 3 – Summary of compensation paid to the Executive Board Director

Hubert Sagnières €	2015 Chairman and Chief Executive Officer		2014 Chairman and Chief Executive Officer	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	800,000	800,000	800,000	800,000
Variable compensation [a]	1,350,400	1,178,400	1,178,400	848,000
Exceptional compensation				
Directors' fees				
Benefits in kind:				
• car				
• unemployment insurance	7,401	7,401	7,306	7,306
• other				
TOTAL	**2,157,801**	**1,985,801**	**1,985,706**	**1,655,306**

(a) Variable component for Mr. Hubert Sagnières for 2015: 169% of target achievement (147% for 2014).

Table 4 – Performance shares awarded to the Executive Board Director

Rights to performance shares awarded to the Executive Board Director in 2015	Total number	Valuation (method applied in the consolidated financial statements) (€)	Vesting date	End of lock-up period	Plan	Performance conditions
Hubert SAGNIÈRES	35,000	56.44	Between 12/02/2019 and 12/02/2021	Between 12/02/2019 and 12/02/2021	12/02/2015	Share price + special performance condition for Executive Board Director [a]

(a) In addition to the employment condition, the number of shares that vest is contingent on a performance condition based on the annualized growth in the Essilor share price. A second performance condition applies specifically to Executive Board Directors: the number of shares that vest may be reduced if the average rate of target achievement for the variable component of compensation is less than 100%.

Table 5 – Performance shares awarded to the Executive Board Director that became available during the fiscal year

No performance share became available to the Executive Board Director during the fiscal year.

Table 6 – Stock subscription or purchase options granted to the Executive Board Director during the fiscal year

No stock subscription or purchase options were granted during 2015.

Table 7 – Stock subscription or purchase options exercised by the Executive Board Director during the fiscal year

Since 2014, the Executive Board Director has no longer any stock subscription options to exercise. Consequently, no options were exercised in 2015.

Table 8 – History of capped performance stock subscription option awards

Information regarding capped performance stock subscription options *(excluding collective awards)*

	2008 plan	2009 plan	2010 plan	2011 plan	2012 plan	2013 plan	2014 plan	2015 plan
Date of Shareholders' Meeting	05/11/2007	05/11/2007	05/11/2010	05/11/2010	05/11/2012	05/11/2012	05/11/2012	05/05/2015
Date of Board of Directors' Meeting	11/27/2008	11/26/2009	11/25/2010	11/24/2011	11/27/2012	11/25/2013	11/25/2014	12/02/2015
Total number of shares that can be subscribed	1,568,080	1,579,120	634,760	85,620	81,760	87,880	121,505	100,023
Number of shares that can be subscribed by the Executive Board Directors:	320,000	230,000						
Xavier FONTANET	120,000	80,000						
Philippe ALFROID	100,000							
Hubert SAGNIÈRES	100,000	150,000						
Option exercise start date	11/29/2010	11/28/2011	11/26/2012	11/25/2013	11/27/2014	11/25/2015	Not yet known, depends on performance	Not yet known, depends on performance
Expiry date	11/27/2015	11/26/2016	11/25/2017	11/24/2018	11/27/2019	11/25/2020	11/25/2021	12/02/2022
Subscription price (average of 20 opening prices before the Board of Directors' date)	€33.17	€38.96	€48.01	€52.27	€71.35	€77.29	€87.16	€121.32
Exercise conditions [(a)]	If performance and employment conditions met: 50% after two years, 100% one year later	If performance and employment conditions met: 50% after two years, 100% one year later	If performance and employment conditions met: 50% after two years, 100% one year later	If performance and employment conditions met: 50% after two years, 100% one year later	If performance and employment conditions met: 50% after two years, 100% one year later	If performance and employment conditions met: 50% after two years, 100% one year later	If performance and employment conditions met: 50% after two years, 100% one year later	If performance and employment conditions met: 100% after three years
Shares subscribed as of 12/31/2015	1,295,494	1,235,531	485,992	61,750	19,017	4,562	140 [(b)]	
Aggregated number of options cancelled or lapsed	272,586	190,382	64,868	11,575	6,965	4,740	1,515	
Options remaining as of 12/31/2015		153,207	83,900	12,295	55,778	78,578	119,850	100,023

(a) The vesting of the options is contingent on a performance condition based on the annualized growth in the Essilor share price. A second performance condition applies specifically to Executive Board Directors: the number of options that vest may be reduced if the average rate of target achievement for the variable component of compensation is less than 100%.

(b) In case of death or invalidity, all of the options may be exercised with immediate effect.

Table 9 – History of performance share awards

Information regarding performance shares *(excluding collective awards)*

	2010 plan	2011 plan	2012 plan	2013 plan	2014 plan	2015 plan
Date of Shareholders' Meeting	05/11/2010	05/11/2010	05/11/2012	05/11/2012	05/11/2012	05/05/2015
Date of Board of Directors' Meeting	11/25/2010	11/24/2011	11/27/2012	11/25/2013	11/25/2014	12/02/2015
Total number of shares awarded	893,458	1,193,189	1,176,340	1,279,460	1,448,464	1,251,533
Number of shares awarded to the Executive Board Director	45,000	50,000	45,000	45,000	40,000	35,000
Vesting date of shares	Residents: 11/26/2012 Non-residents: 11/25/2014	Residents: 11/25/2013 Non-residents: 11/24/2015	Residents: 11/27/2014 Non-residents: 11/27/2016	Residents: 11/25/2015 Non-residents: 11/25/2017	Not yet vested	Not yet vested
End date of lock-up period	Residents: 11/25/2016 Non-residents: 50% on 11/25/2014 and 50% on 11/25/2016	Residents: 11/24/2017 Non-residents: 50% on 11/24/2015 and 50% on 11/24/2017	Residents: 11/27/2018 Non-residents: 50% on 11/27/2016 and 50% on 11/27/2018	Residents: 11/25/2019 Non-residents: 50% on 11/25/2017 and 50% on 11/25/2019	Depends on vesting date	Depends on vesting date
Number of shares vested [(a)] at 12/31/2015	836,688	1,093,157	548,700	480,550	500 [(b)]	
Aggregated number of shares canceled or lapsed	56,770	100,032	74,800	78,840	26,670	
Shares remaining at 12/31/2015			552,840	720,070	1,421,294	1,251,533

(a) In addition to the employment condition, the number of shares that vest is contingent on a performance condition based on the annualized growth in the Essilor share price. Starting with awards granted in 2010, a second performance condition applies specifically to Executive Board Directors: the number of shares that vest may be reduced if the average rate of target achievement for the variable component of compensation is less than 100%.

(b) Shares which vested upon death or disability.

Table 10 – Executive Board Director – detailed table

Hubert Sagnières
Chief Operating Officer until December 31, 2009 then Chief Executive Officer from January 1, 2010 then Chairman and Chief Executive Officer from January 2, 2012

Start of term	2008
End of term	2017
Employment contract	Yes – suspended from January 1, 2010
Compensation relating to a non-compete clause	No
Supplementary pension plan	Yes
Compensation or benefits that are or may be owed due to the termination or change of functions	No [(a)] Severance package or termination pay (in the event of dismissal, except for serious or gross misconduct) 2 years' salary under employment contract: the portion of compensation beyond the statutory compensation is subject to performance conditions.
Restrictions on the sale of options or performance shares	Starting with awards granted in 2007, lock-up period for: One third of vested performance shares or one third of the shares acquired on exercise of stock subscription options, after the immediate sale of shares to finance the acquisition of the shares and the payment of tax due on the capital gain.
Hedging instruments	Use of hedging instruments not permitted for options or performance shares
Supplementary retirement benefit obligations (actuarial value)	€11,764,382

(a) There is no provision for severance pay for this corporate office. Details of the severance pay provided under the suspended employment contract are given in Section 2.3.2.3.c.

2.3.4 Compensation components due or awarded to Hubert Sagnières, Chairman of the Board of Directors and Chief Executive Officer, in respect of the 2015 fiscal year

To be submitted for the approval of the Shareholders at the Shareholders' Meeting of May 11, 2016.

Resolution 9 seeks the opinion of the shareholders on the compensation components due or awarded to Hubert Sagnières in respect of the fiscal year ended December 31, 2015. This vote is required in accordance with the recommendations of the AFEP-MEDEF Code of November 2015 (Article 24.3), to which the Company refers pursuant to Article L.225-37 of the French Commercial Code.

These components are set out in the form of a table prepared in accordance with the recommendations of the Application Guide for the AFEP-MEDEF Code issued by the High Committee for Corporate Governance (Haut Comité de gouvernement d'entreprise).

Details of the full compensation package can be found in Section 2.3.

The Shareholders, having read the terms of Article 24-3 of the AFEP-MEDEF Code and having fulfilled the quorum and majority requirements for voting at Ordinary General Meetings, issue a favorable opinion on the compensation due or awarded in respect of the 2015 fiscal year to Hubert Sagnières, Chairman of the Board of Directors and Chief Executive Officer, as shown in Section 2.3 and listed below.

Compensation components	Amount	Comments
Fixed compensation	€800,000	Gross annual fixed compensation with effect from January 2, 2012, as decided by the meeting of the Board of Directors of November 24, 2011 on the recommendation of the Executive Officers and Compensation Committee. The amount remains unchanged since 2012.

Variable compensation	€1,350,400	At its meeting of February 18, 2016, the Board of Directors, on the recommendation of the Executive Officers and Compensation Committee and after approval of the financial items by the Audit and Risk Committee, assessed the variable compensation payable to Hubert Sagnières in respect of the 2015 fiscal year.
		Given the quantitative and qualitative criteria approved by the Board Meeting of February 18, 2015 and the achievements recorded as at December 31, 2015, the amount of the variable component was assessed as follows:
		• in respect of quantitative criteria:
		  ◦ restated net EPS, 196% of target achieved,
		  ◦ organic growth, 140% of target achieved,
		  ◦ bolt-on acquisition-led growth, 180% of target achieved;
		• in respect of qualitative criteria: the Board's view was that Hubert Sagnières had met the personal targets set by the Board to the extent of 180%. These targets were: the development of the strategy for the Sunglasses & Readers Division, the structuring of the Group Top Management and, in a context of rapid development, the consolidation of the Group culture which is a key factor for its success.
		Consequently, the amount of Hubert Sagnières' variable compensation for 2015 was approved at €1,350,400, i.e., 168.8% of his annual fixed compensation for 2015.
		Details of these criteria, their respective weighting and their assessment scales are provided in Chapter 2, Section 2.3, "Compensation and benefits".

Deferred variable compensation	N/A	Hubert Sagnières does not benefit from any deferred variable compensation.
Multi-year variable compensation	N/A	Hubert Sagnières does not benefit from any multi-year variable compensation.
Directors' fees	N/A	Hubert Sagnières does not receive any Directors' fees.
Exceptional compensation	N/A	Hubert Sagnières does not benefit from any exceptional compensation.

Compensation components	Amount	Comments
Award of stock subscription and share purchase options	N/A	Hubert Sagnières does not benefit from stock options.
Award of performance shares	Number: 35,000; accounting valuation: €1,975,400	At its meeting of December 2, 2015, the Board of Directors, pursuant to the authorization granted by the 14th resolution of the Shareholders' Meeting on May 5, 2015 and on the recommendation of the Executive Officers and Compensation Committee, awarded Hubert Sagnières a maximum number of 35,000 performance shares, valued on the basis of the method used for the consolidated financial statements at €1,975,400, i.e., 2.4% of the total number of shares awarded (the sum of the performance shares and performance options awarded) and 0.016% of the share capital as at December 31, 2015. As at December 31, 2015, no shares from previous award plans had become available for Hubert Sagnières. The rules governing awards to Executive Board Directors, the vesting conditions and the lock-up conditions for such shares are set out in Chapter 2, Section 2.3, "Compensation and benefits".
Sign-on bonus	N/A	Hubert Sagnières has not received any sign-on bonus.
Severance payment	No payment	Under a clause in his employment contract which is suspended during his term of office as an Executive Board Director, Hubert Sagnières is entitled to a severance payment of a maximum of €2,208,000, comprised of: • €901,600 in respect of benefits payable under French law and the applicable collective bargaining agreement; • €1,306,400 in supplementary benefits which are wholly subject to performance conditions. In accordance with the procedure regarding related-party agreements and commitments, this benefit obligation was authorized by the Board on March 4, 2009, with this authorization reiterated on March 3, 2010, and ratified at the Shareholders' Meeting of May 5, 2011 (4th resolution). Details of the terms of the award of this benefit are provided in Chapter 2, Section 2.3, "Compensation and benefits".
Non-compete payment	N/A	Hubert Sagnières does not benefit from any non-compete payment.
Supplementary pension plan	No payment	Hubert Sagnières is eligible for the defined benefit supplementary pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belongs in terms of setting employee benefits and other ancillary items of his compensation. In accordance with the procedure regarding related-party agreements and commitments, this benefit obligation was authorized by the Board on November 26, 2009 and ratified at the Shareholders' Meeting of May 11, 2010 (5th resolution). By way of example, if the calculation were made on the basis of the reference compensation (fixed + variable) for the last fiscal year, the annual pension provided by this plan would amount to 25% of the average total compensation (fixed + variable) actually paid to Hubert Sagnières during the 2013, 2014 and 2015 fiscal years (see Chapter 2, Section 2.3, "Compensation and benefits").
Group death / disability and health insurance plans and defined contribution pension plan		Hubert Sagnières is eligible for the Group death / disability and health insurance plans and the defined contribution pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belongs in terms of setting employee benefits and other ancillary items of his compensation.
Benefits in kind	€7,401	Hubert Sagnières is covered by an unemployment insurance plan for which the Company paid a premium of €7,401 in 2015.

2.3.5 Summary statement of transactions performed in 2015 by corporate officers on Essilor International securities

(Article 223-26 of the AMF General Regulations)

First name	Last name	Title	Financial instrument	Transaction type	Transaction date	Transaction amount (€)
Maureen	CAVANAGH	Director	Shares	Acquisition	12/03/2015	US$1,801.80
			Shares	Acquisition	12/03/2015	US$2,417.10
			Shares	Acquisition	12/03/2015	US$2,638.80
			Shares	Acquisition	12/03/2015	US$2,100.30
Juliette	FAVRE	Director	Shares	Subscription	12/21/2015	13,000.15
Yi	HE	Director	Shares	Subscription	12/21/2015	54,220.53
Franck	HENRIONNET	Director	Shares	Subscription	12/21/2015	13,230,56
Bernard	HOURS	Director	Shares	Sale	02/19/2015	265,747.25
Marc	ONETTO	Director	Shares	Acquisition	08/07/2015	9,368.00
Hubert	SAGNIÈRES	Chairman and Chief Executive Officer	Shares	Sale	07/31/2015	1,167,900.00
		Chairman and Chief Executive Officer	Shares	Sale	11/16/2015	1,185,842.00

2.4 SUMMARY TABLE OF RECOMMENDATIONS OF THE AFEP-MEDEF CODE THAT HAVE NOT BEEN APPLIED

Reminder of the Governance Code of reference

The Essilor International Board of Directors declared that, as of March 4, 2009, the AFEP and MEDEF Corporate Governance Code for listed companies of December 2008, which was last reviewed in November 2015 (hereinafter the "AFEP-MEDEF Code") and is available on the AFEP and MEDEF websites, will be the Code to which Essilor International refers, especially for the preparation of the report provided for in Article L.225-37 of the French Commercial Code.

Implementation of the "Apply or Explain" rule

With regard to the "Apply or Explain" rule provided for in Article L.225-37 of the French Commercial Code and referred to in Article 25.1 of the AFEP-MEDEF Code, the Company considers that its practices comply with the recommendations of the AFEP-MEDEF Code.

However, certain provisions have been disregarded for the reasons explained in the table below:

Recommendations of the AFEP-MEDEF Code (hereinafter the "Code")	Practices of Essilor International and explanations
Composition of the Board of Directors: balance of men and women in 2016 (point 6 of the Code) Achieve a percentage of at least 40% women no later than the close of the Ordinary Shareholders' Meeting in 2016.	Subject to the approval of the resolutions submitted to the Shareholders' Meeting of May 11, 2016, women will make up 38.5% of the Board of Directors in 2016. This is set to reach 40% in 2017 in accordance with legal provisions.
Composition of the Executive Officers and Compensation Committee (participation of the Director representing employees – point 18-1 of the Code)	The Board of Directors did not wish to change the composition of the Executive Officers and Compensation Committee, which is comprised exclusively of Independent Directors. The compensation of the Executive Board Director is subject to discussion on an annual basis at a meeting of the Board of Directors, under a specific agenda item for which the Executive Board Director and executive members of the Company are not present, so that the Director representing employees can freely express his or her opinion prior to any decision. Furthermore, the employee shareholders are periodically invited, as part of the Valoptec Association, to discuss a certain number of topics, including the compensation of the Executive Board Director.
Suspension of the employment contract of the Executive Board Director (point 22 of the Code) It is recommended that, when an employee becomes an Executive Board Director of the Company, the employment contract between them and the Company or a Group company be terminated, either by means of contractual termination by mutual consent or by means of resignation.	On the recommendation of the Executive Officers Committee, the Board Meeting of November 27, 2008 expressed reservations on the "requirement" for a corporate director to terminate their employment contract on appointment as Chairman and Chief Executive Officer or Chief Executive Officer. While this provision would make sense for a Director hired externally or newly arrived within the Group, it is difficult to justify it for a manager who has had a long and successful career within the Company and is called to higher responsibilities. By reducing the protection afforded to Executive Directors at a time when they are taking on increased risks by virtue of their new responsibilities, this could lead internal candidates to turn down the promotion or to ask for a bigger increase in their compensation, which is obviously not in line with the spirit of the AFEP-MEDEF recommendations. This measure would detach the corporate directors from the Company and would be out of line with the policies of internal promotion and "sustainable management" that are, for Essilor International, the key to building strong and stable groups. Consequently, the Board of Directors of Essilor decided to continue to "suspend" the employment contracts of senior executives upon their appointment as Chairman and Chief Executive Officer or Chief Executive Officer when they have been with the Company for at least 10 years.
Stock options and performance shares (point 23.2.4 of the Code) Moreover, the performance shares awarded to Executive Board Directors should be made [...] contingent upon the purchase of a defined quantity of shares during the availability period of the shares awarded, in accordance with the terms established by the Board and made public when they are awarded.	The Board of Directors has not deemed it necessary to make the award of performance shares contingent upon an obligation to purchase due to the lock-up period for the shares acquired that applies to Executive Board Directors throughout their term of office.

2.5 STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE AND DEALING WITH THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ESSILOR INTERNATIONAL

(Financial year ended December 31, 2015)

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of ESSILOR INTERNATIONAL and in accordance with article L.225-235 of the French Commercial Code, we hereby present our report dealing with the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the financial year ending December 31, 2015.

The Chairman is responsible for preparing and submitting for the approval of the Board of Directors, a report describing the internal control and risk management procedures implemented by the company and disclosing other information as required by article L.225-37 of the French Commercial Code dealing in particular with corporate governance.

Our own responsibility is to:

- Communicate to you any observations we may have as to the information contained in the Chairman's Report and relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information; and
- Attest that the report includes the other disclosures required by article L.225 37 of the French Commercial Code. It should be noted that we are not responsible for verifying the fair presentation of those other disclosures.

We have performed our work in accordance with the professional standards applicable in France.

Information relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information

Our professional standards require the application of procedures designed to assess the fair presentation of the information contained in the Chairman's Report and relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information.

Those procedures involve in particular:

- obtaining an understanding of the underlying internal control and risk management procedures in the area of the preparation and processing of financial and accounting information presented in the Chairman's Report, and of the related documentation;
- obtaining an understanding of the work performed as a basis for preparing that information and the existing documentation ;
- determining if any major internal control weaknesses in the area of the preparation and processing of financial and accounting information identified by us during the course of our engagement have been appropriately disclosed in the Chairman's Report.

On the basis of the procedures performed, we have nothing to report on the information relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information contained in the report of the Chairman of the Board of Directors prepared in accordance with article L.225-37 of the French Commercial Code.

Other disclosures

We hereby attest that the report of the Chairman of the Board of Directors includes the other disclosures required by article L.225-37 of the French Commercial Code.

Neuilly-Sur-Seine and Courbevoie, on March 3, 2016

The Statutory Auditors
French original signed by:

PricewaterhouseCoopers Audit	Mazars
Christine Bouvry	Pierre Sardet Daniel Escudeiro

2.6 STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

Shareholders' meeting for the approval of the financial statements for the year ended December 31, 2015

This is a free translation into English of the statutory auditors' report on regulated agreements and commitments issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby report to you on regulated agreements and commitments.

Our responsibility is to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments, and on the reasons justifying the interest for the company of agreements and commitments that have been disclosed to us or which we have become aware in the performance of our audit, without commenting on their relevance or substance or inquiring about the existence of other agreements and commitments. Under the provisions of Article R.225-31 of the French Commercial Code, it is the responsibility of the shareholders to determine whether such agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to report to shareholders as stipulated in Article R.225-31 of the French Commercial Code regarding the performance, during the past fiscal year, of any agreements and commitments already approved by the Shareholders' Meeting.

We performed our procedures in accordance with the professional guidance issued by the Compagnie Nationale des Commissaires aux Comptes for this type of engagement.

Agreements and commitments submitted to the approval of the shareholders' meeting

We have not been advised of any agreements and commitments that were approved during the past fiscal year and would require the approval of the Shareholders' Meeting pursuant to the provisions of Article L.225-38 of the French Commercial Code.

Agreements and commitments previously approved by the shareholders' meeting

We have not been advised of any agreements or commitments previously approved by the Shareholders' Meeting and the performance of which may have continued during the past fiscal year.

Neuilly-Sur-Seine and Courbevoie, on March 3, 2016

The Statutory Auditors
French original signed by:

PricewaterhouseCoopers Audit
Christine Bouvry

Mazars
Pierre Sardet
Daniel Escudeiro

3 FINANCIAL STATEMENTS

2015 : STRONG REVENUE AND EARNINGS GROWTH

€ millions	2015	2014 (Adjusted) [a]	Change
Revenue	6,716	5,670	+18.4%
Contribution from operations [b]	1,263	1,057	+19.4%
(% of revenue)	*18.8%*	*18.6%*	
Operating profit	1,183	989	+19.6%
Net profit attributable to Group equity holders	757	642	+17.9%
Earnings per share (€)	3.57	3.05	+17.0%

(a) Adjusted for non-recurring items relating primarily to the acquisition in 2014 of Transitions Optical, Coastal and Costa.
(b) The 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).

DATE OF LATEST FINANCIAL INFORMATION

The latest audited financial information corresponds to fiscal years 2014 and 2015 (periods from January 1 to December 31).

DOCUMENTS INCORPORATED BY REFERENCE

Pursuant to Article 28 of Regulation (EC) No 809/2004 of the European Commission, the following information is incorporated by reference in this Registration Document:

- the consolidated financial statements for the year ended December 31, 2013 and the Statutory Auditors' Report on the consolidated financial statements for the year, which appear respectively on pages 91 to 157 and 158 of the 2013 Registration Document filed with the AMF on March 25, 2014 under number D.14-0200;
- the consolidated financial statements for the year ended December 31, 2014 and the Statutory Auditors' Report on the consolidated financial statements for the year, which appear respectively on pages 96 to 164 and 165 of the 2014 Registration Document filed with the AMF on March 12, 2015 under number D.15-0131.

THE REGISTRATION DOCUMENTS AND RELEASES CITED ARE AVAILABLE AT:

@ Investors/ Publications & Downloads

www.essilor.com

SELECTED FINANCIAL INFORMATION FOR INTERIM PERIODS

The Company has elected not to restate financial information for interim periods in this Document. For the record, the consolidated results as at June 30, 2015 were published on July 30, 2015. The financial press release, the consolidated income statement, consolidated balance sheet and consolidated cash flow statement at June 30, 2015 and the presentation of results for the first half of 2015 are available on the Essilor website.

3.1 COMMENTS ON THE COMPANY'S EARNINGS AND FINANCIAL POSITION

3.1.1 Operating profit

Condensed Statement of Income

€ millions	2015	2014 Adjusted [a]	% change
Revenue	6,716	5,670	+18.4%
Gross profit	4,012	3,328	+20.6%
(% of revenue)	*59.7%*	*58.7%*	
Operating expenses	2,749	2,271	+21.1%
EBITDA [b]	1,647	1,365	+20.6%
(% of revenue)	*24.5%*	*24.1%*	
Contribution from operations [c]	1,263	1,057	+19.4%
(% of revenue)	*18.8%*	*18.6%*	
Operating profit	1,183	989	+19.6%
Net profit	813	702	+15.8%
Attributable to equity holders of Essilor International	757	642	+17.9%
(% of revenue)	*11.3%*	*11.3%*	
Earnings per share (€)	3.57	3.05	+17.0%

(a) Adjusted for non-recurring items arising mainly on the acquisitions of Transitions Optical, Coastal and Costa in 2014.

Non-recurring items primarily include the €544-million gain recognized on the full-consolidation of Transitions Optical, in application of IFRS 3 (revised), offset by (i) €118 million in impairment losses on property, plant and equipment, intangible assets and goodwill, (ii) €28 million in technical expense adjustments arising from the full consolidation of Transitions Optical, (iii) €17 million in acquisition costs, (iv) €54 million in restructuring costs arising from plans to unlock acquisition-related synergies, (v) €50 million in contingent consideration payments and adjustments to other provisions for contingencies, and (vi) the €30-million contribution to the Vision For Life™ program.

The adjusted 2014 statement of income excludes these non-recurring items, most of which are purely accounting related with no impact on cash.

(b) EBITDA is defined as earnings before interest, taxes, depreciation and amortization of property, plant and equipment, intangible assets and the remeasurement of inventories arising on acquisitions.

(c) 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).

Significant factors affecting operating profit

Revenue

For more information on revenue, refer to Section 1.5 "Essilor in 2015" of this Registration Document.

20.6% increase in gross profit, to 59.7% of revenue

Gross profit (revenue less cost of sales) stood at €4,012 million for the year, representing 59.7% of revenue, versus 58.7% in 2014 (adjusted). The strong improvement was led primarily by the contribution from Transitions Optical, as well as by gains in operating efficiency and the product mix.

Operating expenses: Up 11.7% at constant exchange rates

At current exchange rates, operating expenses amounted to 40.9% of revenue, versus 40.0% in 2014 (adjusted).

They included:

- €214 million in R&D and engineering costs, versus €188 million in 2014 (adjusted);
- €1,678 million in selling and distribution costs, up from €1,367 million in 2014 (adjusted). The sharp increase reflected the strategic commitment to raising consumer marketing spend in order to increase awareness of the Varilux®, Crizal®, and Transitions® trademarks in their leading markets, promote the sunglasses trademarks and grow the online business.

Record high contribution from operations [1] to 18.8% of revenue

Contribution from operations [1] surged 19.4% to €1,263 million while the margin widened by 20 basis points to 18.8% of revenue, reflecting the net impact of:

- the significant contribution from Transitions Optical, including the synergy gains arising on the company's integration;
- the slight dilution from the consolidation of bolt-on acquisitions [2] and Coastal;
- the steep increase in consumer marketing expenses in 2015.

Contribution from operations [1] includes €86 million in costs relating to purchase price allocation within the scope of business combinations (€64 million in 2014 on an adjusted basis), reflecting Essilor's acquisition momentum over recent years as well as the full-year impact of the strategic prior-year acquisitions of Coastal and Transitions. Adjusted for this amortization expense, contribution from operations [1] came out 20.3% higher year-on-year at €1,349 million, and represented 20.1% of revenue (versus 19.8% in 2014 on an adjusted basis). EBITDA [3] advanced 20.6%, with the margin widening by 40 basis points to 24.5% of revenue.

Contribution from operations [1]	2015	2014 Adjusted [a]	Change
€ millions	1,263	1,057	+19.4%
As a % of revenue	18.8%	18.6%	

(a) Adjusted for non-recurring items relating primarily to the acquisition in 2014 of Transitions Optical, Coastal and Costa.

The procedures for calculating the changes in this aggregate are explained in Note 2.3 to the consolidated financial statements.

Other income and expenses from operations

"Other income and expenses from operations" and "Gains and losses on asset disposals" together represented a net expense of €80 million versus a net expense of €68 million in 2014 (adjusted). These outlays covered:

- compensation costs for shared-based payments (in particular performance share plans), totaling €49 million;
- charges to restructuring provisions in a total amount of €22 million, mainly related to the streamlining of the prescription laboratory network in Europe;
- other expenses in an amount of €9 million.

The procedures for calculating the changes in this aggregate are explained in Note 2.3 to the consolidated financial statements.

Significant changes to net sales or revenues

There were no significant changes to net sales or revenues.

Policies and other external factors

The Company is not aware of any governmental, economic, fiscal, monetary or political policies or factors that could materially affect, directly or indirectly, its future operations.

Operating profit: Up 19.6%

Operating profit (contribution from operations less other income and expenses from operations) stood at €1,183 million for the year, representing 17.6% of revenue.

3.1.2 Net profit

Net profit attributable to equity holders and earnings per share

Finance costs and other financial income and expenses, net

This item came to a net expense of €63 million, compared with €44 million in 2014 (adjusted) and chiefly includes interest expense as well as exchange gains and losses.

Profit attributable to equity holders: Up 17.9% to €757 million

Profit attributable to equity holders is stated after:

- €308 million in income tax expense, representing an effective tax rate of 27.5% compared with 26% in 2014 (adjusted). Most of the increase resulted from changes in the scope of consolidation and growth in North America;

(1) 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).
(2) Local acquisitions or partnerships.
(3) EBITDA is defined as earnings before interest, taxes, depreciation and amortization of property, plant and equipment, intangible assets and the remeasurement of inventories arising on acquisitions.

- €56 million in non-controlling interests, down slightly from €60 million in 2014 (adjusted), primarily due to the impact of (i) cooling demand in Japan on Nikon-Essilor's profit performance and (ii) slower growth in export sales from China on our Chinese partners.

Earnings per share rose 17% to €3.57 for the year. Excluding the €0.27 per share impact of the negative currency effect, the increase was 8.4%, in line with the growth in revenue at constant exchange rates.

3.1.3 Balance sheet and cash flow statement

Operating cash flow [1]: Up 21.8% to €1,245 million

At 21.8%, growth in operating cash flow [1] (which represented €1,245 million) tracked the increase in contribution from operations.

Capital expenditure and investments

Purchases of property, plant and equipment and intangible assets totaled €327 million for the year. This amount includes, on the one hand, capital expenditure to drive growth and, on the other hand, buy-backs in connection with FGX International's renewal of a key account contract in the Sunglasses & Readers Division.

Financial investments, in an amount of €805 million, concerned the acquisitions carried out during the year – primarily two national optometrist services networks in the United States, Vision Source and PERC/IVA – as well as the payment of contingent consideration in respect to prior-year transactions.

Working capital requirement

Working capital requirement rose by €51 million over the year, reflecting disciplined management that kept inventory from rising as fast as underlying revenue growth.

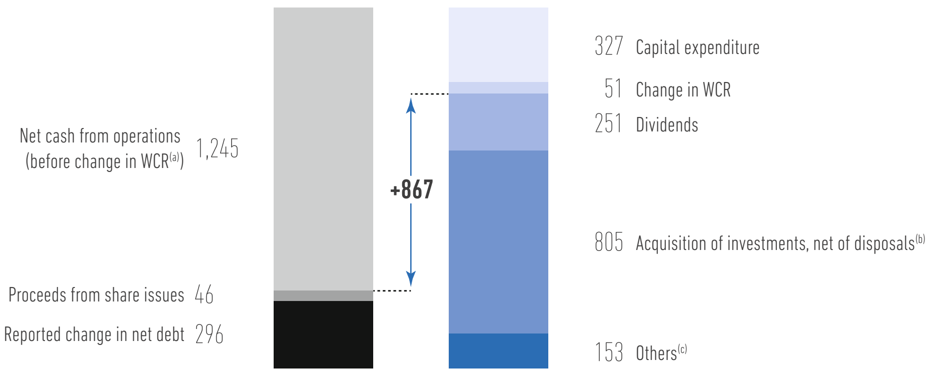
Free cash flow [2]

In all, the robust revenue performance helped to drive an 8.4% increase year-on-year in free cash flow to a record €867 million, representing an annual average increase of 13% since 2012.

Consolidated net debt ended 2015 at €2,089 million or 1.3 times consolidated EBITDA, unchanged from December 31, 2014.

Cash Flow Statement

(€ millions)



(a) Working capital requirement.

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

(c) Other items include the positive €154-million currency effect.

(1) Net cash from operating activities before working capital requirement.

(2) Net cash from operating activities less purchases of property, plant and equipment and intangible assets, according to the IFRS consolidated cash flow statement.

3.2 TREND INFORMATION

3.2.1 Recent trends

The Company is not aware of any trends affecting production, sales, inventories, costs or selling prices since the end of the last fiscal year.

3.2.2 Outlook

The Company is not aware of any trends, uncertainties, claims, commitments or events that would be reasonably likely to materially affect its medium-term outlook.

We believe that the medium and long-term growth outlook in the ophthalmic lens market is good, as a large portion of the world's population still needs glasses, the world's population is aging and these lenses represent the least expensive option for correcting vision issues. Furthermore, recent advances have made lenses even more attractive in relation to competing technologies.

3.2.3 Subsequent Events

Appeal withdrawn

Essilor has withdrawn its appeal filed in 2010 against the German anti-trust authority's decision to fine two subsidiaries, Essilor GmbH and Rupp & Hubrach Optik GmbH, a total of €50 million for allegedly creating a cartel in the German ophthalmic optics market. The amount has been covered by a provision recognized when the Company was first notified of the ruling. Withdrawing the appeal has brought a long legal proceeding to a close.

Acquisitions (1)

Since January 1, Essilor has pursued its strategy of forging partnerships with local optical market leaders with five transactions representing aggregate additional annual revenue of around €80 million.

In particular, Essilor continued to broaden its footprint in Latin America:

In **Chile**, Essilor acquired a majority stake in **Laboratorio Óptica Ltda** and **Ópticas OPV Ltda,** an integrated laboratory and distributor with around $25 million in revenue in 2015. This partnership allows Essilor to expand its footprint in a fast-growing country, develop its flagship trademarks and lens offering, and leverage extensive synergies with Megalux, its local partner laboratory.

In **Brazil,** Shamir has acquired two prescription laboratories which have around BRL 12 million in aggregate revenue from operations in São Paulo and Rio de Janeiro states. These transactions will enable the Company to target new customers in two key Brazilian states.

In the **United States,** Essilor of America has further broadened and deepened its local roots with the acquisition of a majority interest in **ICare Industries, Inc.,** a Florida-based laboratory with around $14 million in annual revenue.

In Europe, Essilor has strengthened its online optical products retailing business with the acquisition of **Vision Direct Group Ltd** in the **United-Kingdom,** one of Europe's leading online contact lens retailers, with revenue of around £33 million in 2015. Vision Direct does a majority of its business in the United-Kingdom and Ireland, but is also active in several other European countries and enjoys a reputation for excellent customer service.

(1) Information updated on February 23, 2016, following the announcement of the acquisition of Vision Direct in the United-Kingdom.

3.2.4 2016 Outlook

In 2016, Essilor intends to step up its deployment in the field of vision care by developing new lens products and services, continuing to invest in consumer marketing and driving faster growth in the sunwear and online segments.

The Company expects full-year revenue growth, at constant exchange rates, to exceed 8%, including a like-for-like gain of around 5%. Excluding any new strategic acquisitions, it is targeting a contribution from operations [(a)] of at least 18.8% of revenue.

Going forward towards Essilor's medium-term 2018 objectives, the broadening of its playing field and increasing proximity with consumers should continue to drive faster like-for-like revenue growth (in excess of 6% in 2018) and boost profitability

3.3 2015 CONSOLIDATED FINANCIAL STATEMENTS

3.3.1 Consolidated income statement

€ millions, excluding per share data	Notes	Year 2015	Year 2014
Revenue	3	6,716	5,670
Cost of sales		(2,704)	(2,355)
GROSS MARGIN		**4,012**	**3,315**
Research and development costs		(214)	(188)
Selling and distribution costs		(1,678)	(1,367)
Other operating expenses		(857)	(717)
CONTRIBUTION FROM OPERATIONS [(a)]		**1,263**	**1,043**
Other income from operations	6	18	546
Other expenses from operations	6	(98)	(367)
OPERATING PROFIT	**3**	**1,183**	**1,222**
Finance costs, net	7	(54)	(31)
Other financial income	8	5	6
Other financial expenses	8	(14)	(21)
Share of profits of associates		1	3
PROFIT BEFORE TAX		**1,121**	**1,179**
Income tax expense	9	(308)	(193)
NET PROFIT		**813**	**986**
Attributable to Group equity holders		**757**	**929**
Attributable to minority interests		56	57
Net profit attributable to Group equity holders per share (€)		3.57	4.41
Average number of shares (thousands)	10	212,226	210,511
Diluted net profit attributable to Group equity holders per share (€)		3.50	4.32
Diluted average number of shares (thousands)	11	216,583	214,820

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

The accompanying notes are an integral part of the consolidated financial statements.

Statement of consolidated comprehensive income

€ millions	Year 2015			Year 2014		
	Attributable to Group equity holders	Attributable to minority interests	Total	Attributable to Group equity holders	Attributable to minority interests	Total
NET PROFIT FOR THE PERIOD (A)	**757**	**56**	**813**	**929**	**57**	**986**
Items of comprehensive income that will not be reclassified subsequently to profit or loss						
Actuarial gains and losses on pension and other post-employment benefit obligations	(10)		(10)	(50)		(50)
Tax on items that will not be reclassified subsequently	2		2	7		7
Items of comprehensive income that may be reclassified subsequently to profit or loss						
Cash flow hedges, effective portion	(2)		(2)	8		8
Increase (decrease) in fair value of long-term financial investments	(1)		(1)	(1)		(1)
Translation reserves	188	27	215	367	29	396
Tax on items that may be reclassified subsequently	1		1	(2)		(2)
TOTAL INCOME (EXPENSES) FOR THE PERIOD RECOGNIZED DIRECTLY IN EQUITY, NET OF TAX (B)	**178**	**27**	**205**	**329**	**29**	**358**
TOTAL RECOGNIZED INCOME AND EXPENSES, NET OF TAX (A) + (B)	**935**	**83**	**1,018**	**1,258**	**86**	**1,344**

The accompanying notes are an integral part of the consolidated financial statements.

3.3.2 Consolidated balance sheet

Assets

€ millions	Notes	December 31, 2015	December 31, 2014
Goodwill	12	5,295	4,668
Other intangible assets	13	1,826	1,532
Property, plant and equipment	14	1,200	1,154
Investments in associates		5	3
Non-current financial assets	16	139	103
Deferred tax assets	9	169	151
Long-term receivables		24	15
Other non-current assets		41	1
TOTAL NON-CURRENT ASSETS		**8,699**	**7,627**
Inventories	17	1,099	1,002
Prepayments to suppliers		32	20
Short-term receivables	18	1,456	1,327
Tax receivables		60	56
Other receivables		34	38
Derivative financial instruments recognized in assets	23	64	43
Prepaid expenses		61	50
Cash and cash equivalents	19	466	626
CURRENT ASSETS		**3,272**	**3,162**
TOTAL ASSETS		**11,971**	**10,789**

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities

€ millions	Notes	December 31, 2015	December 31, 2014
Share capital		39	39
Issue premiums		400	360
Consolidated reserves		4,504	3,758
Own shares		(286)	(286)
Hedging and revaluation reserves		(131)	(121)
Translation differences		424	236
Net profit attributable to Group equity holders		757	929
Equity attributable to parent company owners		**5,707**	**4,915**
Equity attributable to non-controlling interests	31	385	345
TOTAL CONSOLIDATED EQUITY		**6,092**	**5,260**
Provisions for pensions	20	295	281
Long-term borrowings	22	1,905	1,521
Deferred tax liabilities	9	422	383
Other non-current liabilities	24	404	394
NON-CURRENT LIABILITIES		**3,026**	**2,579**
Provisions	21	369	274
Short-term borrowings	22	674	926
Customer prepayments		31	31
Short-term payables	18	1,357	1,215
Tax payables		87	58
Other current liabilities	24	316	421
Derivative financial instruments recognized in liabilities	23	9	17
Deferred income		10	8
CURRENT LIABILITIES		**2,853**	**2,950**
TOTAL LIABILITIES		**11,971**	**10,789**

The accompanying notes are an integral part of the consolidated financial statements.

3.3.3 Statement of changes in equity

Fiscal year 2015

€ millions	Share capital	Issue premiums	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	Equity attributable to parent company owners	Equity attributable to non-controlling interests	Total equity
EQUITY AT JANUARY 1, 2015	**39**	**360**	**(121)**	**3,758**	**236**	**(286)**	**929**	**4,915**	**345**	**5,260**
Capital increases										
• FCP mutual funds		25						25		25
• Stock subscription options		15						15		15
Capital increases subscribed by minority interests									6	6
Share-based payments				41				41		41
Purchases of treasury stock (net of sales)										
Allocation of profit				929			(929)			
Effect of changes in the scope of consolidation				(8)				(8)	(14)	(22)
Dividends paid				(216)				(216)	(35)	(251)
TRANSACTIONS WITH SHAREHOLDERS		**40**		**746**			**(929)**	**(143)**	**(43)**	**(186)**
Income (expense) for the period recognized directly in equity			(10)					(10)		(10)
Net profit for the fiscal year							757	757	56	813
Translation differences and other					188			188	27	215
TOTAL RECOGNIZED INCOME AND EXPENSES			**(10)**		**188**		**757**	**935**	**83**	**1,018**
EQUITY AT DECEMBER 31, 2015	**39**	**400**	**(131)**	**4,504**	**424**	**(286)**	**757**	**5,707**	**385**	**6,092**

The accompanying notes are an integral part of the consolidated financial statements.

Fiscal year 2014

€ millions	Share capital	Issue premiums	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	Equity attributable to parent company owners	Equity attributable to non-controlling interests	Total equity
EQUITY AT JANUARY 1, 2014	**39**	**302**	**(83)**	**3,340**	**(131)**	**(304)**	**593**	**3,756**	**285**	**4,041**
Capital increases										
• FCP mutual funds		23						23		23
• Stock subscription options		35						35		35
Capital increases subscribed by minority interests									8	8
Share-based payments				34				34		34
Purchases of treasury stock (net of sales)				(45)		18		(27)		(27)
Allocation of profit				593			(593)			
Effect of changes in the scope of consolidation				34				34	(4)	30
Dividends paid				(198)				(198)	(30)	(228)
TRANSACTIONS WITH SHAREHOLDERS		**58**		**418**		**18**	**(593)**	**(99)**	**(26)**	**(125)**
Income (expense) for the period recognized directly in equity			(38)					(38)		(38)
Net profit for the fiscal year							929	929	57	986
Translation differences and other					367			367	29	396
TOTAL RECOGNIZED INCOME AND EXPENSES			**(38)**		**367**		**929**	**1,258**	**86**	**1,344**
EQUITY AT DECEMBER 31, 2014	**39**	**360**	**(121)**	**3,758**	**236**	**(286)**	**929**	**4,915**	**345**	**5,260**

The accompanying notes are an integral part of the consolidated financial statements.

3.3.4 Consolidated cash flow statement

€ millions	Notes	Year 2015	Year 2014
CONSOLIDATED NET PROFIT [(a)]		**813**	**986**
Share of profits of associates, net of dividends received		(1)	25
Depreciation, amortization and other non-cash items		380	451
Profit before amortization and depreciation and associates		**1,192**	**1,462**
Provision charges (reversals)		(8)	99
Gains and losses on asset disposals, net		(1)	(513)
Cash flow after tax and finance costs, net		**1,183**	**1,048**
Finance costs, net [(a)]		54	31
Tax expenses (including deferred taxes) [(a)]		308	193
Cash flow before tax and finance costs, net		**1,545**	**1,272**
Taxes paid		(265)	(225)
Interest (paid) and received, net		(35)	(25)
Change in working capital requirement		(51)	10
NET CASH FROM OPERATING ACTIVITIES		**1,194**	**1,032**
Purchases of property, plant and equipment and intangible assets		(327)	(232)
Acquisitions of subsidiaries, net of the cash acquired		(765)	(1,836)
Purchases of non-consolidated securities		(15)	(4)
Change in other non-financial assets		(13)	(9)
Proceeds from the sale of other financial assets, property, plant and equipment and intangible assets		7	6
NET CASH USED IN INVESTING ACTIVITIES		**(1,113)**	**(2,075)**
Capital increase [(b)]		46	67
Net sale (net buyback) of treasury shares [(b)]			(36)
Dividends paid:			
• to Essilor shareholders [(b)]		(216)	(198)
• to minority shareholders of the consolidated subsidiaries [(b)]		(35)	(30)
Bond issues	22	300	800
Increase / (Decrease) in borrowings other than finance lease liabilities	22	(345)	434
Acquisition of marketable securities [(c)]			6
Repayment of finance lease liabilities		(2)	(4)
Other movements			
NET CASH USED IN FINANCING ACTIVITIES		**(252)**	**1,039**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(171)**	**(4)**
Net cash and cash equivalents at January 1		**598**	**749**
Effect of changes in exchange rates		4	(147)
NET CASH AND CASH EQUIVALENTS AT PERIOD-END		**431**	**598**
Cash and cash equivalents	22	466	626
Bank credit facilities	22	(35)	(28)

(a) See income statement.
(b) See statement of changes in equity.
(c) Units in money market UCITS not qualified as cash equivalents under IAS 7.

The accompanying notes are an integral part of the consolidated financial statements.

3.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING PRINCIPLES

1.1 General

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

The consolidated financial statements are prepared under the responsibility of the Board of Directors and presented to the Shareholders' Meeting for approval. The 2015 consolidated financial statements were approved by the Board of Directors on February 18, 2016.

The financial statements are prepared on a going concern basis.

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

1.2 Basis of preparation of the financial statements

In accordance with European Regulation No 1606/2002 of July 19, 2002, the Essilor group has applied, since January 1, 2005, all international accounting standards including IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), and their interpretations since January 1, 2005, as approved in the European Union, with mandatory application as at December 31, 2015. These international accounting standards can be accessed on the European Commission website [1].

1.3 New accounting standards and interpretations

The accounting methods applied are the same as those used in the annual financial statements as at December 31, 2014. The standards, amendments and interpretations with mandatory application in or after 2015 (see below) have no material impact on the Group's financial statements:

- IFRIC 21 – Levies.

Furthermore, the Group has not opted for early application of the standards, amendments or interpretations whose application is not mandatory on or after January 1, 2015:

- IFRS 9 – Financial Instruments;
- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 16 – Contract leases;
- amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization;
- amendment to IAS 19 – Defined Benefit Plans: Employee Contributions;
- amendment to IAS 27 (revised) – Equity Method in Separate Financial Statements;
- amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- amendments to IAS 1 – Disclosure Initiative;
- amendment to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations.

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

(1) *http://ec.europa.eu/finance/company-reporting/index_en.htm.*

1.4 Use of estimates

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

- the recoverable amount of goodwill (Notes 1.21 and 12);
- fair values in relation to business combinations and put options granted to minority shareholders (Note 1.21);
- risk assessment to determine the amount of provisions (Notes 1.32 and 1.21);
- measurement of pension and other post-employment benefit obligations (Notes 1.31 and 21).

The final amounts may differ from these estimates.

1.5 Presentation of the financial statements

Some reclassifications related to the presentation of comparative figures could have been realized in order to be compliant with the presentation of the current period or to IFRS standards.

1.6 Basis of consolidation

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

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

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

The Transitions Group was consolidated by the equity method until March 31, 2014 (see Note 2). Based on an economic analysis of the flows between Essilor and Transitions, between Transitions and Essilor, and of the sales of Transitions products by Essilor to third-parties until March 31, 2014:

- revenue recognition from transactions between Essilor and Transitions has been canceled from Essilor's revenue and cost of sales, in accordance with IAS 18;
- the cost of subcontracting services provided by Transitions to Essilor has been reallocated between costs of sales and the Transitions trademark's marketing costs.

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

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement as from the date of acquisition or up to the date of disposal. In the event of a change in the percentage of ownership interest held during the year, the profit attributable to Group equity holders is calculated by applying:

- the former percentage of ownership interest in the profit generated prior to the date on which the percentage of ownership interest changed;
- the new percentage of ownership interest in the profit generated after that date and up to the period-end.

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

All intragroup profits and transactions are eliminated in consolidation.

1.7 Segment information

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

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

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

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

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

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

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

1.8 Consolidated cash flow statement

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

Profit before amortization and depreciation and from associates is equal to the sum of net profit of consolidated companies, plus amortization, depreciation and provisions (other than provisions on current assets), calculated expenses (mainly expenses on stock subscription options and purchases of shares, awards of performance shares and the employee share ownership plan) and dividends received from associates.

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

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

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

The amounts reported for acquisitions (sales) of subsidiaries correspond to the acquisition price (sale proceeds), adjusted by the net cash and cash equivalents of the acquired (sold) company at the transaction date.

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

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

1.9 Conversion of foreign subsidiaries' financial statements

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

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

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

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

1.10 Revenue

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

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

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

1.11 Cost of sales

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

1.12 Contribution from operations

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).

1.13 Other operating income and expenses

Income and expenses that cannot be inherent to the Group's current business activities, in terms of their materiality, nature or unusual nature are recognized under other operating income and expenses.

They primarily include costs related to restructuring, compensation costs on share-based payments, costs related to major strategic acquisitions, estimate adjustments to opening balance sheets of acquired subsidiaries recorded after the one-year allocation period, provisions and impairment of significant property, plant and equipment or intangible assets, legal costs and provisions, changes in price supplements for acquisitions made after January 1, 2010, net income on disposals of business activities and consolidated entities as well as, in step acquisitions, the fair value revaluation of the previously held share.

1.14 Share-based payments

Stock subscription options and performance share awards

The fair value of stock options and performance share awards is determined based on methods adapted to their characteristics:

- performance-based stock subscription options, subject to vesting conditions based on the share price performance, are valued using the Monte Carlo model;
- performance shares, which are subject to vesting conditions based on the change in the share price compared with the Reference Price on the grant date, are valued using the Monte Carlo model.

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

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

For the November 2012, November 2013, November 2014, and December 2015 performance share plans, a lock-up discount was applied to the portion of shares that will be granted after the plan's performance conditions have been fulfilled. This portion will be unavailable to grantees for an estimated five years for the November 2012, November 2013, and November 2014 performance share plans, and for three and a half years for the December 2015 performance share plan.

The model parameters are determined at the grant date:

- share price volatility is determined by reference to historical volatilities;
- the risk-free interest rate corresponds to the government bond rate;
- the impact of dividends is taken into account in the model by applying a yield assumption, determined by reference to the dividends paid in the previous year;
- the options' expected life is determined based on the vesting period and the exercise period;
- in line with French Accounting Authority (CNC) guidelines dated December 21, 2004, the lock-up discount applied to the November 2012, November 2013, November 2014, and December 2015 performance share plans was determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan.

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

Employee share issues

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

IFRS 2 allows for the effect of any post-vesting transfer restrictions to be taken into account, but does not provide any guidance on measuring the corresponding discount. On December 21, 2004, the French accounting authority (Conseil National de la Comptabilité) issued a press release in which it proposed guidelines for valuing this discount. An illiquidity discount has been taken into account by the Group since the second half of 2007. In line with the CNC guidelines, the discount was determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period, and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan.

1.15 Financial income

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

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

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

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

1.16 Foreign currency transactions

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

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

1.17 Assets and liabilities measured at fair value

In accordance with IAS 39, derivatives (including currency forwards transactions) are initially recognized at cost and subsequently measured at their fair value at each closing date.

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

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

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

- level 1: financial assets and liabilities quoted on an active market;
- level 2: financial assets and liabilities measured using valuation techniques that are based on observable market data;
- level 3: financial assets and liabilities measured using valuation techniques that are not based on observable market data.

The fair values of the main financial assets and liabilities recorded in the Group's balance sheet are determined in accordance with the principles set out below:

Financial instruments	Consolidated balance sheet valuation principles	Input levels under IFRS 13	Notes to the financial statements	Fair value measurement			
					Market data		
				Valuation model	Exchange rate	Interest rate	Volatility
Available-for-sale financial assets (listed securities)	Fair value	1	16	Share price	N/A		
UCITS units	Fair value	1	22	Market value (net asset value)	N/A		
Forward foreign exchange contracts	Fair value	2	23	Discounted cash flows	ECB rate	Zero Coupon curves	N/A
Currency option	Fair value	2	23	Black and Scholes	Forward curves, ECB rate, Spot rate	Zero Coupon curves	At the money
Interest rate swaps	Fair value	2	23	Discounted cash flows	N/A	Zero Coupon curves	N/A
Cross-currency swaps	Fair value	2	23	Discounted cash flows	ECB rate	Zero Coupon curves	N/A
Liabilities relating to business combinations or minority interests	Fair value	3	23	Under IAS 32, contingent considerations payable to minority interests or within the scope of business combinations constitute financial liabilities. The fair value of these liabilities is measured by reviewing obligations on the reporting date using the method described in Note 1.20.			

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

1.18 Income tax

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when they are levied on the same taxable entity (legal entity or tax group) and when the applicable tax regulations authorize this offsetting of tax due.

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

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

1.19 Earnings per share

Earnings per share

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

Awards of performance shares are taken into account in the average number of shares outstanding over the fiscal year on the basis of the number of shares granted, as soon as the performance criteria have been met before the period-end.

Diluted earnings per share

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

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

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

1.20 Research and development costs

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

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

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

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

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

Instrument and laboratory equipment development costs are capitalized when the above criteria are fulfilled.

1.21 Goodwill

Recognition of acquisitions made after January 1, 2010

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

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

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

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

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

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

Discounting adjustments to reflect the accretion of discount are recognized in financial income.

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

Recognition of acquisitions made before January 1, 2010

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

Goodwill represents the difference between:

- the acquisition cost, plus any costs directly attributable to the acquisition;
- and the fair value of the acquired company's assets net of identifiable liabilities at the acquisition date.

Under this method, the acquired company's identifiable assets, liabilities and contingent liabilities meeting the recognition criteria of IFRS 3 are recognized at fair value determined on the acquisition date, with the exception of non-current assets held-for-sale which are recognized at fair value less costs to sell. Only identifiable liabilities that meet the criteria for recognition as a liability in the acquired company's accounts are recognized in the business combination. In line with this principle, a restructuring liability is not recognized as a liability of the acquired company if it is not obligated, at the acquisition date, to undertake this restructuring.

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

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

With regard to the accounting treatment in the consolidated balance sheet of the difference between the exercise price of the options granted and the book value of non-controlling interests, the Group has elected to record this difference in goodwill from the initial consolidation of the acquired company. Subsequent changes in the recognized liability will be reported as an adjustment to goodwill.

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

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

Impairment of goodwill

Goodwill subject to impairment tests is grouped into groups of cash-generating units (CGUs) corresponding to the analytical focus of the Group's senior management.

The Group has defined seven CGUs that correspond to like-for-like asset groups and generate identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is based on forecast cash flows less discounted taxes.

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

Future cash flows are estimated as follows:

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

This data is approved in advance by Management and take account of past experience.

The discount rate applied in all cases is the Group's weighted average cost of capital (WACC). A risk premium is added to the WACC for some CGUs, to reflect specific country risk exposures and local conditions. Note 12 summarizes the assumptions used.

Impairment tests are routinely performed on each group of CGUs once a year. They have been performed on September 2015. However, all sensitive items are tested again at the year-end and any impairment losses are increased if necessary.

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

1.22 Other intangible assets

Other intangible assets consist mainly of trademarks, contractual customer relationships, technologies, concessions, patents and licenses. Trademarks, contractual customer relationships and certain technologies constitute intangible assets when allocating the acquisition price of companies or activities (see Note 1.21).

They are shown on the balance sheet at their acquisition price or at the fair value at the date of the business combination, net of accumulated amortization and impairment losses.

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

- software is amortized over periods ranging from 1 to 5 years;
- patents are amortized over the period of legal protection;
- trademarks with a finite life are amortized over periods ranging from 20 to 45 years;
- contractual customer relationships are amortized over periods ranging from 5 to 20 years;
- technology is amortized over periods ranging from 5 to 15 years.

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

- the trademark corresponds to the legal name of a legal entity and is, therefore, associated with the image and reputation of the company;
- the Group has the intention and ability to support the trademark.

Trademarks with an indefinite life are tested for impairment annually, along with goodwill (see Note 1.21). When the test shows that an asset's recoverable amount is less than its carrying amount, a provision for impairment is recorded. An asset's recoverable amount is defined as the higher of the fair value (less costs to sell) and the value in use.

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

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

1.23 Property, plant and equipment

Property, plant and equipment are shown on the balance sheet at their acquisition price, net of accumulated depreciation and impairment losses.

Finance leases, defined as leases that transfer to the Group substantially all of the risks and rewards of ownership of the asset, are recognized in on the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The leased assets are depreciated by the methods described below. The corresponding payable is posted to liabilities under "Borrowings".

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

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

Depreciation

Depreciation is calculated on a straight-line basis, according to the normal useful life of assets on the basis of the acquisition price less, where applicable, the residual value.

The main useful lives are as follows:

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

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

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

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

1.24 Other long-term financial investments

Available-for-sale securities

In accordance with IAS 39, investments in non-consolidated companies and other long-term financial investments qualifying as “available-for-sale financial assets” under IAS 39 are measured at fair value on the closing date.

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

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

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

Other assets measured at amortized cost

Loans issued by the Group are measured at amortized cost.

A provision is recorded in profit or loss for any other-than-temporary impairment in value or if there is a risk of non-recovery.

1.25 Non-current assets held for sale

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

1.26 Inventories

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

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

1.27 Trade receivables

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

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

1.28 Cash and cash equivalents

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

Marketable securities held by the Group that do not qualify as cash equivalents under IAS 7 are reported on the balance sheet under “Other marketable securities” and are taken into account by the Group for the calculation of net debt (see Note 22 “Net debt and borrowings”).

In accordance with IAS 39, marketable securities are recognized at market value at the closing date. Changes in market value are recorded in financial income.

1.29 Equity

Issue premiums

Issue premiums are comprised of the excess of the issue price of capital increases over the par value of the shares issued.

Treasury shares

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

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

Hedging and revaluation reserves

Hedging and revaluation reserves comprise:

- the effective portion of the fair value of financial instruments used to hedge risks on future transactions or as hedges of the net investment in foreign subsidiaries, net of deferred tax;
- the revaluation (difference between the acquisition price and the fair value) of financial assets measured at fair value through equity ("available-for-sale assets" in accordance with IAS 39) net of deferred tax;
- actuarial gains and losses on defined benefit pension plans, net of deferred tax.

Dividends

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

Negative equity

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

Non-controlling interests

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

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

1.30 Borrowings

Borrowings are initially recognized at an amount corresponding to the issue proceeds net of directly attributable transaction costs.

Any difference between this amount and the redemption price is recognized in profit and loss over the life of the debt by the effective interest method.

1.31 Pension and other post-employment benefit obligations

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

Where these obligations are payable under defined contribution plans, the contributions are recognized as expenses for the fiscal year.

In the case of defined benefit plans, provisions are booked based on the assessments of independent actuaries.

The projected benefit obligation, corresponding to the vested rights of active and retired employees, is determined by the projected unit credit method, based on estimated final salaries. The actuarial assumptions used differ depending on the country (discount rate, inflation rate) and the company concerned (staff turnover rates, rate of future salary increases).

The discount rate used corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation. Discounting adjustments related to pension and other post-employment benefit obligations are recognized in operating profit or loss.

In cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets.

Actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in equity, under "Hedging and revaluation reserves".

If a company introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan, the related change in the Company's obligation ("past service cost") is immediately recognized in profit or loss.

The provision recorded in the balance sheet corresponds to the projected benefit obligation less the market value of any plan assets.

1.32 Provisions

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

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

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

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

No provision is recognized for future operating losses.

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

1.33 Other current and non-current liabilities

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

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

The accounting treatment in the consolidated balance sheet of the difference between the present value of the option exercise price and the accounting value of non-controlling interests is presented in "Goodwill" from the initial consolidation of the Company. Future changes in the recognized liability are reported in goodwill for companies acquired before January 1, 2010.

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

Price supplements are recognized from the acquisition date, irrespective of their probability of payment, at their fair value in recognition of a debt. For companies acquired before January 1, 2010, subsequent changes in price supplements are recognized in goodwill. Following the application of IFRS 3 (revised), subsequent changes in price supplements are recognized in other operating income and expenses for companies acquired after January 1, 2010.

NOTE 2.
EXCHANGE RATES AND SCOPE OF CONSOLIDATION

2.1 Exchange rates of the main functional currencies

	Closing rate		Average rate	
For €1	December 2015	December 2014	December 2015	December 2014
Canadian dollar	1.51	1.41	1.42	1.47
British pound	0.73	0.78	0.73	0.81
Yuan	7.06	7.54	6.97	8.19
Yen	131.07	145.23	134.31	140.31
Indian rupee	72.02	76.72	71.20	81.04
Brazilian real	4.31	3.22	3.70	3.12
US dollar	1.09	1.21	1.11	1.33

2.2 Changes in the scope of consolidation

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

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

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

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

Strategic acquisitions

In 2015, the Group finalized several acquisitions, but none is a strategic acquisition.

Transitions Optical

On April 1, 2014, Essilor International finalized the acquisition of the 51% stake in Transitions Optical held by PPG. Transitions Optical is a leading provider of photochromic lenses to optical manufacturers worldwide.

Following the transaction, Essilor owns 100% of the share capital of Transitions Optical. Founded in 1990, Transitions Optical is based in Pinellas Park in Florida (United States). Its revenue totaled US$844 million in 2013, including US$279 million with lens manufacturers other than Essilor.

The consideration for the transaction totals US$1.78 billion paid on the date of acquisition, plus a deferred payment of US$125 million over five years.

Since April 1, 2014, Essilor has consolidated its entire interest in Transitions Optical by the full consolidation method; until that date, 49% of Transitions Optical was equity-accounted.

Coastal.com

On April 28, 2014, Essilor International completed the acquisition of the total share capital of Coastal.com, one of the world's leading online vision care retailers. The transaction was announced on February 27, 2014 and approved by Coastal.com's shareholders at the Extraordinary Shareholders' Meeting held on April 16, 2014, before obtaining all the required regulatory approvals.

Based in Vancouver, British Columbia (Canada), Coastal.com designs and distributes one of the widest online selections of optical equipment: contact lenses, prescription and non-prescription eyeglasses, sunglasses and accessories. The company generated revenue of CAD 218 million in the fiscal year ended October 31, 2013. Its equity amounts to approximately CAD 430 million, *i.e.*, CAD 12.45 per Coastal.com share.

Since April 28, 2014, Essilor has consolidated its entire interest in the Coastal.com group by the full consolidation method.

Newly consolidated companies

The following companies were consolidated for the first time in 2015:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Infield France	France	January 1, 2015	Full	60	100
Movisia [(a)]	Morocco	January 1, 2015	Full	51	100
Optical Supply North Africa [(a)]	Tunisia	January 1, 2015	Full	55	100
Prosun Trading Co. Ltd	China	January 1, 2015	Full	35	100
Three Hundred Ltd (Fabris Lane)	United Kingdom	February 26, 2015	Full	100	100
Segment	Brazil	March 2, 2015	Full	52	100
Optimax	Korea	April 1, 2015	Full	50	100
Optica Industrial SA	Costa Rica	April 20, 2015	Full	80	100
Optisa Retail	Costa Rica	April 20, 2015	Full	80	100
Optisa Holding	Costa Rica	April 20, 2015	Full	80	100
Vision Nicaragua	Nicaragua	April 20, 2015	Full	80	100
Diopsa	Nicaragua	April 20, 2015	Full	80	100
Brine Holding	Panama	April 20, 2015	Full	80	100
Shamir OHS	Australia	June 30, 2015	Full	40	100
Optikos	Poland	July 1, 2015	Full	95	100
Coastal Vision	China	July 1, 2015	Full	100	100
GKB Vision Ltd	India	July 1, 2015	Full	54	100
Prime Lenses Pte Ltd	India	July 1, 2015	Full	59	100
Coastal Japan	Japan	July 1, 2015	Full	100	100
Merve	Turkey	July 1, 2015	Full	65	100
Rozin	USA	August 17, 2015	Full	51	100
Vision Source	USA	September 9, 2015	Full	100	100
PERC	USA	October 22, 2015	Full	80	100
e-lens	Brazil	October 26, 2015	Full	70	100
Nikon Optical Middle-East	Koweit	October 26, 2015	Full	26	100
Optic Club	Russia	December 3, 2015	Full	75	100

(a) Companies acquired in previous years and consolidated for the first time during the 2015 fiscal year.

The income statement also includes the changes in the scope of consolidation related to the following companies, which were consolidated for the first time in 2014:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Ping Ding Shan Fangyuan Vision Optical Technology Co Ltd [(a)]	China	January 1, 2014	Full	51	100
Shanghai Global Lens Distribution [(a)]	China	January 1, 2014	Full	100	100
Plunkett Optical Inc.	United States	January 2, 2014	Full	80	100
Rooney Optical Inc.	United States	January 3, 2014	Full	100	100
Rooney Optical of Pennsylvania, L.L.C.	United States	January 3, 2014	Full	100	100
Costa Inc.	United States	January 31, 2014	Full	100	100
Shamir Asia Pte. Ltd	Singapore	March 25, 2014	Full	50	100
Intercast Europe S.R.L.	Italy	April 1, 2014	Full	100	100
Starclic Indústria e Comércio Ótico Ltda.	Brazil	April 1, 2014	Full	26	100
I-Coat Company, L.L.C.	United States	April 1, 2014	Full	85	100
Solarlens	Thailand	April 1, 2014	Full	100	100
Essilor Saudi Arabia Limited	Saudi Arabia	April 10, 2014	Full	50	100
Coastal Contacts (Aus) Pty Ltd	Australia	April 28, 2014	Full	100	100
Clearly Contacts Ltd	Canada	April 28, 2014	Full	100	100
Lensway OY	Finland	April 28, 2014	Full	100	100
Coastal Japan Kabushikigaisha 2	Japan	April 28, 2014	Full	100	100
Condis B.V.	Netherlands	April 28, 2014	Full	100	100
Lensway B.V.	Netherlands	April 28, 2014	Full	100	100
Asianzakka PTY	Singapore	April 28, 2014	Full	100	100
Eyeway AB	Sweden	April 28, 2014	Full	100	100
Lensco AB	Sweden	April 28, 2014	Full	100	100
Lenshold AB	Sweden	April 28, 2014	Full	100	100
Lenslogistics AB	Sweden	April 28, 2014	Full	100	100
Coastal Vision (US), Inc.	United States	April 28, 2014	Full	100	100
Just Eyewear L.L.C.	United States	April 28, 2014	Full	100	100
ASE Corporate Eyecare	United Kingdom	May 6, 2014	Full	70	100
Digitop	Brazil	July 1, 2014	Full	70	100
Esel Optik	Turkey	July 8, 2014	Full	51	100
Activisu	France	August 29, 2014	Full	68	100
Shamir Singapore Pte. Ltd	Singapore	September 22, 2014	Full	50	100
Company Grandvision L.L.C.	Russia	September 24, 2014	Full	75	100
Lotus Flower Holding B.V.	Netherlands	September 24, 2014	Full	75	100

(a) Companies acquired in prior years and consolidated for the first time during the 2014 fiscal year.

Other movements

The Group's holding in the following companies was changed following the exercise of the partners' put options, internal sales within the Group or transactions with third-parties:

- Imperial Laboratories Inc. from 60% to 100% on January 2, 2015;
- Wallace Everett Lens Technology from 66% to 100% on January 30, 2015;
- Shamir Australia from 33% to 50% on February 1, 2015;
- Ozarks Optical Inc. from 88% to 100% on February 13, 2015;
- Vision & Value from 80% to 100% on March 1, 2015;
- Evolution Optical from 51% to 100% on March 1,2015;
- Optilens Italia S.R.L. from 100% to 50% on March 2, 2015;
- SMJ Holdings Pte Ltd from 70% to 100% on April 20, 2015;
- Shamir Lens Thailand from 24% to 37% on May 31, 2015;
- Technopark Comercio de Artigos Opticas SA from 51% to 61% on September 15, 2015;
- Leicester from 80% to 100% on October 15, 2015;
- Starclic Industria e Comercio Otico Ltda from 26% to 36% on November 9, 2015;
- Shamir Brasil Commercial Ltda from 50% to 70% on November 10, 2015;
- Technologies Humanware ; Humanware Europe ; Humanware USA ; Humanware Australia from 63% to 74% on November 23, 2015.

2.3 Impact of changes in the scope of consolidation and exchange rates

Balance sheet

The impact on the consolidated balance sheet of newly consolidated companies in 2015 is analyzed below:

€ millions	Fair value
Intangible assets	207
Property, plant and equipment	10
Other non-current assets	18
Current assets	73
Cash	30
TOTAL ASSETS ACQUIRED AT FAIR VALUE	**338**
Equity attributable to non-controlling interests	3
Long-term borrowings	4
Other non-current liabilities	74
Short-term liabilities	9
Other current liabilities	85
TOTAL LIABILITIES ASSUMED AT FAIR VALUE	**175**
NET ASSETS ACQUIRED [(a)]	**163**
Acquisition cost	554
Fair value of net assets acquired [(a)]	163
Recognized goodwill	**391**

(a) Or consolidated during the period.

The amount recognized as goodwill is supported by the expected synergies and growth outlook of the acquired companies within the Group.

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

Strategic acquisition of 51% of the share capital held by PPG in Transitions Optical in 2014

In accordance with IFRS 3 (revised) on business combinations, the change in consolidation method applied to Transitions Optical resulted in the recognition of:

- final goodwill in the amount of €1,491 million, recorded after the recognition at fair value of the identifiable assets and liabilities relating to Transitions Optical;
- the final allocation of the Transitions Optical acquisition price, primarily by recognizing intangible assets estimated by independent experts at €526 million, including, among other things, a trademark and contractual customer relationships;
- a capital gain of €544 million corresponding to the fair value revaluation, through profit and loss for fiscal year 2014, of the 49% previously held and equity-accounted until March 31, 2014.

Fair value of assets acquired and liabilities assumed at the closing date:

€ millions	Fair value
Intangible assets	526
Property, plant and equipment	91
Other non-current assets	16
Current assets	167
Cash	82
TOTAL ASSETS ACQUIRED AT FAIR VALUE	**882**
Other non-current liabilities	199
Other current liabilities	119
TOTAL LIABILITIES ASSUMED AT FAIR VALUE	**318**
NET ASSETS ACQUIRED [(a)]	**564**
Acquisition cost	2,055 [(b)]
Fair value of net assets acquired [(a)]	564
Recognized goodwill	**1,491**

(a) Or consolidated during the period.
(b) This amount corresponds to the total acquisition price and the fair value revaluation of the 49% previously held.

Income statement

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

The apparent change in performance indicators (revenues and contribution from operations) results from the breakdown of this change between the impact of the Group's acquisitions (scope of consolidation impact), the impact of currency fluctuations (foreign exchange impact) and the impact of the change in its intrinsic operations, or like-for-like growth.

For the impact of changes in the scope of consolidation:

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

For the impacts of changes in exchange rates:

- this is determined on a subsidiary-by-subsidiary basis by applying the average conversion rate from the previous year to the income statements for the current year for subsidiaries using currencies other than the euro, restated for scope of consolidation impacts as above, and by calculating the change in this value relative to the income statement of the previous year for each subsidiary;
- consequently, this is not a currency effect but the effect of converting the financial statements of subsidiaries.

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

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

As a %	Reported growth	Currency effect	Change in the scope of consolidation of bolt-on acquisitions	Change in the scope of consolidation of strategic acquisitions	Like-for-like growth
Revenue	18.4	9.9	2.1	1.8	4.6
Contribution from operations	21.1	11.0	1.2	1.9 [(a)]	7.0

(a) Net of media investments.

If the companies consolidated during the year (see Note 2.2 "Newly consolidated companies") were consolidated at January 1, 2015, the Group's 2015 revenues would have been estimated at €6,824 millions and the Group's 2015 net profit at €760 millions.

NOTE 3.
SEGMENT INFORMATION

3.1 Information by business segment

Fiscal year 2015 € millions	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Eliminations	Group total
External revenue	5,840	203	673		6,716
Intra-segment revenue	13	69	2	(84)	
TOTAL REVENUE	**5,853**	**272**	**675**	**(84)**	**6,716**
Contribution from operations	**1,148**	**29**	**86**		**1,263**
Operating profit					1,183
Finance costs, net					(54)
Other financial income					5
Other financial expenses					(14)
Share of profits of associates					1
Income tax					(308)
Net profit					**813**
Segment assets [(a)]	**8,774**	**475**	**1,683**		**10,932**
Non-segment assets					1,039
TOTAL ASSETS					**11,971**
Segment liabilities [(b)]	**1,223**	**36**	**129**		**1,388**
Non-segment liabilities					4,491
Equity					6,092
TOTAL LIABILITIES					**11,971**
Acquisitions of property, plant and equipment & intangible assets	230	6	91		327
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(307)	(11)	(82)		(400)

(a) Segment assets include goodwill, other intangible assets, property, plant and equipment, long-term receivables, inventories and works-in-progress, prepayments to suppliers and short-term receivables.

(b) Segment liabilities include customer prepayments and short-term payables.

Fiscal year 2014 € millions	Lenses and Optical Instruments	Equipment	Sunglasses & Readers	Eliminations	Group total
External revenue	4,970	197	503		5,670
Intra-segment revenue	5	63	1	(69)	
TOTAL REVENUE	**4,975**	**260**	**504**	**(69)**	**5,670**
Contribution from operations	**949**	**30**	**64**		**1,043**
Operating profit					1,222
Finance costs, net					(31)
Other financial income					6
Other financial expenses					(21)
Share of profits of associates					3
Income tax					(193)
Net profit					**986**
Segment assets [(a)]	**7,784**	**452**	**1,482**		**9,718**
Non-segment assets					1,071
TOTAL ASSETS					**10,789**
Segment liabilities [(b)]	**1,100**	**37**	**109**		**1,246**
Non-segment liabilities					4,283
Equity					5,260
TOTAL LIABILITIES					**10,789**
Acquisitions of property, plant and equipment & intangible assets	193	5	34		232
Amortization, depreciation and impairment of property, plant and equipment and intangible assets	(327)	(10)	(76)		(413)

(a) Segment assets include goodwill, other intangible assets, property, plant and equipment, long-term receivables, inventories and works-in-progress, prepayments to suppliers and short-term receivables.

(b) Segment liabilities include customer prepayments and short-term payables.

3.2 Information by geographical area

€ millions	Revenue		Non-current assets [(a)]	
	Year 2015	Year 2014	December 31, 2015	December 31, 2014
North America	3,201	2,531	1,371	1,642
Europe	1,868	1,730	1,032	414
Asia / Oceania / Africa	1,230	1,012	692	665
Latin America	417	397	140	87
TOTAL	**6,716**	**5,670**	**3,235**	**2,808**

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

The Group's top 20 customers accounted for 19.9% of its revenue in 2015, and 20.3% in 2014.

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

NOTE 4.
EBITDA

EBITDA (Earnings Before Interests, Taxes, Depreciation & Amortization) is a metric defined as the contribution from operations before depreciation and amortization of property, plant and equipment and intangible assets and amortization of inventory revaluations generated by acquisitions.

2015 EBITDA was €1,647 million (€1,363 million in 2014).

NOTE 5.
PERSONNEL COSTS, DEPRECIATION AND AMORTIZATION

Personnel costs totaled €2,045 million in 2015 compared to €1,743 million in 2014 (see also Note 29 "Number of employees and personnel costs").

Depreciation and amortization of property, plant and equipment and intangible assets totaled €400 million in 2015, compared to €413 million in 2014.

NOTE 6.
OTHER OPERATING INCOME AND EXPENSES

€ millions	Year 2015	Year 2014
Capital gains on disposals of operations and assets [a]		544
Other	18	2
OTHER INCOME FROM OPERATIONS	**18**	**546**
Restructuring costs [b]	(22)	(76)
Compensation costs on share-based payments	(49)	(39)
Other [c]	(27)	(252)
OTHER EXPENSES FROM OPERATIONS	**(98)**	**(367)**

(a) Capital gains on disposals include, for 2014, the capital gains generated in the full consolidation of 100% of Transitions, previously a company consolidated by the equity method (see Note 2).

(b) Restructuring costs are, for the most part, related to the streamlining of a number of production sites located primarily in Europe and North America.

(c) Other operating expenses for 2014 consist mainly of:

- *impairments of goodwill, property, plant and equipment and intangible assets for €118 million, which include, in particular, the impact from the trademark amortization policy change (see Note 13);*
- *provisions for liabilities (see Note 21) and changes related to earn-out payments for €50 million;*
- *other expenses related to the technical effect of the integration of Transitions on the elimination of inventory margins for €28 million;*
- *the commitment to allocate funds for the Vision For Life program, whose aim is the implementation of all actions contributing to the fight against vision problems in the world, in the amount of €30 million.*

Share-based payments

Compensation costs on share-based payments are measured by the methods described in Note 1.14 and break down as follows:

€ millions	Year 2015	Year 2014
Stock subscription options	1	1
Performance shares [a]	48	37
Employee share issues		1
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**49**	**39**

(a) Including the employer's contribution.

Stock subscription options

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

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

Stock subscription options granted in 2007 and January 2008 are subject to vesting conditions based on the share price performance over a period of two to four years after the grant date, in addition to the 100% cap on gains.

Stock subscription options granted between November 2008 and November 2014 are subject to vesting conditions based on the share price performance over a period of two to six years after the grant date, in addition to the 100% cap on gains.

Stock subscription options granted in December 2015 are subject to vesting conditions based on the share price performance over a period of three to six years after the grant date, in addition to the 100% cap on gains.

The main assumptions used to measure compensation costs on stock options granted in 2015 are as follows:

- share volatility: 19.53% (2014 grants: 18.67%);
- risk-free interest rate: 0.20% (2014 grants: 0.27%);
- yield: 1.10% (2014 grants: 1.42%).

Based on these assumptions, the fair value of an option granted in 2015 amounted to €17.04 (€11.33 in 2014).

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

	Quantity	Weighted average exercise price (€)
STOCK SUBSCRIPTION OPTIONS AT JANUARY 1, 2015	**900,134**	**54.68**
Options exercised	(306,855)	47.53
Options canceled and forfeited	(89,671)	38.99
Options granted	100,023	121.31
STOCK SUBSCRIPTION OPTIONS AT DECEMBER 31, 2015	**603,631**	**71.69**
Stock subscription options at January 1, 2014	**1,703,435**	**44.72**
Options exercised	(855,848)	40.89
Options canceled and forfeited	(68,958)	36.79
Options granted	121,505	87.15
Stock subscription options at December 31, 2014	**900,134**	**54.68**

The average remaining life of outstanding options at the period-end was 3.9 years (2014: 3.5 years).

The weighted Average Price of Essilor shares in fiscal year 2015 was €108.6 (2013: €79.6).

Performance shares

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

For the November 2010 to November 2014 plans, the number of shares vested at the end of a period of two to six 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 price 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).

For the December 2015 plan, the number of shares vested at the end of a period of three to six 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 price compared with the Reference Price on the grant date (corresponding to the average of the prices quoted over the 20 trading days preceding the Board Meeting at which the grant is decided).

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

- 2015 grants: 1,343,153 shares;
- 2014 grants: 1,544,904 shares.

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

	Quantity
PERFORMANCE SHARES AT JANUARY 1, 2015	**4,021,259**
Performance shares vested	(1,099,823)
Performance shares canceled	(138,432)
Awards for the fiscal year	1,343,153
PERFORMANCE SHARES AT DECEMBER 31, 2015	**4,126,157**
Performance shares at January 1, 2014	**3,530,585**
Performance shares vested	(963,910)
Performance shares canceled	(90,320)
Awards for the fiscal year	1,544,904
Performance shares at December 31, 2014	**4,021,259**

The performance conditions of the November and December 2013 plans were achieved in 2015.

The main assumptions used to measure costs related to performance shares granted in 2015 are as follows:

- share volatility: 19.53% (2014 grants: 18.67%);
- risk-free interest rate: 0.31% (2014 grants: 0.41%);
- yield: 1.10% (2014 grants: 1.42%).

Based on these assumptions, the fair value of a share granted in 2015 was €56.44 for non-residents of France (€39.14 in 2014) and €48.23 for French residents (€27.34 in 2014).

Employee share issues

The main parameters used to measure the cost of employee share issues recognized in 2015 are as follows:

Plan date	Year 2015	Year 2014
Share subscription price (€)	97.05	69.72
Total discount (€)	24.26	17.43
Number of shares subscribed	257,057	337,182
Discount on the share cash price on the grant date represented by the lock-up clause	+18.2%	+20.5%
Share cash price on the grant date (€)	115.05	90.53
Risk-free interest rate on the grant date	+0.2%	+0.3%
Refinancing cost	+4.4%	+9.9%
Cost recognized in the income statement (€ thousands)		1

Based on these assumptions, the fair value of a share subscribed in 2015 was €94.10 (€71.93 in 2014).

NOTE 7. COST OF NET DEBT

€ millions	Year 2015	Year 2014
Cost of gross debt	(71)	(49)
Income from cash and cash equivalents	17	18
COST OF NET DEBT	**(54)**	**(31)**

The increase of the cost of net debt is, mainly, generated by the financing put in place to realize some acquisitions.

NOTE 8. OTHER FINANCIAL INCOME AND EXPENSES

€ millions	Year 2015	Year 2014
Foreign exchange gains	5	5
Other		1
OTHER FINANCIAL INCOME	**5**	**6**
Accretion of discount on liabilities charges	(12)	(12)
Provisions for non-consolidated securities	(2)	(9)
OTHER FINANCIAL EXPENSES	**(14)**	**(21)**

NOTE 9. INCOME TAX

9.1 Income tax gain (loss) for the period

€ millions	Year 2015	Year 2014
Current tax	(349)	(238)
Deferred taxes	41	45
TOTAL	**(308)**	**(193)**

9.2 Income tax expense analysis

As a % of profit before tax	Year 2015	Year 2014
Standard French income tax rate	34.4	34.4
Impact of tax rates applied to foreign subsidiaries, when different from the French rate	(6.9)	(6.6)
Impact of reduced rates and permanent differences between book and taxable profit [a]	(1.3)	(12.5)
Other non-deductible / non-taxable items under local tax rules	1.3	1.1
EFFECTIVE RATE OF THE INCOME TAX EXPENSE	**27.5**	**16.4**

(a) Includes, in particular, the effect generated by the capital gain booked in connection with the full consolidation of Transitions in 2014 (see Note 6).

Since most of the deferred tax bases for French companies were for a term of over two years, the tax rate was not changed with regard to the exceptional contribution defined by the 2015 Supplementary Budget Act.

9.3 Change in deferred taxes recognized in the balance sheet

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

€ millions	2015	2014
POSITION AT JANUARY 1	**(232)**	**(53)**
Deferred taxes recognized in equity	3	5
Income (expenses) for the period, net	41	45
Effect of changes in the scope of consolidation, exchange rate impacts and other movements [a]	(65)	(229)
POSITION AT DECEMBER 31	**(253)**	**(232)**

(a) In 2014 the increase in assets and liabilities recognized in connection with an acquisition can be attributed for the most part to the acquisition of Transitions (see Note 2).

9.4 Unrecognized deferred tax assets

€ millions	Year 2015	Year 2014
Tax loss carryforwards	85	79
Other unrecognized deferred tax assets	58	45
UNRECOGNIZED DEFERRED TAX ASSETS	**143**	**124**

9.5 Deferred taxes by type (net position)

€ millions	Year 2015	Year 2014
Elimination of inter-company profits	57	50
Differences in depreciation periods	(4)	(3)
Temporarily non-deductible provisions	12	132
Actuarial gains and losses	24	22
Assets and liabilities recognized on an acquisition	(396)	(491)
Assets and liabilities recognized on tax loss carryforwards	56	41
Other	(2)	17
TOTAL	**(253)**	**(232)**

Tax consolidation

In France, ESSILOR, TIKAI Vision, BBGR, BNL EUROLENS, DELAMARE SOVRA, ESSIDEV, ESSIHOLDING, INVOPTIC, NOVISIA, EOMC, OPTIM, FGX Holding France, MONT-ROYAL, TRANSITIONS OPTICAL DISTRIBUTION, DAC VISION, OSE (not consolidated), and ESSILOR ACADEMY EUROPE (not consolidated) form a tax consolidation group, where the parent company has sole liability for the tax due.

In 2015, the subsidiaries included in the tax group generated a tax expense of €4 million compared to a tax income of €5 million in 2014.

NOTE 10.
CHANGE IN THE NUMBER OF SHARES

The shares have a par value of €0.18.

Change in the actual number of shares, excluding treasury stock

	Year 2015	Year 2014
NUMBER OF SHARES AT JANUARY 1	**211,932,607**	**210,245,092**
Exercise of stock subscription options	306,855	855,848
Subscription of the Essilor group FCP mutual fund	257,057	337,182
Delivery of performance shares	1,099,823	963,910
Net (purchases) and sales of treasury shares		(469,425)
NUMBER OF SHARES AT PERIOD-END	**213,596,342**	**211,932,607**
Number of treasury shares eliminated	2,860,098	3,959,921

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

	Year 2015	Year 2014
NUMBER OF SHARES AT JANUARY 1	**211,932,607**	**210,245,092**
Exercise of stock subscription options	198,496	386,601
Subscription of the Essilor group FCP mutual fund	8,451	11,085
Sales of treasury shares held for performance share grants	87,278	77,306
Net (purchases) and sales of treasury shares		(209,107)
AVERAGE NUMBER OF SHARES AT PERIOD-END	**212,226,832**	**210,510,977**

In 2015 and in 2014, no treasury stock was canceled.

NOTE 11. DILUTED EARNINGS PER SHARE

The net profit used for the calculation of diluted earnings per share is €757 million (€929 million in 2014).

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

€ millions	Year 2015	Year 2014
Weighted average number of shares	212,226,832	210,510,977
Dilutive effect of stock subscription options	230,059	287,863
Dilutive effect of performance share grants	4,126,157	4,021,259
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES	**216,583,048**	**214,820,099**

NOTE 12. GOODWILL

€ millions	December 31, 2014	Entries in the scope of consolidation	Other changes in scope and other movements	Translation difference	Provisions for impairment	December 31, 2015
Gross amount	4,699	391	4	238		5,332
Impairment	(31)		(1)		(5)	(37)
NET AMOUNT	**4,668**	**391**	**3**	**238**	**(5)**	5,295

€ millions	December 31, 2013	Entries in the scope of consolidation	Other changes in scope and other movements	Translation difference	Provisions for impairment	December 31, 2014
Gross amount	2,489	1,896	(16)	330		4,699
Impairment	(13)		(1)		(17)	(31)
NET AMOUNT	**2,476**	**1,896**	**(17)**	**330**	**(17)**	**4,668**

In 2015, the main increases were attributable to the acquisitions of Vision Source, Perc, two national service providers to optometrists located in USA, and Grupo Vision.

The main increases in goodwill in 2014 resulted, among other things, from the acquisitions of Transitions Optical for €1,476 million, of Coastal.com and of Costa. The Transitions goodwill was allocated to the various Lenses CGUs based on the cash flows of the destination markets.

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

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

Moreover, most often, when there is an acquisition with no option to redeem non-controlling interests, the Group usually applies the "partial goodwill" method.

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

€ millions	December 31, 2015	December 31, 2014
Lenses – Europe	700	684
Lenses – North America	2,147	1,710
Lenses – South America	434	468
Lenses – Asia / Oceania / Middle East / Africa	927	848
Laboratory equipment	297	271
Sunglasses & Readers	790	687
TOTAL	**5,295**	**4,668**

Goodwill impairment tests were conducted at September 30, 2015, and reviewed on December 31, 2015 in line with the principles and methods defined in Note 1.21.

The Group's weighted average cost of capital (WACC) for 2015 was 7% (2014: 7%). Given the risk premiums calculated, the effective discount rates applied to the groups of CGUs of the Group were as follows:

As a %	Year 2015	Year 2014
Lenses – Europe	8	8
Lenses – North America	7	7
Lenses – South America [(a)]	17	18
Lenses – Asia / Oceania / Middle East / Africa	9	9
Laboratory equipment	7	7
Sunglasses & Readers	7	7
Plants [(b)]	9	9

(a) Primarily Brazil.
(b) Group of CGUs reallocated to various other groups of CGUs depending on sales volumes.

The perpetual growth rate was set at between 0% and 2% (2014: between 0% and 2%), with the highest rates applied to emerging markets.

In 2015, goodwill impairment losses were recognized in the amount of €5 million for Lenses-Europe CGU (see Note 6 "Other operating income and expenses").

In 2014, goodwill impairment losses were recorded in the amount of €17 million for the Lenses-Europe CGU (see Note 6 "Other operating income and expenses").

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

A 0.5% increase in the benchmark discount rate would not generate another impairment loss on the net amount of goodwill at December 31, 2015.

A 0.5% decrease in the perpetual growth rate would not generate another impairment loss on the net amount of goodwill at December 31, 2015.

NOTE 13.
OTHER INTANGIBLE ASSETS

€ millions	December 31, 2014	Scope changes	Acquisitions	Disposals and retirement	Translation difference and other movements	Depreciation, amortization and impairment provisions	December 31, 2015
Trademarks	1,016	56			116		1,188
Concessions, patents and licenses	461	2	29	(5)	37		524
Contractual customer relationships	454	160			54		668
Other intangible assets	244		67	(1)	(20)		290
GROSS AMOUNT	**2,175**	**218**	**96**	**(6)**	**187**		**2,670**
Accumulated depreciation	(643)	(1)		6	(32)	(174)	(844)
NET AMOUNT	**1,532**	**217**	**96**		**155**	**(174)**	**1,826**

€ millions	December 31, 2013	Scope changes	Acquisitions	Disposals and retirement	Translation difference and other movements	Depreciation, amortization and impairment provisions	December 31, 2014
Trademarks	301	603			112		1,016
Concessions, patents and licenses	331	71	24	(3)	38		461
Contractual customer relationships	328	72	14		40		454
Other intangible assets	171	39	21	(2)	15		244
GROSS AMOUNT	**1,131**	**785**	**59**	**(5)**	**205**		**2,175**
Accumulated depreciation	(399)	(9)		3	(34)	(204)	(643)
NET AMOUNT	**732**	**776**	**59**	**(2)**	**171**	**(204)** [(a)]	**1,532**

(a) Including €118 million in amortization recognized in the contribution of operations (see Note 4) and €86 million in impairments of intangible assets (see Note 6).

Intangible assets in progress amounted to €12 million at the end of 2015 (€8 million in 2014).

NOTE 14.
PROPERTY, PLANT AND EQUIPMENT

€ millions	December 31, 2014	Scope changes	Acquisitions	Disposals and retirement	Translation difference and other movements	Depreciation, amortization and impairment provisions	December 31, 2015
Land	60			(2)	11		69
Buildings	785	2	33	(35)	61		846
Plant and equipment	1,880	11	83	(106)	102		1,970
Other property, plant and equipment	550	5	116	(33)	(54)		584
GROSS AMOUNT	**3,275**	**18**	**232**	**(176)**	**120**		**3,469**
Accumulated depreciation	(2,121)	(17)		170	(75)	(226)	(2,269)
NET AMOUNT	**1,154**	**1**	**232**	**(6)**	**45**	**(226)**	**1,200**

€ millions	December 31, 2013	Scope changes	Acquisitions	Disposals and retirement	Translation difference and other movements	Depreciation, amortization and impairment provisions	December 31, 2014
Land	48	6			6		60
Buildings	634	78	11	(10)	72		785
Plant and equipment	1,589	149	69	(76)	149		1,880
Other property, plant and equipment	474	32	96	(24)	(28)		550
GROSS AMOUNT	**2,745**	**265**	**176**	**(110)**	**199**		**3,275**
Accumulated depreciation	(1,747)	(146)		103	(122)	(209) [a]	(2,121)
NET AMOUNT	**998**	**119**	**176**	**(7)**	**77**	**(209)**	**1,154**

(a) Including €189 million in amortization recognized in the contribution of operations (see Note 4).

The carrying amount of the Group's property, plant and equipment – including assets under finance leases – held by consolidated companies was €1,200 million at the end of 2015 (€1,154 million at the end of 2014). These assets consist mainly of buildings and production plant and equipment:

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

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

Assets under construction amounted to €89 million at the end of 2015 (€73 million at the end of 2014).

NOTE 15.
PROPERTY, PLANT AND EQUIPMENT: ASSETS UNDER FINANCE LEASES

€ millions	December 31, 2014	Scope changes	Acquisitions	Disposals and retirement	Translation difference and other movements	Depreciation, amortization and impairment provisions	December 31, 2015
Land	2						2
Buildings	16			(3)	(3)		10
Other property, plant and equipment	27		1	(1)	(1)		26
GROSS AMOUNT	**45**		**1**	**(4)**	**(4)**		**38**
Accumulated depreciation	(32)			3	2	(3)	(30)
NET AMOUNT	**13**		**1**	**(1)**	**(2)**	**(3)**	**8**

€ millions	December 31, 2013	Scope changes	Acquisitions	Disposals and retirement	Translation difference and other movements	Depreciation, amortization and impairment provisions	December 31, 2014
Land	2						2
Buildings	13	3					16
Other property, plant and equipment	24		4	(1)			27
GROSS AMOUNT	**39**	**3**	**4**	**(1)**			**45**
Accumulated depreciation	(28)	(2)		1		(3)	(32)
NET AMOUNT	**11**	**1**	**4**			**(3)**	**13**

NOTE 16.
OTHER NON-CURRENT FINANCIAL ASSETS

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

€ millions	December 31, 2014	Scope changes	Acquisitions and new loans	Disposals and repay-ments	Translation difference and other movements	Reva-luation	Net allocation to provisions	**December 31, 2015**
Long-term financial investments at fair value	**16**		**28**		**(1)**	**(1)**		**42**
Non-consolidated interests	15		28		(2)	(1)		40
Other long-term financial investments	1				1			2
Long-term financial investments at amortized cost	**87**		**22**	**(16)**	**4**			**97**
Loans, including accrued interest	93		22	(16)	5			104
Impairment	(6)				(1)			(7)
Other non-current financial assets	**103**		**50**	**(16)**	**3**	**(1)**		**139**

€ millions	December 31, 2013	Scope changes	Acquisitions and new loans	Disposals and repay-ments	Translation difference and other movements	Reva-luation	Net allocation to provisions	December 31, 2014
Long-term financial investments at fair value	**17**	**4**	**5**	**(1)**	**(4)**		**(5)**	**16**
Non-consolidated interests	15	4	5	(1)	(3)		(5)	15
Other long-term financial investments	2				(1)			1
Long-term financial investments at amortized cost	**80**		**26**	**(8)**	**(7)**		**(4)**	**87**
Loans, including accrued interest	82		26	(8)	(7)			93
Impairment	(2)						(4)	(6)
Other non-current financial assets	**97**	**4**	**31**	**(9)**	**(11)**		**(9)**	**103**

NOTE 17.
INVENTORIES

€ millions	December 31, 2015	December 31, 2014
Raw materials and other supplies	361	387
Goods for resale	112	248
Finished and semi-finished products and work in process	839	562
GROSS AMOUNT	**1,312**	**1,197**
Write-down of inventories [a]	(213)	(195)
NET AMOUNT	**1,099**	**1,002**

(a) Including €1 million, for 2015, in amortization of inventory revaluations generated by acquisitions recognized in the contribution of operations and €13 million for 2014 (see Note 4).

NOTE 18.
SHORT-TERM RECEIVABLES AND PAYABLES

Short-term receivables break down as follows:

€ millions	December 31, 2015	December 31, 2014
Trade receivables		
Gross amount	1,451	1,299
Valuation allowance	(109)	(73)
Net amount of trade receivables	**1,342**	**1,226**
Other short-term receivables		
Gross amount	115	102
Valuation allowance	(1)	(1)
Net amount of other operating receivables	**114**	**101**
TOTAL SHORT-TERM RECEIVABLES, NET	**1,456**	**1,327**

Short-term payables break down as follows:

€ millions	December 31, 2015	December 31, 2014
Trade payables	624	564
Accrued taxes and personnel expenses	371	338
Other short-term payables	362	313
TOTAL SHORT-TERM PAYABLES	**1,357**	**1,215**

NOTE 19.
CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

€ millions	December 31, 2015	December 31, 2014
Cash	433	465
Money market funds		105
Bank deposits	14	25
Other cash equivalents	19	31
TOTAL	**466**	**626**

The Group is located in some countries where cash & cash equivalents are subject to legal restrictions. The respect of preliminary formalities in these countries is mandatory before transfering these funds with some delay and eventually some tax payment. Cash & cash equivalents can also be held by some subsidiaries where the prior approval of our partner is required to transfer any funds.

NOTE 20.
PENSION AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

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

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

Provisions for pensions

€ millions	December 31, 2015	December 31, 2014
Non-current assets (plan surpluses)	1	1
Provisions for pensions in liabilities	295	281

Analysis of changes in net recognized benefit obligations

€ millions	Obligation	Fair value of funds	Net recognized benefit obligations
AT JANUARY 1, 2015	**445**	**(164)**	**281**
Cost of services rendered in the period	22		22
Interest expense on discounting	11		11
Interest income for the period		(5)	(5)
Cost of past services	(1)		(1)
Employee contributions	1	(1)	0
Contributions to plan assets		(13)	(13)
Benefits paid	(23)	9	(14)
Actuarial gains and losses	3	7	10
Plan reduction and liquidation	(16)	15	(1)
Other movements	(3)		(3)
Changes in the scope of consolidation			
Translation differences	16	(9)	7
AT DECEMBER 31, 2015	**455**	**(160)**	**295**
of which Obligations funded in whole or in part by a fund	254		254
of which Obligations not funded by a fund	201		201

€ millions	Obligation	Fair value of funds	Net recognized benefit obligations
AT JANUARY 1, 2014	**313**	**(105)**	**208**
Cost of services rendered in the period	14		14
Interest expense on discounting	14		14
Interest income for the period		(5)	(5)
Cost of past services	(1)		(1)
Employee contributions	1	(1)	0
Contributions to plan assets		(19)	(19)
Benefits paid	(14)	14	
Actuarial gains and losses	63	(13)	50
Changes in the scope of consolidation	42	(31)	11
Translation differences	13	(4)	9
AT DECEMBER 31, 2014	**445**	**(164)**	**281**
of which Obligations funded in whole or in part by a fund	252		252
of which Obligations not funded by a fund	193		193

Analysis of the change in actuarial gains and losses recognized in equity

€ millions	December 2015	December 2014
Actuarial gains (losses) recognized in equity at opening	**140**	**90**
Gains (losses) recognized over the period	10	50
Actuarial gains (losses) recognized in equity at closing	**150**	**140**

Analysis of rights

€ millions	Obligation	Funds	Net obligation at December 31, 2015
Pensions (supplementary pension plans, guaranteed income plans)	352	(150)	202
Retirement benefits	97	(10)	87
Other benefits	6		6
TOTAL	**455**	**(160)**	**295**

€ millions	Obligation	Funds	Net obligation at December 31, 2014
Pensions (supplementary pension plans, guaranteed income plans)	342	(155)	187
Retirement benefits	65	(7)	58
Other benefits	38	(2)	36
TOTAL	**445**	**(164)**	**281**

Actuarial assumptions used to estimate commitments in the main countries concerned

A major assumption taken into account in the valuation of pension and other post-employment benefit obligations is the discount rate.

In accordance with IAS 19, the rates were determined by monetary zone by referring to the return on high-quality private bonds with a maturity equal to the term of the plans, or the return on government bonds when the private market has insufficient liquidity.

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

The main rates used by the Group are as follows:

	December 31, 2015			December 31, 2014		
As a %	Eurozone	United States	United Kingdom	Eurozone	United States	United Kingdom
Discount rate	2.15	4.50	3.70	2.15	4.40	3.80
Inflation rate	1.80	3.50	3.50	2.00	3.50	3.30
Weighted average rate of return on plan assets		(1.02)			10.88	
Weighted average rate of salary increases		1.88			1.95	

Additionally, had the discount rates been 25 basis points lower than the rates actually applied, the Group's total obligation as at December 31, 2015 would have been €16 million higher. If the discount rates had been 25 basis points higher than the rates actually applied, the Group's total obligation as at December 31, 2015 would have been €16 million lower.

Had salaries been 25 basis points lower than the salaries actually applied, the Group's total obligation as at December 31, 2015 would have been €4 million lower. If the salaries had been 25 basis points higher than the salaries actually applied, the Group's total obligation as at December 31, 2015 would have been €4 million higher.

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

In 2015, actuarial gains and losses in terms of projected benefit obligations at closing were +€7 million as a result of experience adjustments, -€1 million as a result of changes in financial assumptions and +€4 million as a result of changes in demographic assumptions.

Composition by type of plan assets

As a %	December 31, 2015	December 31, 2014
Shares	11	13
Bonds	25	26
General insurance funds	34	23
Other	30	38

Actual returns on plan assets were -€2 million in 2015 (2014: €5 million).

At December 31, 2015, plan assets did not include any Group shares.

Assets associated with funded obligations are invested in pension funds or insurance companies.

Investments comply with local regulations in the countries in question.

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

Expenses for the year

Income (expenses) € millions	Year 2015	Year 2014
Cost of services rendered in the period	(21)	(14)
Interest expense on discounting	(6)	(9)
Cost of past services	1	1
EXPENSES FOR THE YEAR	**(26)**	**(22)**
Contributions to plan assets	13	10
Benefits paid	14	9
TOTAL INCREASE / (DECREASE) IN PROVISIONS	**1**	**(3)**

NOTE 21. PROVISIONS

€ millions	December 31, 2014	Provisions for the year	Reversals for the year	Reversals not applicable	Translation differences and other movements	Scope	December 31, 2015
Restructuring provisions [(a)]	29	10	(18)	(8)		1	14
Warranty provisions	25	10	(8)		13	1	41
Provisions for legal claims [(b)]	71	24	(4)		(3)	19	107
Tax reserves	89	33		(8)	19	15	148
Other risks	60	6	(5)		(2)		59
TOTAL	**274**	**83**	**(35)**	**(16)**	**27**	**36**	**369**

(a) Restructuring provisions were, for the most part, related to the streamlining of a number of production sites located primarily in Europe.

(b) Provisions for legal claims mainly relate to provisions related to alleged anti-competitive practices in Germany (see Note 28).

€ millions	December 31, 2013	Provisions for the year	Reversals for the year	Reversals not applicable	Translation differences and other movements	Scope	December 31, 2014
Restructuring provisions	7	32	(6)		(4)		29
Warranty provisions	25	4	(11)	(1)	2	6	25
Provisions for legal claims	58	8			(3)	8	71
Tax reserves	17	4	(5)		52	21	89
Other risks	24	32	(3)	(1)	6	1	59
TOTAL	**131**	**80**	**(25)**	**(2)**	**53**	**37**	**274**

NOTE 22.
NET DEBT AND BORROWINGS

Net debt

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

€ millions [a]	December 2015	December 2014
Long-term borrowings	1,905	1,521
Short-term borrowings	621	881
Short-term bank loans and overdrafts	35	28
Accrued interest	18	17
TOTAL LIABILITIES	**2,579**	**2,447**
Cash and cash equivalents	(466)	(626)
TOTAL ASSETS	**(466)**	**(626)**
INTEREST RATE SWAPS [b]	**(24)**	**(28)**
NET DEBT	**2,089**	**1,793**

(a) Sign convention: + debt /- excess cash or securities.
(b) Interest rate swap measured at fair value at each period end.

Long-term borrowings

At December 31, 2015, the Group's long-term funding structure was as follows:

€ millions	December 31, 2015	December 31, 2014	Issue date	Maturity
Bonds	1,124	828	2014/2015	2017/2024
US private placement (2 tranches)	276	247	2012	2017/2019
US private placement (7 tranches)	459	412	2013	2017/2023
Other	46	34		
LONG-TERM BORROWINGS	**1,905**	**1,521**		

As part of its EMTN program, Essilor International issued on August 7, 2015 a €300 million bond maturing on August 7, 2017, with a floating rate of Euribor 3 months +0.20%.

US private placements are subject to a financial covenant, which was met at December 31, 2015.

Short-term borrowings

At December 31, 2015, the Group's short-term funding structure was as follows:

€ millions	December 31, 2015	December 31, 2014	Issue date	Maturity
French commercial paper	100	246	2015	2016
US commercial paper (USCP)	402	567	2015	2016
Bank overdraft	35	28		
Other	137	85		
SHORT-TERM BORROWINGS	**674**	**926**		

In accordance with the Group's policy, these commercial paper programs are backed by long-term committed credit facilities, totaling €2.4 billion at December 31, 2015.

Borrowings by maturity

Borrowings break down by maturity as follows:

€ millions	December 31, 2015	December 31, 2014
Due within one year	674	926
Due in one to five years	1,044	551
Due in more than five years	861	970
TOTAL	**2,579**	**2,447**

Borrowings by currency

Borrowings break down by issuing currency as follows:

€ millions	December 31, 2015	December 31, 2014
US dollar	1,196	1,257
Euro	1,250	1,113
Other currencies	133	77
TOTAL	**2,579**	**2,447**

Fair value of borrowings

The fair value of borrowings is as follows:

€ millions	December 31, 2015	December 31, 2014
Long-term borrowings	1,886	1,595
Short-term borrowings	871	881
Short-term bank loans, overdrafts and accrued interest	51	45
TOTAL	**2,808**	**2,521**

Finance lease liabilities

	December 31, 2015		December 31, 2014	
€ millions	Principal	Interest	Principal	Interest
Due within one year	4		2	
Due in one to five years	4		6	
Due in more than five years				
TOTAL	**8**		**8**	

NOTE 23.
FINANCIAL INSTRUMENTS

23.1 Financial instruments recognized in the balance sheet

Financial instruments recorded in the Group's balance sheet at the end of fiscal years 2015 and 2014 fall into the following categories:

		Category of instruments				
2015 € millions	Balance sheet value	Fair value through profit or loss	Fair value through equity [a]	Loans, receivables	Debts at amortized cost	Derivatives
Non-current financial assets	139		42	97		
Long-term receivables	24			24		
Prepayments to suppliers	32			32		
Short-term receivables	1,456			1,456		
Tax receivables	60			60		
Other receivables	34			34		
Derivative financial instruments recognized in assets	64					64
Cash and cash equivalents	466	466				
FINANCIAL INSTRUMENTS RECOGNIZED IN ASSETS	**2,275**	**466**	**42**	**1,703**		**64**
Long-term borrowings	1,905				1,905	
Other non-current liabilities	404		306		98	
Short-term borrowings	674				674	
Customer prepayments	31				31	
Short-term payables	1,357				1,357	
Tax payables	87				87	
Other current liabilities	316		162		154	
Derivative financial instruments recognized in liabilities	9					9
FINANCIAL INSTRUMENTS RECOGNIZED IN LIABILITIES	**4,783**		**468**		**4,306**	**9**

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

2014 € millions	Balance sheet value	Fair value through profit or loss	Fair value through equity [a]	Loans, receivables	Debts at amortized cost	Derivatives
		Category of instruments				
Non-current financial assets	103		16	87		
Long-term receivables	15			15		
Prepayments to suppliers	20			20		
Short-term receivables	1,327			1,327		
Tax receivables	56			56		
Other receivables	38			38		
Derivative financial instruments recognized in assets	43					43
Cash and cash equivalents	626	626				
FINANCIAL INSTRUMENTS RECOGNIZED IN ASSETS	**2,228**	**626**	**16**	**1,543**		**43**
Long-term borrowings	1,521				1,521	
Other non-current liabilities	394		205		189	
Short-term borrowings	926				926	
Customer prepayments	31				31	
Short-term payables	1,215				1,215	
Tax payables	58				58	
Other current liabilities	421		29		392	
Derivative financial instruments recognized in liabilities	17					17
FINANCIAL INSTRUMENTS RECOGNIZED IN LIABILITIES	**4,583**		**234**		**4,332**	**17**

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

The Group's financial assets and liabilities (including operating receivables and payables) at the end of 2015 break down as follows by contractual maturity:

€ millions	Within one year	In one to five years	Beyond five years	Total
Financial liabilities other than financial instruments	(2,464)	(1,427)	(883)	(4,774)
Financial assets other than financial instruments	2,087	84	40	2,211
Net market value of financial instruments	34	(3)	24	55
NET POSITION	**(343)**	**(1,346)**	**(819)**	**(2,508)**

23.2 Market value of derivative financial instruments

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

The market value of Group derivatives is presented below:

Market value by instrument type

	December 31, 2015		December 31, 2014	
€ millions	Nominal amount	Market value	Nominal amount	Market value
Forward currency transactions	1,710	34	1,258	4
Currency options	15	1		
Interest rate swaps	630	18	524	22
Interest rate options (caps)	92	2	91	
TOTAL DERIVATIVES		**55**		**26**

Market value by hedge type

€ millions	December 31, 2015	December 31, 2014
Cash flow hedge:		
• Currency forward		4
• Interest rate swaps	(5)	(6)
• Currency options	1	0
• Interest rate options (caps)	2	0
Fair value hedge:		
• Interest rate swap	23	28
Not allocated to a hedging relationship:		
• Currency forward	34	
MARKET VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS	**55**	**26**
of which derivative financial instruments recognized in assets	64	43
of which derivative financial instruments recognized in liabilities	(9)	(17)

Forward foreign exchange transaction details at December 31, 2015 (nominal amount)

	Currency purchased									
€ millions	EUR	USD	KRW	JPY	CNY	GBP	MXN	THB	Other	Total
Currency sold										
EUR		99	29		13	14		13	23	191
USD	1,005			19	6		10			1,040
CAD	208	45								253
GBP	65									65
AUD		39								39
PLN	11									11
THB	30									30
Other	64	15		2						81
TOTAL	**1,383**	**198**	**29**	**21**	**19**	**14**	**10**	**13**	**23**	**1,710**

23.3 Profit (loss) on settling of cash flow hedges

The effects on the gross margin of unwinding cash flow hedges set up at the end of the previous fiscal year generate no impact for 2015, compared to an income of €3 million for 2014.

NOTE 24.
OTHER CURRENT AND NON-CURRENT LIABILITIES

€ millions	December 31, 2015	December 31, 2014
Liabilities related to long-term put options granted to minority shareholders	306	205
Trade payables and liabilities related to long-term financial investments	98	189
TOTAL OTHER NON-CURRENT LIABILITIES	**404**	**394**
Trade payables related to intangible assets and property, plant and equipment	6	5
Liabilities related to long-term financial investments	94	227
Liabilities related to short-term put options granted to minority shareholders	162	169
Other	54	20
TOTAL OTHER CURRENT LIABILITIES	**316**	**421**

NOTE 25.
OFF-BALANCE-SHEET COMMITMENTS

€ millions	December 31, 2015	December 31, 2014
Commitments given		
Guarantees and endorsements	91	115
Debt secured by collateral:		
• Net carrying amount of collateral	2	2
Commitments received		
Guarantees, endorsements and sureties received	1	2
Commitments under operating leases and for royalties		
Within one year	36	29
In one to five years	93	76
Beyond five years	26	22
TOTAL OPERATING LEASE COMMITMENTS	**155**	**127**

NOTE 26.
MARKET RISKS

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

Liquidity risk

The Group aims to maintain continuous liquidity to ensure its independence and growth. Key to this is substantial and steady cash flow. It also operates a funding policy that guarantees available funding capacity at all times at low cost. This policy is based on the diversification of funding sources, the use of medium- and long-term financing, the distribution of debt maturities over time and the establishment of committed credit facilities.

Most of the long-term financing and credit facilities are concentrated on the parent company, which then refinances its subsidiaries. Some companies may, however, find it better to arrange their own local financing when local regulations hamper intra-Group arrangements.

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

€ millions	Amount December 31, 2015	Issue date or renewal	Maturity
Syndicated credit facility	900	2015	2020 [a]
Club deal	459	2014	2018
Bilateral bank facilities	1,078	2012-2015	2017-2020

(a) With the option to extend for two additional years with the preliminary approval of the banks.

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

At December 31, 2015, none of these lines had been drawned.

In December 2015, the Group has amended its existing syndicated credit facility and extended it by two additional years to reach a maturity in December 2020.

The Group increased the diversification of its means of financing and has endeavored to spread the short- and long-term debt repayment schedules over time in order to reduce the risk of refinancing. It has also increased the amount of its confirmed credit facilities serving, among other things, as supports for the French and US commercial paper programs.

The Group has the following ratings:

	Long-term	Short-term	Perspective	Last opinion
Moody's	A2	Prime-1	Stable	November 27, 2015
Standard & Poor's		A-1	Stable	April 30, 2015

The distribution of the Group's net financial debt and available credit facilities by contractual maturity at the end of 2015 was as follows:

€ millions	2016	2017	2018	2019	2020	2021	2022	>2022	Total
Bonds		300				500		300	1,100
French and US Commercial paper [a]					502				502
Bank borrowings	94	16	5	3		10			128
US private investments		253	115	216	124			28	736
Bank overdraft	35								35
Other liabilities	42	10	1	1					54
GROSS DEBT	**171**	**579**	**121**	**220**	**626**	**510**		**328**	**2,555**
Cash	(466)								(466)
Marketable securities									
NET DEBT [b]	**(295)**	**579**	**121**	**220**	**626**	**510**		**328**	**2,089**
Available committed credit facilities [c]		563	824		1,050 [c]				2,437

(a) Commercial paper and USCP are set to mature in 2020 (maturity of the credit facilities).
(b) > 0: net debt; < 0: net cash surplus.
(c) With the option to extend for two additional years.

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

Currency risk

Due to its international presence, the Group is naturally exposed to currency fluctuations. This impacts its operations, its financing, and the conversion into euros of the financial statements of foreign subsidiaries denominated in other currencies.

Currency hedging is, for the most part, managed by Essilor International. The Group seeks to limit currency risk first with natural hedges, then by hedging residual transactional exposure through currency forwards or options. Foreign exchange transactions are entered into solely to hedge currency risks arising on business operations. The Group does not carry out any currency trading transactions without any underlying commercial transaction.

The Group's total net exposure to currency risk at December 31, 2015 represented an amount equivalent to some €-4 million.

Consolidated exposure to currency risk on assets and liabilities at December 31, 2015, before and after hedging

(when an asset or liability is denominated in a currency other than the functional currency of the company concerned)

€ millions	Balance sheet amount before hedging [(a)]	Hedges on balance sheet items [(b)]	Net exposure after hedging [(c)]	Cash flow hedges [(d)]
Exposed currency				
USD	841	(825)	16	84
CAD	225	(222)	3	
CNY	(13)	13		
GBP	54	(48)	6	
EUR	(23)	(1)	(24)	
KRW	(29)	28	(1)	
THB	16	(16)		
MXN				
JPY	(23)	14	(9)	
Other	65	(60)	5	
TOTAL	**1,113**	**(1,117)**	**(4)**	**84**

(a) > 0: Assets to be hedged; < 0: Liabilities to be hedged.
(b) > 0: Net purchases of currencies; < 0: Net sales of currencies.
(c) > 0: Unhedged assets; < 0: Unhedged liabilities.
(d) > 0: Hedges of currency purchases; < 0: Hedges of currency sales.

Sensitivity of equity and profit to changes in the fair value of derivatives at December 31, 2015

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

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

	Impact of change	
(€ millions)	+5%	-5%
On equity	(1)	1
On profit before tax	57	(63)

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

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

Interest rate risk

The purpose of the interest rate management policy is to minimize the cost of financing while limiting the volatility of financial expenses linked to changes in interest rates. The major part of financing is therefore kept at fixed rates, either in the initial agreement or via hedging.

As almost all of the Group's financing is concentrated on the parent company, interest rate risks are therefore also centralized at the parent company level. The interest rate risk on financial liabilities is structurally limited.

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

	Before hedging		Hedges [(a)]			After hedging [(a)]		
€ millions	Fixed rate	Variable rate	Fixed rate	Variable rate	Cap	Fixed rate	Variable rate	Capped variable rate
Gross debt	1,603	976	6	(122)	92	1,609	854	92
Cash and similar		(466)					(466)	
SUB-TOTAL	**1,603**	**510**	**6**	**(122)**	**92**	**1,609**	**388**	**92**
NET DEBT		**2,113**			**(24)**			**2,089**

(a) Including the fair value of interest rate swaps of €300 million.

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

	Before hedging		Hedges [(a)]			After hedging [(a)]		
€ millions	Fixed rate	Variable rate	Fixed rate	Variable rate	Cap	Fixed rate	Variable rate	Capped variable rate
EUR	841	335	(224)	(986)		617	(651)	
USD	717	390	230	590	92	947	980	92
Other	45	(215)		274		45	59	
SUB-TOTAL	**1,603**	**510**	**6**	**(122)**	**92**	**1,609**	**388**	**92**
NET DEBT		**2,113**			**(24)**			**2,089**

(a) Including the fair value of interest rate swaps of €300 million.

At December 31, 2015, 63% of the gross debt after hedging was at fixed rate (58% at the end of 2014).

A parallel shift by 1% of the interest rate curves at December 31, 2015 applied to the components of the net debt would have the following impact:

€ millions	Cash flow impact on income statement
1% increase	(4)
1% decrease	2

€ millions	Gross debt	Cash and similar	Hedges [a]	Net debt after hedging [a]
USD	1,196	(89)	912	2,019
CAD	1	(17)	207	191
EUR	1,250	(74)	(1,210)	(34)
GBP		(13)	51	38
SGD	4	(10)	7	1
BRL		(21)		(21)
KRW		(31)	(29)	(60)
JPY		(20)	(14)	(34)
CNY	26	(91)	(13)	(78)
INR	13	(18)	6	1
THB		(11)	17	6
Other	89	(71)	42	60
SUB-TOTAL	**2,579**	**(466)**	**(24)**	**2,089**
NET DEBT		**2,113**	**(24)**	**2,089**

(a) Including the market value of fair value derivatives.

Counterparty risk

The Group is exposed to financial counterparty risk in its short-term investments, hedges and credit facilities. Default by a counterparty may result in an impairment (non-repayment of an asset) or loss of liquidity (inability to draw down a credit facility).

To limit this risk, the Group only deals with top-tier banks with the best credit ratings, while maintaining prudent diversification.

Available cash is invested in accordance with the two overarching principles of security and liquidity. The Group sets limits on investment periods and vehicles, as well as on concentrations of counterparty risks.

At December 31, 2015, counterparties for investment and capital markets transactions carried out by the Group Treasury Department were all rated at least A-2 (short-term) and A- (long-term) by Standard & Poor's. At that date, 71% of investments made by Group subsidiaries had a minimum Standard & Poor's long-term rating of A-.

At December 31, 2015, all the banks providing Essilor International with credit facilities had a minimum Standard & Poor's long-term rating of A-.

Credit risk

Non-provisioned outstanding trade receivables due totaled €207 million at the end of 2015 (€240 million at the end of 2014).

This was comprised mostly of receivables due in less than three months (84% in 2015; 74% in 2014) that were slightly past due.

€ millions	**December 31, 2015**	December 31, 2014
Trade receivables due within one year, net	1,342	1,226
Trade receivables due beyond one year, net	24	15
TRADE RECEIVABLES, NET	**1,366**	**1,241**
Trade receivables not yet due	1,159	1,001
Past-due trade receivables, net	207	240

Information relating to the Group's 20 largest customers is presented in Note 3 "Segment Information".

NOTE 27.
ENVIRONMENTAL RISKS

The Essilor group is not exposed to any material environmental risks.

NOTE 28.
LITIGATION

Alleged anti-competitive practices

Germany

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

Following this investigation, on June 10, 2010, the BKA sent formal notification of fines to the major ophthalmic optics companies in Germany. The Group's two subsidiaries are part of this notification.

Essilor GmbH and Rupp & Hubrach Optik GmbH have contested both the grounds for the BKA's findings and the amount of the fines, which they deem to be disproportionate. As a result, two appeals were lodged against the BKA's decisions of June 15 and 16, 2010.

However, our two subsidiaries have decided to withdraw their appeal to avoid long and costly proceedings further to ending of all settlement discussions. Accordingly the BKA's decision is final and the amounts due were provided for at December 31,2015.

France

In July 2014, the French competition authority's inspection department made unannounced visits to selected Group subsidiaries in France and other players in the ophthalmic lens industry in connection with the online sale of ophthalmic lenses. The Group appealed the court order which authorized the visits.

In 2015, no event led to change in the assessment of this proceeding.

Group actions

Following the settlement of charges brought by the Federal Trade Commission after an investigation into Transitions Optical Inc.'s business practices in 2009, around twenty motions for authorization to bring class actions were filed in late March 2010 against Transitions Optical Inc., Essilor of America, and Essilor Laboratories of America before US and Canadian courts. The plaintiffs in these motions are alleging that the companies concerned endeavored jointly to monopolize the market for the development, manufacture, and sale of photochromic lenses between 1999 and March 2010. A settlement was agreed in 2014, bringing these class actions to a close, and leaving only the action by VisionEase with respect to Transitions Optical pending.

In 2015, no event modifies the assessment of this litigation.

Intellectual property

Hoya filed a court claim in Tokyo, Japan on July 24, 2013, alleging that the sale of products by Nikon-Essilor fell within the scope of a patent originally registered by Seiko and sold to Hoya on March 15, 2013. Hoya's claim covers Nikon-Essilor sales for the period from March to July 2013.

In 2014, Nikon-Essilor filed a motion with the Tokyo court and the Japanese patent office to seek the invalidation of the patent.

In 2015, no event modifies the assessment of this litigation.

Tax disputes

Due to its presence in numerous countries, the Group is subject to various national tax regulations. Any failure to observe these regulations may result in tax adjustments and the payment of fines and penalties.

NOTE 29.
NUMBER OF EMPLOYEES AND PERSONNEL COSTS

Number of employees	Year 2015	Year 2014
Managerial personnel	7,328	7,008
Supervisors and employees	20,001	19,216
Production	33,174	32,256
TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE PERIOD	**60,503**	**58,480**

€ millions	Year 2015	Year 2014
PERSONNEL EXPENSES	**2,045**	**1,743**
(Salaries, payroll taxes and compensation costs on share-based payments including temporary staff expenses)		

Number of employees	December 31, 2015	December 31, 2014
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	**60,883**	**57,674**

NOTE 30.
RELATED PARTY TRANSACTIONS

Compensation of executives

€ millions	Year 2015	Year 2014
Total compensation and benefits paid to the Executive Committee [a]	19	15
Directors' fees paid to the Executive Committee		
TOTAL SENIOR MANAGEMENT COMPENSATION	**19**	**15**

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

The Executive Committee had 26 members at December 31, 2015 compared to 27 at December 31, 2014.

Post-employment benefits for Executive Committee members

- Pension and other post-employment benefit obligations: €45 million at the end of 2015 compared to €44 million at the end of 2014.
- Retirement benefits: €2.1 million at the end of 2015 compared to €1.3 million at the end of 2014.

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

Stock subscription options and performance shares awarded to Executive Committee members

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

The expense recognized in 2015 for awards to Executive Committee members was €12.5 million (2014: €10.4 million) for performance shares.

Related party transactions

Until March 31, 2014, the Transitions Group was 49% owned by Essilor (see Note 2.2). Essilor sells uncoated lenses to the Transitions Group, for transformation into photochromic lenses. Essilor also distributes Transitions products across its networks.

€ millions	2015	2014
Product sales		10
Product purchases		(121)
Trade receivables		
Trade payables		

Other related party transactions

There were no non-current transactions with members of the management bodies during the year.

NOTE 31.
MAJOR SUBSIDIARIES THAT ARE NOT WHOLLY OWNED

The Group holds some ownership interests with less than 100% control. None of these investments contributes materially to the various aggregates in the Group's financial statements.

The subsidiaries concerned by this are listed in Note 33.

NOTE 32.
SUBSEQUENT EVENTS

Alleged anti-competitive practices

Our subsidiaries have decided to withdraw their appeal to avoid long proceedings further to the suspension of all settlement discussions. Accordingly, the BKA's decision is final and the amounts due were provided for at December 31,2015.

Acquisitions

Since January 1, Essilor has pursued its strategy of forging partnerships with local leaders in the optics industry by entering into four transactions representing full-year revenue of around €38 million.

The Group continues to strengthen its position in Latin America.

In **Chile**, Essilor has acquired majority stake in **Laboratorio Óptica Ltda** and **Ópticas OPV Ltda**, an integrated laboratory and distributor. In 2015, the company reported full-year revenue of around US $25 million. This partnership will allow the Group to strengthen its presence in Chile, a country with significant growth, and to introduce and develop its flagship trademarks and lenses offers and to benefit from many synergies with its local laboratory partner, Megalux.

In **Brazil**, the Group has acquired two prescription laboratories, which have around BRL 12 million in aggregate revenue from operations in, respectively, São Paulo and Rio de Janeiro states. They will enable the Group to target new customers in two key Brazilian states.

In the **USA**, Essilor of America (EoA) continues to reinforce its local position with the acquisition of the majority of the shares of **Icare Industries Inc.,** a laboratory located in the State of Florida (Revenues: US $14 million).

NOTE 33.
SCOPE OF CONSOLIDATION

Listed below are the main Group companies. The complete list of consolidated companies is available on request at the registered office of the Group.

Company	Country	Consolidation method	% interest
Essilor GmbH	Germany	Full consolidation	100
RUPP + Hubrach Optik GmbH	Germany	Full consolidation	100
Satisloh GmbH	Germany	Full consolidation	100
Essilor Laboratories Pty Ltd	Australia	Full consolidation	100
Eyebiz Laboratories Pty Ltd	Australia	Full consolidation	70
Multi-Optica Distribuidora Ltda	Brazil	Full consolidation	100
Essilor da Amazonia e Comercio Ltda	Brazil	Full consolidation	100
Brasilor Comércio de Produtos Ópticos e Participacoes Ltda	Brazil	Full consolidation	100
Essilor Canada Ltd	Canada	Full consolidation	100
Essilor Network In Canada Inc.	Canada	Full consolidation	100
Coastal Contacts Inc.	Canada	Full consolidation	100
Canoptec Inc.	Canada	Full consolidation	100
Nikon Optical Canada Inc.	Canada	Full consolidation	50
Xiamen Artgri Optical Co Ltd	China	Full consolidation	50

Company	Country	Consolidation method	% interest
Jiangsu Wanxin Optical Co Ltd	China	Full consolidation	50
Shanghai Essilor Optical Company Limited	China	Full consolidation	100
Chemilens (Jiaxing) Co. Ltd	China	Full consolidation	50
Xin Tianhong Optical Company Limited	China	Full consolidation	50
Essilor (China) Holding Co Ltd	China	Full consolidation	100
Servioptica SAS	Colombia	Full consolidation	51
Chemiglas Corp.	South Korea	Full consolidation	50
Essilor Espana	Spain	Full consolidation	100
Essilor Optica International Holding SL	Spain	Full consolidation	100
BSA Industries, Inc.	United States	Full consolidation	100
Classic Optical Laboratories, Inc.	United States	Full consolidation	95
Eloa Corporation	United States	Full consolidation	100
Eoa Holding Co., Inc.	United States	Full consolidation	100
Essilor Laboratories of America Holding Co Inc.	United States	Full consolidation	100

Company	Country	Consolidation method	% interest
Essilor Laboratories of America Inc.	United States	Full consolidation	100
Essilor Labs Company	United States	Full consolidation	100
Essilor Latin America & Caribbean, Inc.	United States	Full consolidation	100
Essilor of America, Inc.	United States	Full consolidation	100
I-Coat Company, L.L.C.	United States	Full consolidation	85
Interstate Optical Co.	United States	Full consolidation	80
K.B. Co. L.L.C., The Polarized Lens Company	United States	Full consolidation	100
Moc Acquisition Corporation	United States	Full consolidation	84
Nassau Lens Co, Inc.	United States	Full consolidation	100
OOGP, Inc.	United States	Full consolidation	100
Optics East, Inc.	United States	Full consolidation	100
Pech Optical Corp.	United States	Full consolidation	100
Tri-Supreme Optical, L.L.C.	United States	Full consolidation	100
Transitions Optical Inc.	United States	Full consolidation	100
Satisloh North America	United States	Full consolidation	100
FGX International Inc.	United States	Full consolidation	100
Costa del Mar, Inc.	United States	Full consolidation	100
Stylemark, L.L.C.	United States	Full consolidation	100
Frames For America, Inc.	United States	Full consolidation	61
Eyebuy Direct, Inc.	United States	Full consolidation	61
Signet Armorlite, Inc.	United States	Full consolidation	100
Shamir Insight Inc.	United States	Full consolidation	50
Dac Vision Inc.	United States	Full consolidation	100
Essilor International	France	Full consolidation	100
BBGR	France	Full consolidation	100
Novacel Ophtalmique	France	Full consolidation	75
Mega Optic Design	France	Full consolidation	75
Essidev	France	Full consolidation	100
Invoptic	France	Full consolidation	100
Essilor India Private Limited	India	Full consolidation	100
Gkb Rx Lens Private Limited	India	Full consolidation	76
Gkb Hi-Tech Lenses Private Limited	India	Full consolidation	50
Transitions Optical Limited	Ireland	Full consolidation	100
Essilor Israeli Holdings Ltd	Israel	Full consolidation	100
Shamir Optica Holding Ltd	Israel	Full consolidation	50
Shamir Optical Industry Ltd	Israel	Full consolidation	50
Essilor Italia	Italia	Full consolidation	100
L.T.L. S.p.A.	Italia	Full consolidation	100
Nikon Essilor Co Limited	Japan	Full consolidation	50
Essilor Mexico S.A de C.V.	Mexico	Full consolidation	100
Essilor Nederland B.V.	Netherlands	Full consolidation	100
Essilor Nederland Holding B.V.	Netherlands	Full consolidation	100
Essilor Portugal – Sociedade Industrial de Óptica, Lda	Portugal	Full consolidation	100
BBGR Limited	United Kingdom	Full consolidation	100
Essilor Limited	United Kingdom	Full consolidation	100
Optic Mekk L.L.C.	Russia	Full consolidation	80
Company Grandvision L.L.C.	Russia	Full consolidation	75
Transitions Optical (S) Pte. Ltd	Singapore	Full consolidation	100
Essilor Amera Pte Ltd	Singapore	Full consolidation	100
Osa Investments Holdings Pte Ltd	Singapore	Full consolidation	100
Polycore Optical (Pte) Ltd	Singapore	Full consolidation	50
Lensco AB	Sweden	Full consolidation	100
Essilor Suisse SA	Switzerland	Full consolidation	100
Satisloh AG	Switzerland	Full consolidation	100
Satisloh Holding AG	Switzerland	Full consolidation	100
Essilor Manufacturing (Thailand) Co Ltd	Thailand	Full consolidation	100

3.5 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters.

These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Essilor International;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- goodwill is tested for impairment in accordance with the accounting principles described in Note 1.21 to the consolidated financial statements. We reviewed the methods and assumptions used to carry out these impairment tests and we verified that Note 12 provides appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-Sur-Seine and Courbevoie, on March 3, 2016

The Statutory Auditors
French original signed by:

PricewaterhouseCoopers Audit
Christine Bouvry

Mazars
Pierre Sardet
Daniel Escudeiro

3.6 FEES PAID TO THE AUDITORS AND THE MEMBERS OF THEIR NETWORKS

Fiscal years covered: 2015 and 2014.

	PricewaterhouseCoopers				Mazars			
	Amount (net of VAT)		As a %		Amount (net of VAT)		As a %	
€ thousands except percentages	**Fiscal year 2015**	Fiscal year 2014	**Fiscal year 2015**	Fiscal year 2014	**Fiscal year 2015**	Fiscal year 2014	**Fiscal year 2015**	Fiscal year 2014
AUDIT								
Statutory Auditors, certification, review of separate and consolidated financial statements:								
• parent company	447	447	10%	9%	282	282	6%	8%
• fully consolidated subsidiaries	2,985	2,638	67%	54%	2,968	2,476	66%	69%
Other audit-related services:								
• parent company	347	726	8%	15%	568	358	13%	10%
• fully consolidated subsidiaries	202	563	5%	12%	629	413	14%	12%
SUB-TOTAL	**3,981**	**4,373**	**89%**	**90%**	**4,447**	**3,528**	**99%**	**99%**
OTHER SERVICES PROVIDED TO CONSOLIDATED SUBSIDIARIES								
Legal and tax advice	494	477	11%	10%	49	26	1%	1%
Other	0	0	0%	0%	12	10	0%	0%
SUB-TOTAL	**494**	**477**	**11%**	**10%**	**61**	**36**	**1%**	**1%**
TOTAL	**4,475**	**4,850**	**100%**	**100%**	**4,508**	**3,564**	**100%**	**100%**

The other work and services directly linked to the duties of the Statutory Auditor correspond principally to the work conducted in connection with acquisitions of companies to be included in the scope of consolidation.

3.7 ANNUAL FINANCIAL STATEMENTS OF ESSILOR INTERNATIONAL

Annual statutory accounts 2015 include the profit and loss, the balance sheet, cash flows statement and notes presented below.

The Statutory Auditors report on the annual statutory accounts 2015 is in the Chapter 3.9 of this "Reference document".

3.7.1 Key figures at December 31, 2015

€ thousands, except per share data which is in €	2015	2014
Income statement		
Revenue	896,655	830,421
Operating results	118,837	78,938
Profit before non-operating items and tax	331,694	388,404
Net profit	586,908	693,536
Balance sheet		
Share Capital	38,962	38,861
Equity	3,336,834	2,925,345
Net debt	2,401,155	2,182,434
Non-current assets, net	6,364,058	5,243,411
TOTAL ASSETS	**7,112,562**	**6,183,646**
Net dividend per ordinary share (€)	1,11 [(a)]	1.02

(a) Subject to the decision of the Shareholders' Meeting of May 11, 2016.

Essilor International's revenue increased by 8.9% compared to 2014, excluding revenue generated by Puerto Rico branch liquidated in 2015. Sales of corrective lenses in France increased by 6%, due to a strong increase in internal flows with the Group (by 13% in the export market). Sales of instruments decrease by 0.8% in France and increase by 10.4% at export market.

Operating results increase by €39.9 million compared to 2014 mainly due to revenues and royalties recharges to various companies of the Group and FX change gain on foreign currency's variation.

Financial income results amount to €212.9 million, down to 31% compared to 2014 due to:

- a decrease in dividends received by €122.8 million;
- an increase in net financial income on mainly loans to subsidiaries (€24 million).

The net non-operating income amounts to €276.9 million includes net capital gain of €270.8 million due to the sale of 20% interest in Transitions Optical Inc. to Essilor of America Holding Inc. and a net capital gain of €8.6 million due to the sale of DAC Vision Inc. to Satisloh Inc.

For year 2015, the corporate income tax in the financial statements amounts to €21.6 million.

3.7.2 Income statement at December 31, 2015

€ thousands	Notes	2015	2014
Revenue	2	896,655	830,421
Production transferred to inventory		(4,835)	2,023
Production of assets for own use		5,749	4,397
Reversals of depreciation, amortization and provisions	13	89,106	88,851
Other income	3	333,652	261,738
TOTAL OPERATING PROFIT		**1,320,326**	**1,187,430**
Purchases of materials and change in inventories		470,576	417,127
Other external purchases and expenses	4	252,971	227,832
Taxes and duties		28,691	30,598
Personnel expenses	16	385,648	365,754
Depreciation, amortization and provisions		50,989	59,055
Other expenses	13	12,614	8,127
TOTAL OPERATING EXPENSES		**1,201,489**	**1,108,492**
OPERATING RESULTS		**118,837**	**78,938**
Financial income	5	212,857	309,466
PROFIT BEFORE NON-OPERATING ITEMS AND TAX		**331,694**	**388,404**
Non-operating income	6	276,857	304,863
Income tax expense	7	21,642	(268)
NET PROFIT		**586,908**	**693,536**

3.7.3 Balance sheet at December 31, 2015

Assets

€ thousands	Notes	2015 Gross amount	2015 Amortizations Provisions	2015 Net amount	2014 Net amount
Intangible assets	8	151,950	116,925	35,025	32,243
Tangible assets	9	364,486	259,208	105,279	113,768
Investments and other non-current assets	10	6,305,821	82,067	6,223,754	5,097,399
LONG-TERM FINANCIAL ASSETS		**6,822,257**	**458,199**	**6,364,058**	**5,243,411**
Inventories	11.1	57,686	11,228	46,458	54,409
Prepayments on orders	11.2	2,387	8	2,379	1,271
Trade receivables	11.2	345,782	3,180	342,602	300,327
Other receivables	11.2	282,020	1,106	280,914	407,213
Marketable securities	11.3	37,251		37,251	129,761
Cash		23,591		23,591	22,998
CURRENT ASSETS		**748,716**	**15,522**	**733,194**	**915,979**
Bond premium redemption		3,033		3,033	3,560
Prepaid expenses	11.4	12,277		12,277	16,937
Conversion losses					3,759
OVERALL TOTAL		**7,586,283**	**473,721**	**7,112,562**	**6,183,646**

Liabilities

€ thousands	Notes	2015	2014
Share capital	12.1	38,962	38,861
Issue, merger and transfer premiums		399,884	360,451
Legal reserve		3,886	3,879
Other reserves		2,251,408	1,776,408
Retained earnings		16,273	14,054
Net profit		586,908	693,536
Investment grants		42	75
Untaxed provisions		39,471	37,842
Translation reserve			239
EQUITY	**12.2**	**3,336,834**	**2,925,345**
PROVISIONS FOR CONTINGENCIES AND CHARGES	**13.1**	**154,256**	**149,842**
Other bonds	14.1	1,850,520	1,474,367
Borrowings and advances from credit institutions	14.1	507,323	815,119
Other financial debt	14.1	104,154	45,706
FINANCIAL LIABILITIES		**2,461,997**	**2,335,192**
Trade payables	14.2	161,452	165,919
Accrued taxes and personnel expenses	14.2	111,537	103,675
Other liabilities	14.2	885,901	501,243
OPERATING AND OTHER LIABILITIES		**1,158,891**	**770,838**
Deferred income		584	170
Conversion gains			2,259
OVERALL TOTAL		**7,112,562**	**6,183,646**

3.7.4 Cash flows statement at December 31, 2015

€ thousands	2015	2014
Net profit of the fiscal year	586,908	693,536
Elimination of non-cash items	(243,798)	(242,143)
Cash flow	343,110	451,392
Change in working capital [a]	482,510	95,411
NET FLOWS FROM TRANSACTIONS	**825,620**	**546,803**
Purchases of property, plant and equipment	(23,753)	(17,720)
Acquisition of shares in subsidiaries and affiliates and other investments	(523,452)	(920,899)
New loans extended	(4,580,878)	(4,372,544)
Proceeds from disposals of fixed assets	352,086	342,679
Repayment of long-term loans and advances	3,910,876	2,857,003
NET FLOW ASSIGNED TO INVESTMENTS	**(865,121)**	**(2,111,480)**
Issue of share capital	39,534	61,106
Purchases and sales of treasury stock		(16,869)
Dividends paid	(216,375)	(197,731)
Increase / decrease in borrowings	123,162	1,492,632
NET FLOWS FROM FINANCING TRANSACTIONS	**(53,679)**	**1,339,137**
Change in cash and cash equivalents	(93,180)	(225,540)
Cash and cash equivalents at the beginning of the period	145,640	371,180
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**52,460**	**145,640**

(a) Changes in working capital are as follows:

€ thousands	2015	2014	Variation
Prepayment to suppliers	2,379	1,271	(1,108)
Inventories	46,458	54,409	7,951
Operating receivables	359,517	325,475	(34,042)
Other receivables	263,999	382,066	118,067
Accrued interest on loans and dividends receivable	8,398	3,027	(5,371)
Operating liabilities	(382,063)	(372,825)	9,238
Other liabilities	(776,828)	(398,013)	378,815
Accrued interest	(12,420)	(10,034)	2,386
Accruals and conversion gains and losses	11,693	18,267	6,574
TOTAL WORKING CAPITAL	**(478,867)**	**3,643**	**482,510**

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

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3.8 NOTES TO THE 2015 ANNUAL FINANCIAL STATEMENTS

The following notes provide additional information about items reported in the balance sheet at December 31, 2015, which shows total assets of €7,271,562 thousand, and the income statement, which shows a net profit of €586,908 thousand.

The financial statements cover a 12-month period from January 1 to December 31, 2015.

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

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

Significant events of the year

Commercial revenue

Essilor International's revenue increased by 8.9% compared to 2014 explained by the reintegrated turnover of Puerto Rico branch liquidated in 2015. Sales of corrective lenses in France increased by 6%, due to a strong increase in internal flows within the Group (by 13% in the export market). Sales of instruments decrease by 0.8% in France and increase by 10.4% at export market.

Essilor Industries branch's liquidation

As at December 7, 2015, the branch Essilor Industries located in Porto Rico has been dissolute. The liquidation result amounts to €3.7 million of benefit.

Evolution of the hedging policy of trade flows

Until the 2014 year-end, trade flows in foreign currency were hedged on the budget forecast.

Since 2015, the hedging horizon by default of commercial flows corresponds to receivables and payables in foreign currency.

Transitions Optical Inc. securities' contribution to Essilor America Holding

As at March 31, 2015, Essilor International has contributed to its entire shareholding in Transitions Optical Inc. to its subsidiary Essilor of America Inc. with a net capital gain of €270.8 million.

New funding

As part of the EMTN program, Essilor has issued on August 7, 2015, a bond for €300 million to a variable rate E3M +0.2% with a maturity date of August 7, 2017.

Income tax

The tax debt recognized in the financial statements for fiscal year 2015 amounted to €21.6 million. This amount reflects a number of factors:

- the impact of a normal tax rate and 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.

Furthermore, Essilor has been subject of a tax audit for the years 2012 to 2014 included. The Company has received a notification for the fiscal year 2012 which will make the subject of observations from Essilor International. Without prejudging the final position of the French Tax Authorities, a provision for fiscal risk has been recognized in the 2015 accounts.

NOTE 1. ACCOUNTING PRINCIPLES

1.1 General

The annual accounts have been prepared in accordance with the French General Accounting Plan 2014 corresponding to the Regulation ANC n° 2014-03 dated June 5,2014 (approved by the order of September 8, 2014 published in the Official Gazette (JO) of October 15, 2014 which annuls and constitutes a recodification of the General Accounting Plan 1999, supplemented by regulations published since this date and generally accepted 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:

- either 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

Internally generated 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.

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

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

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

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

1.4 Tangible assets

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

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

Buildings	20 to 33 years
Buildings 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 property, plant and equipment.

1.5 Financial 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 is estimated each year, generally on the basis of actualization of future cash flows, which are estimated from forecasts established by the subsidiaries and reviewed by the Group, and on the basis of the proportion of equity. In this case of actualization of future cash flows, the discount rate used is the weighted average cost of the capital.

Loans and receivables are stated at nominal value. 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.

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. Production inventories are stated at actual production cost, which includes the cost of raw materials and direct and indirect production costs.

At each period-end, the gross value and net realizable value of inventories are compared and the lower of the two values is retained. Net realizable value is determined in 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 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.

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

1.9 Derivative financial instruments and transactions in foreign currency

Derivative financial instruments on foreign currency

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

Essilor manages an exchange position including monetary assets and liabilities in foreign currency related to business and financial activities of the Company. Gains and losses on derivative financial allow to offset the closing rate revaluation of the balance sheet positions in foreign currency (loans, debts, receivables, payables, current accounts, bank accounts). The report / deport related to derivative financial instruments is spread in financial profit on the hedging's duration.

Essilor also uses forward sales and purchases to hedge future transactions in foreign currency. Gains and losses on derivative financial instruments are recognized in the year in which they are settled, on a symmetrical basis with the loss or gain on the hedged item.

By principle, derivative financial instruments solely used by Esslior for hedging purposes. In some exceptional cases where derivative financial instruments are not meeting the criteria in order to be qualified as they are following the accounting method below:

- a provision is recognized for unrealized losses (unrealized gains are not recognized in the income statement);
- realized gains and losses are recorded in profit and loss.

As part of the centralized foreign currency risk's management, Essilor subscribes derivative financial instruments for the Group's subsidiaries. Realized gains and losses realized on the derivative financial instruments subscribed towards banking counterparts are transferred to the subsidiaries which are at the origin of the hedging.

Derivative financial instruments on rates

On risk interest's rate, the policy of the Company is to protect itself against an unfavourable rate's evolution. To hedge the rate's risk, Essilor uses rate swaps and rate caps.

Financial incomes and expenses related to derivative financial instruments on rates are recognized in profit and loss on a symmetrical basis with the loss or gain on the hedged item.

Paid premiums on caps are spread in the financial profit on the hedging's duration.

1.10 Pension and other post-employment benefit obligations

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

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 discount rate, inflation, staff turnover rates and the rate of salary increase;
- 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 market 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 market 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;
- provision recorded in the balance sheet correspond to the projected benefit obligation less the market value of any plan assets, the value of unrealized actuarial gains and losses and unrecognized past service costs.

1.11 Income tax (group relief)

Essilor files a consolidated tax return with ESSILOR, BBGR, OPTIM, INVOPTIC, ESSILOR ACADEMY EUROPE, NOVISIA, ESSIDEV, OSE, TIKAI VISION, BNL EUROLENS, FGX HOLDING, DELAMARE SOVRA, EOMC, ESSIHOLDING, MONT-ROYAL, TRANSITIONS OPTICAL DISTRIBUTION and DAC VISION SAS 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's 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.

1.12 Recognition and measurement of provisions

Regulated 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;
- 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 on the balance sheet 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 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 carrying amount. As necessary, the provision is allotted in the following order: securities, long-term receivables, current account, 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.

1.13 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 those two methods is made upon issuance of the loan and cannot be later changed for the concerned loan.

NOTE 2.
REVENUE

2.1 Net revenue per business sector

2015 € thousands	France	Export	Total	Variation % 2015/2014
Lenses	368,128	332,970	701,098	+7.9%
Instruments	30,331	67,770	98,101	+6.6%
Raw materials	470	11,706	12,176	+0.8%
Other sales	14,442	70,838	85,280	+11.0%
TOTAL	**413,370**	**483,285**	**896,655**	**+8%**

2014 € thousands	France	Export	Total	Variation % 2014/2013
Lenses	347,355	302,144	649,499	+5.1%
Instruments	30,589	61,403	91,991	+1.1%
Raw materials	215	11,863	12,078	-28.3%
Other sales	15,673	61,180	76,853	+2.8%
TOTAL	**393,832**	**436,589**	**830,421**	**+3.7%**

2.2 Net revenue distribution between france and export, Group and outside of Group

€ thousands	2015	2014	Variation % 2015/2014
France :			
• Group	80,688	81,038	-0.4%
• Non-Group	332,682	312,794	+6.4%
SUB-TOTAL	**413,370**	**393,832**	**+5.0%**
Export :			
• Group	464,759	420,282	+10.6%
• Non-Group	18,526	16,307	+13.6%
SUB-TOTAL	**483,285**	**436,589**	**+10.7%**
TOTAL	**896,655**	**830,421**	**+8.0%**

NOTE 3.
OTHER INCOME

€ thousands	2015	2014
Royalties and rebilling of expenses to Group companies	333,391	261,652
Other	261	86
TOTAL	**333,652**	**261,738**

NOTE 4.
OTHER EXTERNAL PURCHASES AND EXPENSES

€ thousands	2015	2014
Outsourcing	69,215	60,457
Rentals, maintenance and insurance	26,715	25,629
Studies, research and documentation	29,731	24,970
Temporary staff	18,288	14,982
Fees	32,180	30,833
Communication and advertising	38,551	33,984
Telecommunications, commissions et business travel	29,891	28,871
Other	8,401	8,107
TOTAL	**252,971**	**227,832**

NOTE 5.
FINANCIAL INCOME

€ thousands	2015	2014
Interest expenses	(45,546)	(35,223)
Financial income		
• Dividends [(a)]	147,563	270,372
• Investments income	535	2,482
• Interest income from loans	106,134	71,843
Net discounts	(4,358)	(4,029)
Provision charges	(4,798)	(6,569)
Currency exchange	16,543	11,563
Other	(3,217)	(974)
TOTAL	**212,857**	**309,466**

(a) In 2014, Essilor has received exceptional dividends related to the Transitions group acquisition.

NOTE 6.
NON-OPERATING INCOME (EXPENSE), NET

€ thousands	2015	2014
ON OPERATING ITEMS	**31**	**(14,087)**
Other income and expenses on operating items [a]	31	(14,087)
ON CAPITAL ITEMS	**276,895**	**334,840**
Transactions on disposal of financial assets [b]	278,401	336,922
Other exceptional income and expenses on capital items	(1,506)	(2,082)
PROVISIONS, WRITE-BACK OF PROVISIONS AND CHARGES TRANSFERRED	**(70)**	**(15,890)**
Provisions, write-back of provisions	(1,629)	(1,809)
Charges transferred	661	305
Other [c]	898	(14,386)
TOTAL	**276,857**	**304,863**

(a) In 2014, other income and expenses on management operations mainly include an irrevocable commitment to contribute €14.95 million to the Essilor Social Impact fund.
(b) Disposals of financial assets mainly consist of the contribution to Essilor of 20% of Amercia Holding Inc. holdings in Transitions Optical Inc.
(c) In 2014, the item "Other" mainly consist of impairment losses on intangible assets and property, plant and equipment.

NOTE 7.
CORPORATE INCOME TAX

7.1 Profit excluding overriding tax assesments

€ thousands	2015	2014
Profit & Loss of the year	586,908	693,536
Corporate income tax	21,642	(268)
Result before corporate tax on profit	608,550	693,268
Movements of regulated provisions	1,629	1,800
Result before corporate tax on profit, excluding overriding tax assessments	610,179	695,068

Besides a tax charge of €47,931 thousand, taxes recognized at Essilor include income related to the research tax credit of €20,355 thousand and a tax consolidation income if €4,028 thousand. Essilor tax income ended up totaling €21,642 thousand.

7.2 Allocation of income tax

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

2015 € thousands	Before tax	Corresponding tax	**After tax**
Result of ordinary operations [(a)]	331,694	(10,808)	320,886
Exceptional result [(b)]	276,857	(10,834)	266,022
NET RESULT			**586,908**

(a) Of which €147,553 thousand in dividends subject to the parent company-subsidiary treatment and €197,866 thousand in royalties taxed at the reduced rate of 15%.

(b) Of which €270,791 thousand net capital gains arising from the contribution of Transitions Optical Inc. securities and €8,638 thousand net-long term capital gains arising from the disposal of Dac Vision Inc. securities.

2014 € thousands	Before tax	Corresponding tax	After tax
Result of ordinary operations	388,404	5,073	393,478
Exceptional result	304,863	(4,805)	300,058
NET RESULT			**693,536**

7.3 Increases and reductions in future tax liabilities

Assets

No deferred tax assets are recognized in the balance sheet.

€ thousands	**2015**	2014
Pension	32,036	30,894
Provision for paid holidays [(a)]	12,388	12,304
Other	7,527	20,638
TOTAL	**51,950**	**63,836**
LOSS OF PERIOD CARRIED BACK AGAINST PRIOR PERIOD PROFITS [(b)]	**206,946**	**228,940**
Corporate income tax corresponding to 34.43%	89,138	111,255

(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 carry-forward corresponds to the tax loss carry-forward 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. This debt amounts to €5,653 thousand at December 31, 2015. The Company thinks it could utilize its tax loss carry-forwards.

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 €13,604 thousand.

€ thousands	Year-end 2013	Increase 2014	Decrease 2014	Year-end 2014	**Increase 2015**	**Decrease 2015**	**Year-end 2015**
Provisions related to :							
• Excess tax depreciation	36,042	10,184	8,384	37,842	9,289	7,660	39,471
• Other	95	(20)		75		33	42
TOTAL	**36,137**	**10,164**	**8,384**	**37,917**	**9,289**	**7,693**	**39,513**
Future tax liabilities (34.43%)	13,732			14,409			13,604

NOTE 8.
INTANGIBLE ASSETS

€ thousands	Gross book value at beginning of period	Increases	Decreases	Mouvements	Increase of depreciation	Decrease of depreciation	Net value at the year-end
2015							
Research and development costs	5,444	472	487	1,227			6,656
Patents, trade marks and licences	133,336	5,219	757	721			138,520
Goodwill	434						434
Other intangible fixed assets	3,311	5,313	366	(1,919)			6,340
GROSS VALUE	**142,525**	**11,004**	**1,610**	**30**			**151,950**
Amortizations and depreciations	110,283				8,312	1,671	116,925
NET VALUE	**32,243**						**35,025**
2014							
Research and development costs	7,466	1,111		(3,133)			5,444
Patents, trade marks and licences	127,496	2,414	1,924	5,351			133,336
Goodwill	434						434
Other intangible fixed assets	5,406	2,625		(4,721)			3,311
GROSS VALUE	**140,802**	**6,150**	**1,924**	**(2,503)**			**142,525**
Amortizations and depreciations	91,189				21,648	2,555	110,283
NET VALUE	**49,612**						**32,243**

NOTE 9.
TANGIBLE ASSETS

€ thousands	Gross book value at beginning of period	Increases	Decreases	Mouvements	Increase of depreciation	Decrease of depreciation	Net value at the year-end
2015							
Lands	14,652	68	8	1,048			15,760
Constructions	160,601	2,608	5,918	1,483			158,774
Plant and equipment	148,133	4,627	17,777	4,460			139,442
Other property, plant and machinery	46,359	1,347	1,571	98			46,234
Property, plant and equipment in progress	5,544	4,099	17	(5,350)			4,277
Advances and deposits	9			(9)			
GROSS VALUE	**375,298**	**12,749**	**25,291**	**1,730**			**364,486**
Amortization, depreciation and impairment	261,530				20,395	22,717	259,208
NET VALUE	**113,768**						**105,279**
2014							
Lands	13,957	49		645			14,652
Constructions	158,482	1,742	297	673			160,601
Plant and equipment	139,344	7,121	955	2,623			148,133
Other property, plant and machinery	45,797	588	184	158			46,359
Property, plant and equipment in progress	5,640	1,697		(1,793)			5,544
Advances and deposits	120			(111)			9
GROSS VALUE	**363,341**	**11,197**	**1,436**	**2,196**			**375,298**
Amortization, depreciation and impairment	240,079				22,771	1,320	261,530
NET VALUE	**123,262**						**113,768**

NOTE 10.
FINANCIAL ASSETS

10.1 Summarys

2015 € thousands	Gross book value at beginning of period	Increases	Decreases	Mouvements	Increase of depreciation	Decrease of depreciation	**Net value at the year-end**
Equity held [(a)]	2,779,615	631,339	101,087	(121)			3,309,746
Receivables from companies in which an equity is held [(b)] (Loans to subsidiaries / Advances on share issues)	2,088,186	4,683,186	4,010,314				2,761,059
Other long-term investments (own shares)	288,668		63,937				224,731
Other loans	44	2,500					2,544
Other long-term financial investments [(c)]	6,355	4,566	3,302	121			7,741
GROSS VALUE	**5,162,868**	**5,321,591**	**4,178,639**				**6,305,821**
Impairment	65,470				30,044	13,447	82,067
NET VALUE	**5,097,399**						**6,223,754**

(a) Increases:

– acquisition of 51% of "JAI KUDO POLSKA" Sp. z o.o and 7.5% Optika Amuka Ltd for a global total amounting to €5.4 million;

– capital increases for Essilor of America Holding Inc., Essilor AMERA PTE. Ltd, Essilor Nederland Holding B.V., Brasilor Comércio de Produtos Opticos E Participacões Ltda and Oftalmica Galiléo Italia S.p.A. and Essilor Canada Ltd for a global total amounting to €619.4 million.

Decreases:

– sale of 100% of Dac Vision Inc. securities, sale of 20% of Transitions Optical Inc. securities, sale and capital decrease of 28.6% of Coastal Contacts Inc. securities for a total amount of €100.1 million.

Movements:

– long-term assets of various acquisition fees (€0.1 million).

(b) The increases and decreases are mainly related to the renewal of loans to subsidiaries, particularly those granted to Essilor of America, Inc.

(c) Balance includes various acquisition fees attached to ongoing acquisitions.

2014 € thousands	Gross book value at beginning of period	Increases	Decreases	Mouvements	Increase of depreciation	Decrease of depreciation	Net value at the year-end
Equity held	1,842,706	930,059	10,203	17,054			2,779,615
Receivables from companies in which an equity is held (Loans to subsidiaries / Advances on share issues)	559,420	4,372,544	2,843,778				2,088,186
Otherlong-term investments (own shares)	305,537	35,864	52,733				288,668
Other loans	44						44
Other long-term financial investments	14,908	11,524	3,022	(17,054)			6,355
GROSS VALUE	**2,722,614**	**5,349,991**	**2,909,736**				**5,162,868**
Impairment	57,591				19,779	11,900	65,470
NET VALUE	**2,665,023**						**5,097,399**

10.2 Table of subsidiaries and shareholdings

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

€ thousands	Share capital	Other equity	Carrying amount of shares held		Loans and advances granted by the Company	Guarantees and endorsements given by the Company	Net revenue of the last fiscal year	Profit for the last fiscal year	Dividends cashed by the Company over the fiscal year
			Gross	Net					
A - IS GREATER THAN 1%									
French companies	125,159	276,457	280,391	261,567			448,656	31,777	70,668
International subsidiaries	1,321,511	2,394,632	3,028,526	2,965,353	1,943,506	36,069	6,693,336	503,885	76,885
B - DOES NOT EXCEED 1%									
French companies									
International subsidiaries	5,909	35,079	829	777	178,069	3,386	106,975	5,059	

10.3 Maturities of long-term asset receivables

€ thousands	2015	2014
More than one year	1,865,585	1,684,524
Less than one year	905,759	410,061
TOTAL	**2,771,343**	**2,094,585**

NOTE 11. CURRENT ASSETS

11.1 Inventories

€ thousands	2015	2014
Raw material and supplies	25,393	36,569
Goods	10,716	9,990
Finished, semi-finished and in-process goods	21,576	26,326
SUB-TOTAL	**57,686**	**72,884**
Provisions related to :		
• Raw material and supplies	(6,062)	(12,452)
• Goods	(1,980)	(1,774)
• Finished, semi-finished and in-process goods	(3,185)	(4,250)
SUB-TOTAL	**(11,228)**	**(18,476)**
TOTAL	**46,458**	**54,409**

11.2 Maturities of current assets receivables

€ thousands	2015
OVER ONE YEAR	**36,504**
Trade receivable	36,504
Other receivables [(b)]	
LESS THAN ONE YEAR	**589,390**
Prepayments on orders	2,379
Trade receivables [(a)]	306,098
Other receivables [(b)]	280,914
TOTAL	**625,894**

(a) The portion related to commercial paper represents €845.5 thousand.

(b) The "Other receivables" line primarily includes current accounts with regard to subsidiaries of €233 million and a carry-back receivable of €3.8 million.

11.3 Marketable securities

	2015		2014	
€ thousands	Gross	Net	Gross	Net
SICAV [(a)]	23	23	104,566	104,566
Financial instruments	37,129	37,129		
TOTAL	**37,152**	**37,152**	**104,566**	**104,566**
Deposits certificate	99	99	25,195	25,195
TOTAL	**37,251**	**37,251**	**129,761**	**129,761**

(a) SICAV mutual funds held at closing are comprised solely of money market funds with a maturity of three months or less.

Available cash is invested in accordance with the two overarching principles of security and liquidity. Essilor sets limits on investment periods and vehicles, as well as on concentrations of counterparty risks. At December 31, 2015, 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	2015	2014
Prepaid expenses :		
• Operating result	13,910	12,987
• Financial income	(1,633)	3,950
TOTAL	**12,277**	**16,937**

11.5 Accrued income

€ thousands	2015	2014
Investments and other non-current assets		
Receivables from companies in which an equity interest is held	8,398	3,027
Other non-current assets	103	
Receivables		
Clients -invoices to raise	70,740	63,294
Other receivables	2,717	3,448
TOTAL	**81,958**	**69,769**

NOTE 12. SHAREHOLDERS' EQUITY

12.1 Composition of capital

	Number of shares					
Number of shares, except information per share	At the start of the year	Issued	Canceled	Exchanged	At the year-end	Par value (€)
Ordinary shares	215,892,528	563,912			216,456,440	0.18
TOTAL	**215,892,528**	**563,912**			**216,456,440**	**0.18**

Of which treasury shares:

Number of shares	Number of shares at the start of the year	Share purchases	Cancellation	Exercises of options	Exercises of performance shares	Number of shares at the year-end
Capitalized	3,959,921			(1,099,823)		2,860,098
TOTAL	**3,959,921**			**(1,099,823)**		**2,860,098**

12.2 Variation in equity capital

€ thousands	Share capital	Issue premiums	Reserves and retained earnings	Result of the fiscal year	Untaxed provisions	Government grants	Translation reserve	**Total Equity**
EQUITY AT JANUARY 1, 2015	**38,861**	**360,451**	**1,794,341**	**693,536**	**37,842**	**75**	**239**	**2,925,345**
Capital increase								
• FCP Mutual funds	102							102
• Stock subscription options		39,432						39,432
Capital reduction								
Other movements over the fiscal year			66		1,629	(33)	(239)	1,423
Allocation of profit			693,536	(693,536)				
Dividends paid			(216,375)					(216,375)
Net profit of the fiscal year				586,908				586,908
EQUITY AT DECEMBER 31, 2015	**38,962**	**399,884**	**2,271,567**	**586,908**	**39,471**	**42**		**3,336,834**

2015

Capital totalled €38,962 thousand, corresponding to an increase of 563,912 ordinary shares following:

- subscriptions to Essilor group FCP mutual funds (257,057 shares);
- stock subscription options (306,855 shares).

New shares were entitled to dividends starting January 1, 2015.

2014

Capital totalled €38,861 thousand, corresponding to an increase of 1,193,030 ordinary shares following:

- subscriptions to Essilor group FCP mutual funds (377,182 shares);
- stock subscription options (855,848 shares).

New shares were entitled to dividends starting January 1, 2014.

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

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 three calendar months prior to the month of exercise of the option and the exercise price) are capped at 100% of the exercise price.

Stock subscription options granted since November 2008 are subject to performance conditions based on the share performance over a period of two to six years, as well as to the 100% cap on gains.

The following table analyzes changes in the number of stock subscription options at the year-end:

	Number of stock options as at 01/01/2015	Share subscription options	Stock options canceled and expired	Attributions	Number of stock options as at 12/31/2015
Share subscription options	900,134	(306,855)	(89,671)	100,023	603,631
TOTAL	**900,134**	**(306,855)**	**(89,671)**	**100,023**	**603,631**

Performance shares

Since 2006, the Essilor group has launched performance-based share allotment plans (performance shares).

The number of shares vested at the end of a period of two to six 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 the year-end:

	Number of performance shares as at 01/01/2015	Definitive attributions of performance shares	Perfomance shares canceled	Attributions	Number of performance shares as at 12/31/2015
Performances shares	4,021,259	(1,099,823)	(138,432)	1,343,153	4,126,157
TOTAL	**4,021,259**	**(1,099,823)**	**(138,432)**	**1,343,153**	**4,126,157**

Employee share issues

The main features of employee share issues are:

€	2015	2014
Share subscription price	97.05	69.73
Total discount amount	24.26	17.43
Number of shares subscribed	257,057	337,182

NOTE 13.
PROVISIONS

13.1 Provisions for contingencies and charges

2015 € thousands	Value at the beginning of the period	Provisions for the year	Reversals for the year (used)	Reversals for the year (non used)	**Value at the year-end**
Provisions for pension	30,894	6,898	5,757		32,036
Provisions for losses on subsidiaries and affiliates	300		300		
Provisions for performance shares	79,527	102,784	77,624		104,687
Other provisions for losses and liabilities [(a)]	39,121	7,925	25,890	3,622	17,533
TOTAL	**149,842**	**117,607**	**109,571**	**3,622**	**154,256**

(a) Other provisions for risks and liabilities as at December 31, 2015 are mostly composed of the tax audit provision and jubilee provision.

2014 € thousands	Value at the beginning of the period	Provisions for the year	Reversals for the year (used)	Reversals for the year (non used)	Value at the year-end
Provisions for pension	29,514	5,628	4,248		30,894
Provisions for losses on subsidiaries and affiliates	300				300
Provisions for performance shares	55,767	87,746	63,986		79,527
Other provisions for losses and liabilities [(a)]	28,638	26,403	15,583	337	39,121
TOTAL	**114,220**	**119,777**	**83,818**	**337**	**149,842**

(a) At end 2014, "Other provisions" were comprised primarily of the provision for tax audits, provision for currency loss and provisions for the restructuring program relating to the rationalization of the production site of the Puerto Rico branch.

13.2 Asset depreciation

€ thousands	Value at the beginning of the year	Provisions for the year	Reversals for the year	Value at the year-end
2015				
ASSETS DEPRECIATION	**91,894**	**44,740**	**39,045**	**97,588**
Inventories	18,476	11,228	18,476	11,228
Receivables	8,282	3,468	7,465	4,286
Shares in subsidiaries and affiliates	64,796	30,044	12,790	82,050
Receivables from companies in which an equity interest is held				
Other long-term investments	332		314	17
Other	8			8
2014				
ASSETS DEPRECIATION	**89,991**	**41,976**	**40,073**	**91,894**
Inventories	17,673	18,476	17,673	18,476
Receivables	14,719	4,063	10,500	8,282
Shares in subsidiaries and affiliates	56,098	19,271	10,573	64,796
Receivables from companies in which an equity interest is held	1,327		1,327	
Other long-term investments	166	166		332
Other	8			8

NOTE 14. LIABILITIES

14.1 Financial debts maturities

Total debt's split by maturity and type

€ thousands	2015	2014
DUE IN LESS THAN ONE YEAR	**627,176**	**876,268**
Loans from subsidiaries	103,817	35,641
Interest on bonds and US private placements	15,699	15,433
US and French commercial paper programs	502,315	813,499
Total borrowings	5,346	11,695
DUE IN ONE TO FIVE YEARS	**1,007,266**	**514,359**
US private placements	707,266	514,359
Bonds	300,000	
DUE IN MORE THAN FIVE YEARS	**827,556**	**944,565**
Bonds	800,000	800,000
US private placements	27,556	144,565
TOTAL	**2,461,997**	**2,335,192**

Financial debt's split by currency

€ thousands	2015	2014
EUR	1,250,306	1,079,144
USD	1,155,898	1,230,091
KRW	29,097	
JPY	15,261	
PLN	8,211	6,616
GBP	3,224	3,738
THB		11,278
MXN		336
CNY		3,989
TOTAL	**2,461,997**	**2,335,192**

Covenants

The Company's financing is not subject to any particular financial covenants. Only the US$300 and US$500 million US private placements subscribed in 2012 and 2013 are subject to a specific financial ratio. This was complied with at December 31, 2015.

14.2 Maturities and other liabilities

Analysis of total liabilities by maturity and by category

€ thousands	2015	2014
DUE IN LESS THAN ONE YEAR	**1,158,891**	**770,838**
Operating liabilities [(b)]	391,854	372,825
Other liabilities [(a)] [(b)]	767,037	398,013
DUE IN ONE TO FIVE YEARS		
Operating liabilities		
Other liabilities		
DUE IN MORE THAN FIVE YEARS		
Operating liabilities		
Other liabilities		
TOTAL	**1,158,891**	**770,838**

(a) "Other liabilities" account mostly includes current accounts with subsidiaries and amount €738 million.

(b) The part related commercial paper is null in 2015.

14.3 Accrued expenses

€ thousands	2015	2014
Accrued interest on borrowing	17,203	16,854
Trade payables	75,956	75,787
Accrued taxes and personnel expenses		
• Vacation pay	39,384	36,828
• Discretionary profit sharing	5,944	6,614
• Other	38,917	34,137
Other operating liabilities		
• Discounts and allowances to be granted	101,979	90,147
• Amounts due to customers	9,790	6,115
• Credit notes to be issued	7,095	6,969
Liabilities on long-term assets and related accounts	378	588
TOTAL	**296,645**	**274,038**

14.4 Items concerning related companies

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. There are no significant transactions with these companies that have not been concluded under normal market conditions.

	Net amount concerning companies			
Balance sheet € thousands	**Related parties**	**With which the Company has capital ties**	**Other**	**Total assets**
Equity held	3,176,392	51,304		3,227,696
Receivables from companies in which an equity interest is held	2,747,200	12,508	1,352	2,761,059
TOTAL LONG-TERM FINANCIAL ASSETS (NET)	**5,923,592**	**63,812**	**1,352**	**5,988,755**
Trade receivables	258,711	12,567	74,504	345,781
Other receivables	232,088		51,049	283,137
TOTAL CURRENT ASSETS (NET)	**490,799**	**12,567**	**125,553**	**628,919**
TOTAL ASSETS	**6,414,391**	**76,379**	**126,904**	**6,617,674**
Trade payables	69,807	2,144	89,502	161,453
Other operating liabilities	11,847	291	218,264	230,401
Other liabilities	750,383		16,655	767,037
TOTAL LIABILITIES	**832,036**	**2,435**	**324,421**	**1,158,892**

Income statement € thousands	Net amount concerning other comapnies Related parties	With which the Company has ties	Other	Total income statement
Income statement				
Financial expense [a]	91,483	461	408,246	500,189
Financial income [b]	482,028	19,196	211,822	713,046

(a) Financial expense breaks down as follows:

Financial expenses reported under "Related parties" correspond mainly to impairment losses on shares in subsidiaries, impairment losses on loans and subsidiary current accounts, interest on advances from the cash pool and interest on borrowings.

Financial expenses reported under "Unrelated parties" correspond mainly to interest on borrowings and swaps.

(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, interest on loans, account updates.

Financial income reported under "Capital ties" mainly concern deposited dividends.

Financial income reported under "Unrelated parties" corresponds mainly to gains on investments (SICAV, mutual funds and bank deposits), interest on borrowings and reversals of provisions for impairment losses on shares.

NOTE 15.
OFF BALANCE SHEET COMMITMENTS

15.1 Financial commitments

Commitments given and received

€ thousands	2015	2014
Projected benefit obligations given		
Guarantees and endorsements [a]	68,229	109,938
Projected benefit obligations received		
Guarantees, endorsements and sureties received		

(a) Guarantees by Essilor mainly granted to its subsidiaries and affiliates.

Confirmed undrawn credit at December 31, 2015 amounted to €2,438 million.

Forward foreign exchange contracts

Foreign exchange forward transactions at December 31, 2015 are the following:

€ thousands	Contractual amount (initial price)	Market value as at December 31, 2015
Foreign currency sell position	1,499,202	31,943
Foreign currency buy position	310,651	444
TOTAL		**32,387**

Essentially, the Company is in a net selling position for USD and CAD.

Foreign currency's optional position

At the year-end, currency options were as follow:

€ thousands	Nominal	Allowances received (paid) at the beginning	Market value as at December 31, 2015
Purchase option's purchase in foreign currency	10,750	(508)	(851)
Purchase option's sale in foreign currency	10,750	508	851

Implementation of currency option CAD / USD in order to hedge the needs in USD of the two Canadian entities.

Rate swaps and caps

In thousands of currency units	Notional in $	Notional in €	Market value as at December 31, 2015
USD interest rate swaps	250,000		(2,783)
EUR interest rate swaps		400,000	24,985
USD interest rate caps	100,000		1,451
TOTAL			**23,652**

15.2 Commitments under finance leases

There have been no commitments under finance leases since 2006.

15.3 Commitments for future payments

2015 Contractual obligations € thousands	Payments due by period Less than 1 year	1 to 5 years	More than 5 years	Total
IT publishers				
Simple rent's contract	3,771	13,113	8,797	25,682
TOTAL	**3,771**	**13,113**	**8,797**	**25,682**

15.4 Commitments 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, 2015, the valuation of all of those put options if they were fully exercised totalled €32,834 thousand.

NOTE 16.
INFORMATION ON EMPLOYEES

16.1 Pension, jubilees and post-retirement benefit obligations

Supplementary pension plan

The Company's obligation to management and management-level employees for supplementary pensions was updated in 2015, using a retrospective method. 2015 actuarial assumptions were as follows: inflation rate (1.80%), staff turnover rate, rate of future salary increases (between 1.80% and 4%) and discount rate (2.15%).

Measured in this way, the obligation totalled €65,538 thousand, of which €1,983 thousand has already been paid into pension funds managed by an independent insurance company by the end of 2015.

€ thousands	2015	2014
Present value of the commitments	65,538	63,839
Market value of the assets of the fund	(21,945)	(16,600)
Deferred items [a]	(38,179)	(40,907)
PROVISION IN THE BALANCE SHEET	**5,414**	**6,331**

(a) Deferred items include actuarial losses or gains and past services costs.

Jubilees

The Company's obligation for the payment of length-of-service awards in application of French labour laws, collective bargaining agreements and trade union agreements was estimated, according to a retrospective method, at €2,889 thousand at December 31, 2015 based on a discount rate of 2.15%.

€ thousands	2015	2014
Present value of the commitments	2,889	2,685
Market value of the assets of the fund		
PROVISION IN THE BALANCE SHEET	**2,889**	**2,685**

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 €41,071 thousand at December 31, 2015 based on a discount rate of 2.15%.

€ thousands	2015	2014
Present value of the commitments	41,071	38,921
Market value of the assets of the fund		
Deferred items [a]	(19,695)	(18,723)
PROVISION IN THE BALANCE SHEET	**21,376**	**20,198**

(a) Deferred items include actuarial losses or gains and past services costs.

Expenses for the year

€ thousands	2015	2014
Cost of performed services during the year	(6,010)	(4,137)
Interests expense on actualization	(2,373)	(2,516)
Paid contributions	6,200	3,000
Paid services	4,948	4,232
Expected return on fund assets	374	405
Actuarial losses (gains)	(4,295)	(3,196)
Cost of past services	(302)	(302)
COST OF THE YEAR	**(1,458)**	**(2,514)**

16.2 Average number of employees

Breakdown of average number of employees	2015	2014
Managers	1,369	1,336
Supervisors and employees	1,150	1,196
Production	640	773
TOTAL	**3,159**	**3,305**

16.3 Compensation of executives

€ thousands	2015	2014
Executives bodies		
Compensation received [(a)]	1,986	1,655
Length-of-service award payable on retirement (actuarial value)	354	581
Supplementary retirement benefit obligations (actuarial value)	11,764	13,952
Value of performance share rights granted during the year [(b)]	1,975	1,566
TOTAL	**16,079**	**17,753**
Administrative bodies		
Compensation received	689	504
TOTAL	**689**	**504**

(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 information related to employees

Individual training entitlement

In accordance with Article R.6323 of the labor law, effective from January 1, 2015 the individual training account has replaced the "*Droit Individuel à la Formation*" (DIF). The rights acquired under the "DIF" as at December 31, 2014, were amounting 291 618 hours, and not consumed, can be used as part of the new individual training account until December 31, 2020.

NOTE 17.
AUDIT AND OTHER NETWOK MEMBERS FEES

	PricewaterhouseCoopers				Mazars			
	Amount		In %		Amount		In %	
€ thousands, except for percentage	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Audit								
Auditing certification, examination of individual and consolidated accounts	447	447	56%	38%	282	282	33%	44%
Accessory missions	347	726	44%	62%	568	358	67%	56%
SUB-TOTAL	**794**	**1,172**	**100%**	**100%**	**850**	**640**	**100%**	**100%**
Other services								
Legal, fiscal, social								
Others								
SUB-TOTAL	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**794**	**1,172**	**100%**	**100%**	**850**	**640**	**100%**	**100%**

NOTE 18.
EVENTS POST YEAR-END

Nil.

NOTE 19.
RESULTS (AND OTHER CHARACTERISTIC ITEMS) OF THE LAST FIVE FISCAL YEARS

Capital at year-end € thousands	2015	2014	2013	2012	2011
Share capital	38,962	38,861	38,646	38,650	38,527
Number of ordinary shares outstanding	216,456,440	215,892,528	214,699,498	214,724,040	214,038,296
on which own shares	2,860,098	3,959,921	4,454,406	4,387,477	5,363,126
Number of preferred, non-voting shares outstanding (without voting rights)	0	0	0	0	0

Transactions and results of the year € thousands	2015	2014	2013	2012	2011
Net revenue	896,655	830,421	800,847	737,543	678,430
Profit before tax and calculated expenses (amortization and provisions)	663,763	749,634	373,329	445,205	300,219
Income tax expense	21,642	(268)	1,066	11,294	(14,408)
Employee profit-sharing due for the year					
Profit after tax and calculated expenses (amortization and provisions)	586,908	693,536	326,184	407,376	273,061
Total dividends	216,375	216,171	197,630	185,096	177,374

Earnings per share €	2015	2014	2013	2012	2011
Earnings per share, after tax and employee profit-sharing, but before calculated expenses (amortization and provisions), excluding treasury stock	3.01	3.54	1.77	2.06	1.51
Earnings per share, after tax and employee profit-sharing, calculated expenses (amortization and provisions), excluding treasury stock	2.75	3.27	1.55	1.94	1.31
Net dividend per ordinary share	1,11 [a]	1.02	0.94	0.88	0.85
Net dividend per preferred, non-voting share					

(a) Subject to the decision of the Shareholders' Meeting of May 11, 2016.

Personnel € thousands, except for average number of employees	2015	2014	2013	2012	2011
Average number of employees in the year	3,159	3,305	3,425	3,457	3,464
Total payroll	176,251	175,783	172,407	167,943	161,028
Total benefits	107,648	99,676	97,673	96,729	81,492

3.9 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

This is a free translation into English of the Statutory Auditors' report issued in French and it is provided solely for the convenience of English-speaking readers.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying financial statements of ESSILOR INTERNATIONAL;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Note 1.5 to the financial statements describes accounting policies and methods applied to investment securities.

As part of our assessment of the accounting principles and policies applied by the Company, we verified the appropriateness and correct application of these accounting methods and ensured that the notes to the financial statements contained appropriate disclosures.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code (Code de commerce) relating to remuneration and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-Sur-Seine and Courbevoie, on March 3, 2016

The Statutory Auditors
French original signed by:

PricewaterhouseCoopers Audit	**Mazars**
Christine Bouvry	Pierre Sardet
	Daniel Escudeiro

4 SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

EDITORIAL

"Essilor's mission to improve lives by improving sight, combined with the company's unique Principles and Values are at the heart of the Group's long-term commitment to sustainable development. Our success is rooted in our capacity to continuously innovate, to adapt our business models and to develop products that meet society's constantly changing needs for visual correction, protection and prevention. We take pride in ongoing dialogue with all our stakeholders and have taken our social and environmental impact into consideration in every region in which we operate. For close to three years, Essilor's Corporate Mission Division has been the standard-bearer of our responsible commitment and demonstrates our constant aim to create shared value by improving access to quality vision for all: good vision is, without a doubt, fundamental to the success of the UN Sustainable Development Goals.

Our strong growth in recent years and our leadership position encourage us to raise our standards even higher in terms of our commitment to working responsibly. In 2015 we defined our new approach to sustainable development in the form of four major pillars presented in detail in this document. We have prioritized our goals so as to accelerate and coordinate all initiatives by Group subsidiaries. Additionally, in order to assess our actions and share our progress over time, we have improved our reporting organization, with a high degree of transparency.

For all of these reasons, I am pleased to renew our long-term commitment to the ten principles of the UN Global Compact, both in our strategy and in our day-to-day operations, and to share our progress in this chapter of our 2015 Registration Document."

Hubert Sagnières
Chairman and Chief Executive Officer

As at December 31, 2015, Essilor is included in the following non-financial indices: MSCI World ESG, World SRI and Europe Low Carbon Leaders, FTSE4Good, Ethibel Sustainability Indexes Excellency Europe & Global and ECPI Ethical EMU Equity & Ethical Europe Equity.

Furthermore, in 2015, Essilor has, for the fourth consecutive year, earned the distinction of being ranked among the Global 100 Most Sustainable Corporations in the World (Global 100) Index. US magazine Forbes also ranked the Group amongst the World's Most Innovative Companies for the fifth year running.

Lastly, Essilor was selected as one of 50 companies that are changing the world in the first edition of Fortune magazine's "Change the World" list.

INTRODUCTION

4.1 ESSILOR'S APPROACH TO SUSTAINABLE DEVELOPMENT

4.1.1 The value chain and stakeholders

Essilor's approach to sustainable development is based on consideration of the environmental, social and corporate governance impacts of its business activities on the various stakeholders.

Value chain

Throughout the Essilor value chain, from product design to marketing, the Company's business activities impact on the environment and on society at large. The nature and magnitude of these impacts differs according to the Group's four main business activities:

- **production plants:** The Group has 32 production plants across 16 countries. Each year, they produce more than 500 million lenses via lens polymerization or resin injection molding. The production plants account for the majority of direct environmental impacts because of the chemical products and raw materials that they use, the energy they consume and the waste they produce. Given the concentration of impacts, Essilor places the emphasis on workplace health and safety measures, as well as on the environment, with the management of water and energy and the processing of waste;
- **distribution centers:** Essilor has 16 distribution centers in 10 countries. Sited close to manufacturing units, the role of these centers is to coordinate the logistics flows between suppliers and customers. Most of the impacts of these centers are therefore felt in terms of greenhouse gas emissions from transportation (air and road freight, etc.). Furthermore, the high concentration of employees and the nature of their activities also demand extreme vigilance in terms of workplace health and safety;
- **prescription laboratories:** The Group has 490 laboratories, edging facilities and local distribution centers which are major sources of local jobs. As the final link in the value chain, surfacing and coating finished lenses before marketed to professional customers, prescription laboratories are crucial for ensuring product quality and conformity. The environmental footprint of the prescription laboratories is fragmented and limited, and derives primarily from the use of chemical products and the consumption of energy and water;
- **operating, R&D and administrative divisions:** a limited portion of the Group's employees works in registered offices, R&D centers, and operating and administrative divisions. While the social impact of these facilities is very significant, the environmental impact is low (energy from buildings, paper, greenhouse gas emissions associated with business travel, electrical and electronic waste, etc.).

See Section 1.3.1.3 of this document.

Ecosystem

Essilor has daily interaction with a whole host of stakeholders throughout the world. As the significance of the issues of sustainable development and the way that they are handled differ between countries, relations with these stakeholders are generally managed locally, under the responsibility of the senior management of the legal entities. Essilor has introduced a "guide to partnership" for its business partners that delineates Essilor's role and responsibilities and those of the partner, facilitating transparent and effective working relations. Moreover, all employees are actively encouraged to apply the Essilor Principles and Values in their interactions with stakeholders.

Depending on the stakeholder concerned, Essilor's dealings with them have a variety of objectives:

- to listen, by setting up a consultation process for the purpose of anticipating developments in business, the market and regulations and to manage risks;
- to engage in dialogue in order to involve stakeholders in strategic decisions, through customer satisfaction surveys, employee opinion polls, organizing forums and training, etc.;
- to inform, by providing reliable factual data via different kinds of communication tools (brochures, website, annual reviews, questionnaire responses, various requests, etc.);
- to contribute to development by conducting partnership projects, particularly in the fields of health and the environment, with support for patients' associations, humanitarian aid programs and partnerships with universities.

Stakeholder relations are therefore key for the Group, as they bring and create positive impacts. Essilor is aware of what is at stake and strives for continuous improvement to maintain a relationship of trust with its stakeholders. The Company documents and addresses its stakeholders' main concerns. The table below presents the key points.

Main stakeholders	Major questions
Employees & representative organizations	Quality of working conditions
	Recruitment / Attracting and retaining talents
	Skills development
	Equal opportunities, diversity and inclusion
Business partners	Shared commitment to social and environmental concerns
	Collaboration on innovation and development
	Integrity in business relations
Clients & Prescribers	Offering high quality, innovative products
	Responsible marketing / Transparency and validation of the benefits of Essilor lenses
	Integrity in business relations
	Responsible purchasing
Consumers	Product quality and efficiency
	Responsible purchasing
	Innovation to cater for new visual health needs resulting from social trends
Shareholders, investors and rating agencies	Governance
	Transparency and evaluation of non-financial activity
	Management of CSR risks
Suppliers	Integrity in business and adherence to regulations
	Constructive collaboration
	Sustainable procurement & supplier CSR audit
NGOs and consumer organizations	Dialogue & Partnership
	Communication – Transparency (on social initiatives, environmental footprint, product performance, etc.)
Educational institutions	Cooperation for research and innovation
	Attracting and developing talent
Public authorities & governments	Social and economic impact
	Contribution to visual health and the inclusive economy
	Fair business practices
	Dialogue & Education
Local communities	Quality of life: Provide quality vision for all
	Social and economic impact (jobs, support for the local economy and inclusive business)
	Raising awareness

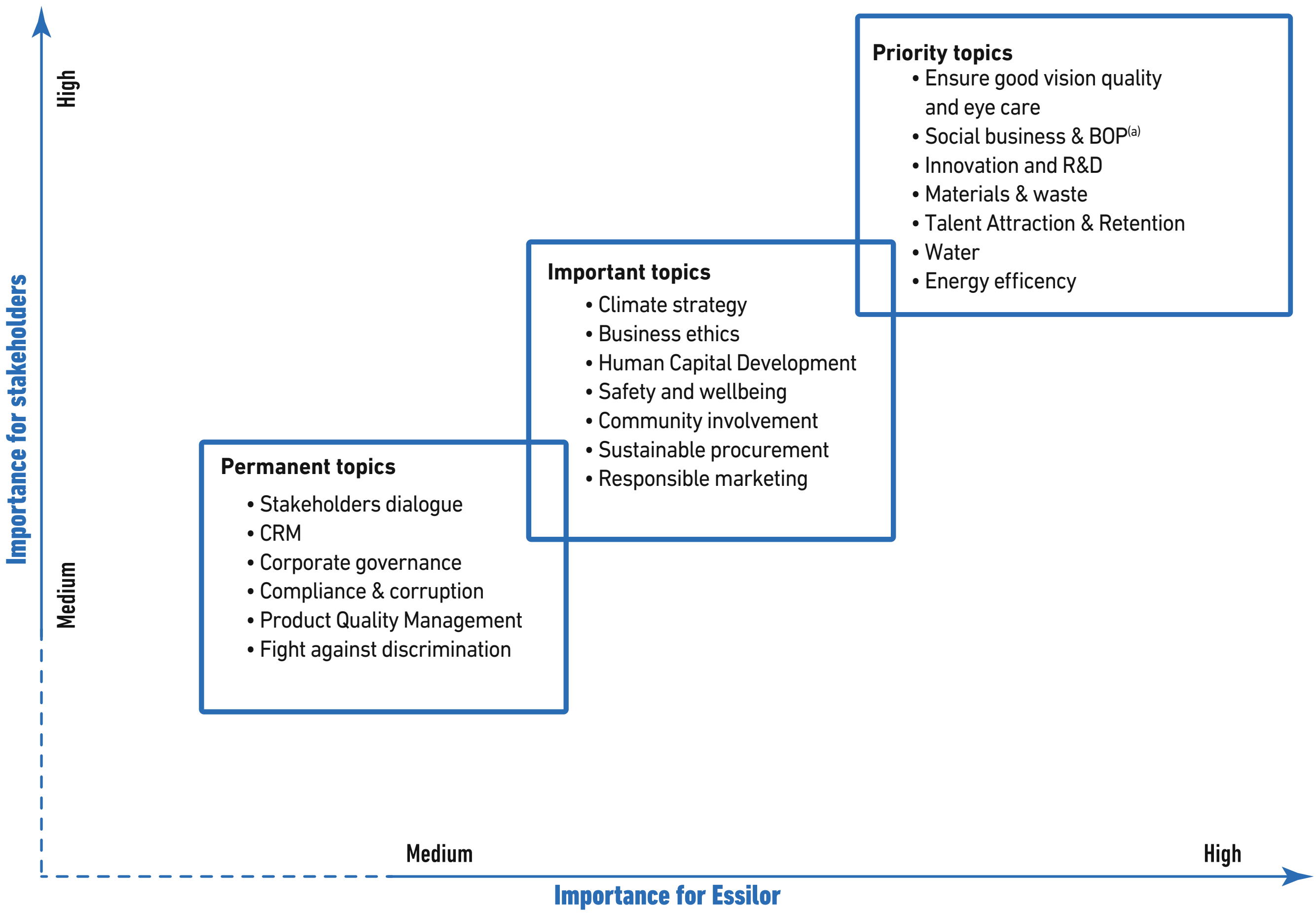
Review of each of the components of the value chain and analysis of the Essilor ecosystem are fundamental to the Group's approach to sustainable development.

4.1.2 Materiality assessment

In 2014, the Group conducted a materiality assessment in order to anticipate the requirements, risks and opportunities connected with sustainable development; increase the relevance of and update its strategy; focus reporting and non-financial publications on the overarching issues; and consolidate the conformity of Group reporting with international standards.

See Chapter 4, pages 202 to 204, of the 2014 Registration Document.

In 2015, Essilor supplemented this initial exercise by expanding the scope of analysis. Specific analysis of over 30 sustainable development questionnaires and guidelines from non-financial rating agencies, investors and customers were compiled and then compared with the first materiality matrix. This work helped in refining 20 priority areas out of a total of over 50 and updating the level of significance of these challenges.



(a) Base of pyramid.

Essilor plans to continue updating its materiality matrix on a regular basis, to monitor trends in stakeholder expectations and assess the criticality of the challenges.

Based on this work, the Group has defined a new approach to its sustainable development strategy according to four main pillars; these are set out in detail in this document. See Section 4.1.3

4.1.3 Sustainable development strategy and associated commitments

In 2015, on the basis of the revised materiality assessment which was supplemented by an operational audit, Essilor detailed the sustainable development strategy for the Group, centered around four main pillars:

1. Quality vision for all

In line with its mission, the Group is committed to the global challenge of helping to correct, protect and prevent risks to the visual health of the seven billion inhabitants of our planet. To this end, Essilor has identified four levers of action: raising awareness, responsible product innovation, inclusive business and strategic giving. See Section 4.3 of this document.

2. Employee health and safety, development and engagement

The Group's employees are the leading players in and contributors to Essilor's sustainable development. The Group's employment policy is structured around four program areas: ensuring employee health, safety and quality working conditions; training, developing skills and talents; integrating employees and all forms of diversity; and lastly, promoting employee shareholding and consulting staff through practices for dialogue between management and employees. See Section 4.4 of this document.

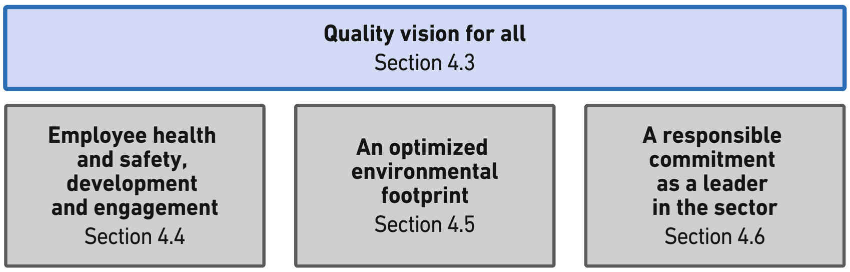
3. An optimized environmental footprint

Despite an environmental footprint that is fragmented and limited in comparison to industrial processing activities, Essilor strives to reduce its impacts. Based on continuously improving environmental management processes, actions are focused on reducing water consumption, improving energy efficiency, reducing the carbon footprint, adapting to climate change and lastly, reducing and recovering waste. See Section 4.5 of this document.

4. A responsible commitment as a leader in the sector

As a leader in its sector, the Group has made a commitment to introducing preventive and vigilance mechanisms to ensure respect for human rights and the rules of integrity in the conduct of business. Essilor joins forces with its suppliers in its approach to sustainable development via a policy of responsible purchasing and also gets involved with local communities to contribute to their development. Furthermore, Essilor takes care to market products with stated levels of quality and performance that meet customers' needs most effectively. See Section 4.6 of this document.

Improving lives by improving sight



4.2 GOVERNANCE AND MANAGEMENT OF SUSTAINABLE DEVELOPMENT

4.2.1 The CSR Committee

Set up in 2013, the CSR Committee reports directly to the Board of Directors. It is chaired by an Independent Director and comprises three members (the Chairman and Chief Executive Officer and two Directors). The Chief Corporate Mission Officer is also invited to attend meetings as a guest.

The CSR Committee met three times in 2015, with an attendance rate of 100%. In its supervisory role, it was consulted primarily on:

- the progress made in corporate mission activities and, in particular, the development of new, innovative, inclusive business models through the "2.5 New Vision Generation" entity;
- the review of the sustainable development strategic roadmap and the key measures to be implemented;
- the evaluation of the direct and indirect economic and societal impacts of corporate mission activities;
- the changing perception of Essilor's non-financial performance by recognized appraisers;
- the main CSR risks;
- the review of the reports published regarding CSR and especially pursuant to regulatory obligations under the French Grenelle 2 law.

See Section 2.2.2.6 of this document.

4.2.2 The Sustainable Development Department

Essilor has opted for a strong management support to drive environmental, social and corporate governance challenges. Accordingly, the Sustainable Development Department reports to the Chief Corporate Mission Officer, who is a member of the Essilor Executive Committee.

The role of the Sustainable Development Department is to coordinate the associated actions taken by the various functional departments (Environment-Health-Safety, Human Resources, Marketing, etc.) and the three main geographic areas of North America, Europe and AMERA (Asia / Middle East / Russia / Africa), with the following main responsibilities:

- steer the non-financial reporting and lead the community of correspondents in various countries and functions;
- provide expertise to Group entities in their deliberations on CSR, the implementation of associated action plans and responding to questions from key accounts or other stakeholders;
- communicate on Essilor's initiatives, contribute to the public debate on the challenges of sustainable development and engage in dialogue with stakeholders;
- engage employees in the approach to sustainable development through training and employee recognition measures (*e.g.*, Sustainability Awards).

The Sustainable Development Department coordinates a global steering committee that brings together all the major functional and geographic divisions.

Lastly, the Sustainable Development Department is regularly consulted by the CSR Committee.

4.2.3 Organization of non-financial reporting

The aim of non-financial reporting is to provide Essilor with a tool for managing and measuring the effectiveness of its sustainable development program, as well as ensuring compliance with the French Grenelle 2 law and with the principal CSR reporting standards.

Organization & Protocol

Essilor collects environmental, social and corporate governance data using a software application named "Sustainability" that replicates the structure of the Group's unified financial reporting system. "Sustainability" has similar procedures for consolidating financial information and a specific glossary outlining the indicators and their definitions. A network of multidisciplinary contributors (from Human Resources, Environment-Health-Safety, Essilor Vision Foundation, etc.) reports information, which is validated by the Financial Departments of each entity and then checked and consolidated at Group level by the Sustainable Development Department. Two reporting cycles are organized each year. The first, at the end of March, is the interim cycle. It is not subject to publication. The aim is to provide a progress update and to identify and then follow up on any corrective actions that may be necessary.

The reporting protocol changed in 2015; the changes included a review of the indicators reported (with consideration of the updated materiality assessment and simplification), support for the subsidiaries with increased communication and lastly, an update to the methodology for and measurement of greenhouse gas emissions. See Section 4.7 of this document.

Scope of reporting

The reference scope of reporting is currently all Essilor subsidiaries. Against a backdrop of strong growth, the Group is continuing to pursue a process initiated in 2011 that gradually includes existing or future financially consolidated companies to its non-financial reporting.

In 2015, in accordance with its commitment to achieve a target of 85% coverage expressed in numbers of employees by 2017, the Group made significant progress, with a rate of 85.1%. See Section 4.7 of this document.

Reporting period

To optimize the organization, coordination and integration of financial and non-financial reports, Essilor collated the majority of its employment-related, environmental and corporate social information over a period of 12 months from October 1, 2014 to September 30, 2015. However, certain information was collected during the calendar year from January 1, 2015 to December 31, 2015; this is followed in the text or the indicator tables by a superscript at sign (@).

Compliance and standards

Essilor has made public its social, environmental and societal information since 2002, in accordance with the NRE law of May 2001. The Group has been compliant with the Grenelle 2 law since 2012 and continues to follow the guidelines of the Global Reporting Initiative (GRI G4). See Section 4.7 of this document.

Since 2013, KPMG Audit has issued a report including a certificate of attendance and a reasoned opinion on the fair presentation of the sustainable development information published in the Management Report and in this chapter of the Registration Document. In 2015, all the indicators and information disclosed in this chapter were reviewed and audited by KPMG. See Section 4.8 of this document.

CORPORATE MISSION

4.3 QUALITY VISION FOR ALL

Providing everyone, everywhere, with access to quality vision care is Essilor's biggest challenge in terms of sustainable development. This challenge lies at the point of intersection between the Group's economic activity and its social contribution with the major positive impacts on the quality of life that comes with better vision.

This mission to **improve lives by improving sight** encourages the Group to keep serving more countries and people to ensure equal access to vision care for all.

Accordingly, Essilor designs, manufactures and markets an extensive range of vision care solutions intended to correct, protect and prevent risks to visual health for the planet's seven billion inhabitants. Action on four fronts helps to fulfill this mission: 1) make as many people as possible aware of the importance of good vision; 2) innovate responsibly for current and future customer needs; 3) develop inclusive business models; and lastly, 4) drive strategic giving initiatives.

4.3.1 Raising awareness of the importance of good vision

The main reason that large numbers of people are lacking the visual correction they need is primarily a lack of awareness of vision problems: many of them have never had an eye test or been able to see properly.

To address this, Essilor is investing at local, national and international level to raise awareness of the importance of visual health. The measures adopted take the form of:

- public events, such as "Think About Your Eyes" in the United States and the United Kingdom, organized in partnership with players in the sector or directly by local Essilor entities;
- creation of consumer information websites to educate on the importance of regular eye tests or protecting one's eyes from the damage caused by UV light (*e.g.* www.eyes-and-sun.com);
- regular eye exam campaigns, arranged at local level by Essilor subsidiaries or by the Group's philanthropic organizations. In addition, the Group contributes to World Sight Day each year in nearly 50 countries, organizing events and public information campaigns to raise awareness;
- support for research initiatives for gathering statistical data to convince governments to invest in programs to improve visual health. In 2015, Essilor continued to support the roll-out of Stanford University's Rural Education Action Program in south-western China, which aims to measure the progress achieved by schoolchildren who wear glasses. Following conclusive results in 2014, a pilot project for a local vision center was launched in 2015 to provide basic vision care services.

In 2012, Essilor lent its support to the founding of the **Vision Impact Institute™**. The Institute's aim is to highlight the importance of visual health and the benefits of proper visual correction in everyday life (in academic achievement, social integration, business productivity, etc.). Its mission is to examine and then communicate the results of relevant scientific studies and to work with networks of influence to guide changes in public health policy.

The Institute is governed by a consultative committee of five independent members focusing on two objectives: to accelerate the production of new studies on visual health, particularly in areas where there is a dearth of data, and to reach an ever-broader audience on these topics.

Since it was founded, the Institute has launched a website – www.visionimpactinstitute.org – providing a single database of 150 peer-reviewed reports and studies to prove the need for advances in visual correction and visual health in general. This year, 70 new studies were published and the website was translated into two more languages, Chinese and Portuguese. Furthermore, the Institute has spoken at 20 world conferences on ophthalmic optics, including two in the United States and China, and has continued to make use of traditional and social media to raise awareness of the importance of visual health, with a media reach of 225 million people.

In 2015, as part of the European Coalition for Vision (ECV) which brings together all the players in visual health (manufacturers, NGOs, public authorities, ophthalmologists, optometrists and opticians), the Institute played an active role in the launch of a manifesto to place visual health on the European political agenda. The objective is to ensure that Eurostat, the European Union's statistical data provider, builds in two new visual health-related criteria: the prevalence of visual problems and the correction of visual defects using visual aids. In another joint initiative, the Institute has also joined forces with major international private companies endeavoring to improve road safety and reduce the number of deaths and injuries caused by traffic collisions.

4.3.2 Responsible innovation to cater for customers' current and future needs

Innovation has always been a major strategic focus for the Group, one of its core principles and an undeniable competitive advantage. To respond to market trends in visual health driven in particular by a number of major social trends (population aging, use of digital technology, new "Base of the Pyramid" consumers, etc.), Essilor devotes a significant proportion of its revenue to research and innovation each year, spending €214 million in 2015.

The Group's research is focused on understanding the needs of consumers and professional customers from the optical industry across the three dimensions of visual health, which are: visual correction, the protection of eyes and the prevention of eye diseases. The structure of Essilor's global R&D organization comprises five Centers for Innovation & Technologies, at the heart of the major current and future markets and close to centers of international expertise. See Section 1.5.2 of this document.

Essilor has expanded its culture of global innovation through gradual integration of the challenges of sustainable development. For the Group, as well as being compliant with regulations, innovation must be:

- **Collaborative.** This means that stakeholders (universities, research centers, suppliers, customers, professional associations, etc.) can be involved from design through to the launch of the innovation;
- **Eco-designed.** Essilor endeavors to develop products with an ever-reducing impact on the environment by analyzing the product's life cycle, giving preference to ecodesign, working with its suppliers (purchasing raw materials with less environmental impact, low-carbon logistics, etc.) and optimizing the production processes. For example, Essilor now only promotes lighter, more resistant and more environmentally friendly corrective lenses that are manufactured from thermosetting resins or thermoplastic materials. As such, the Airwear® corrective lenses are made from a material which can be recycled at the end of its life cycle to produce items other than corrective lenses. Furthermore, no new chemical component requiring toxicology tests is used in the Group's innovations. Lastly, Essilor does not conduct any tests on animals;
- **Safe.** Striving for a more accessible price point and a limited environmental impact does not compromise compliance with the quality requirements set by the Company and by local authorities, particularly with regard to testing on wearers before any marketing activity begins. In the upstream phase, the Group evaluates the optical and, physical and chemical properties of lenses through sensory analysis testing and consumer testing, to ensure that the improvements made are actually apparent to the wearer;
- **Transparent.** To guide end users in their choices as effectively as possible, Essilor is careful to provide high quality, relevant information on new products. By working with visual health professionals, training them and providing them with technical documentation and informative materials, Essilor ensures that its products are promoted in a compliant way. See Section 4.6.4 of this document;
- **Accessible to all.** For the Group, any innovation must support its mission. New products are therefore developed to address specific issues, at local level, and to reach as many people as possible. For example, in 2015, Essilor marketed its Eyezen™ lens, a response to new digital and ultra-connected behaviors which are impacting on visual health. Eyezen™ lens was launched worldwide, given the global nature of the challenge of protecting vision and reducing visual fatigue due to screen use. For the 2.5 billion people without visual correction living mainly in emerging countries with limited visual health structures and complex logistics chains, Essilor has developed Ready-to-Clip™, a range of symmetrical, interchangeable lenses that can be fitted instantly in a wide range of frames. This enables consumers on low incomes to buy an affordable pair of glasses locally, immediately after their eye test, avoiding any issues with logistics and order tracking.

4.3.3 Development of inclusive business models

A large number of individuals suffer from poor vision because they cannot access eye care professionals in the rural communities or urban areas where they live.

Reaching people on low incomes, often designated as Base of the Pyramid (BoP) consumers, requires a totally different and innovative approach in terms of products, pricing and distribution.

The challenge is to find sustainable economic models that will continue to support communities as they develop and their correction needs evolve.

Over the last three years, Essilor has leveraged significant resources to develop and roll out solutions that focus on empowering local communities, by transferring skills and creating jobs that require qualified labor and setting up infrastructures where basic vision care can be dispensed. These solutions imply close collaboration with local organizations, hence Essilor is co-constructing partnerships with NGOs, social entrepreneurs and regional or national governments for its inclusive business models. This provides the Group with a better understanding of local needs and obstacles to build a framework for ensuring long-term sustainability projects.

To this end, Essilor has created two dedicated structures:

- **the "BoP Innovation Lab",** supported by the Singapore Economic Development Board, evaluates and provides advice on inclusive business models. As an incubator, it helps to accelerate projects and to strengthen relationships with social enterprises, foundations and public and private development funds. It works in close collaboration with Essilor's inclusive business structure, 2.5 New Vision Generation™ (see the paragraphs below) on selecting programs, evaluating their social impacts, any adaptations that may be necessary and the development of new products, solutions and business models in line with the needs of BoP consumers;
- **the "2.5 New Vision Generation™"** ("2.5 NVG") **business structure** leverages dedicated sales and logistics teams in key geographical areas of Asia, Latin America and Africa. It focuses on the adaptation and local roll-out of solutions for "Base of the Pyramid" consumers. This implies agile, scalable business models. For example, in India, where the 2.5 NVG structure originated, Essilor has developed the Eye Mitra™ ("friends of the eyes" in Sanskrit) program with the aim of training under-employed villagers as vision technicians. They receive training and the equipment needed to start a "micro-business" carrying out eye exams and dispensing eyeglasses for the inhabitants of rural or semi-urban areas. The expertise acquired helps in replicating and tailoring the model in other countries, including China and Brazil.

In 2015, the 2.5 NVG structure ramped up its development and is now present in 24 countries, thereby increasing its impact. Nearly 1.2 million new wearers were fitted with eyeglasses through Essilor's inclusive enterprise initiatives, compared with 300,000 in 2014, particularly as a result of partnerships with NGOs such as Salud Digna in Mexico and the surge in vision entrepreneurship models such as the partners Eye Mitra™, of whom there were more than 1,000 in India by the end of 2015.

4.3.4 Strategic giving

Essilor considers that it is a duty to provide the most disadvantaged individuals, who live below the international poverty line, with the vision care that they need. The Group has been actively committed to local and worldwide philanthropy initiatives for over 40 years, working with numerous partners such as Lions Club International, Brien Holden Vision Institute, Optometry Giving Sight, Samu Social, Secours Populaire, Sight Savers, etc.

Essilor's philanthropic activities include awareness-raising campaigns, eye exam operations, donations of lenses and frames, and funding for local programs led by charities, health care voluntary organizations or institutional partners.

In order to carry out these various initiatives through to completion, the Group has established a Foundation (Essilor Vision Foundation), with legal entities in four countries and in 2015 launched the Vision For Life™ funds in France and in the United States which finance programs around the world with long-term impact.

Lastly, one of the features and a key success factor in Essilor's philanthropic activities is employee involvement in voluntary work.

Essilor Vision Foundation™

Following the establishment in 2007 of the Essilor Vision Foundation in the United States, the Group has extended its impact by establishing foundations in India, Singapore, and China, and launching new initiatives in Canada, Mexico, Colombia, New Zealand and Laos.

Some examples of projects:

- in the United States, the Foundation is active in 25 states and over 100 towns and cities. One of its flagship programs, Kids Vision For Life™, launched following a study demonstrating a significant link between uncorrected visual disorders and school dropout, has expanded to 605 events in more than 1,620 schools enabling 250,000 schoolchildren to be examined, with 90,000 prescription eyeglasses supplied; furthermore, in connection with the global partnership between Essilor, the Special Olympics NGO and Lions Club International, the Essilor Vision Foundation enabled the provision of an eye exam for more than 3,000 athletes with an intellectual disability, with over 1,350 of them being supplied with eyeglasses, during the 2015 World Summer Games held in Los Angeles in August;
- in China, the Essilor Vision Foundation has rolled out a number of initiatives, providing basic eye exams for 135,000 children in 85 schools across three provinces. The "Eye Do" program, which aims to train teachers to perform an initial examination for poor vision in children at schools in Shanghai and Hunan province, received the prize for best philanthropy program awarded by the China Charity Festival.

Vision For Life™

Created in January 2015, Vision For Life™ (the Essillor Social Impact endowment fund in France and the non-profit-making Essilor Social Impact Fund in the United States) aims to accelerate initiatives that tackle the global challenge of poor vision by raising awareness, developing skills in regions with no access to the most basic visual health solutions, supporting the creation of infrastructure such as vision centers and improving access to vision care. Essilor has made an initial contribution of €30 million to these two organizations, making it the world's largest strategic giving program dedicated to eliminating Uncorrected Refractive Error.

In 2015, the Vision For Life™ program funded 19 projects in nine countries with an estimated impact of 6.2 million individuals screened and 1.6 million people supplied with a pair of eyeglasses within the next five years.

The projects to which support was provided included some particularly large-scale initiatives:

- in France, numerous initiatives were undertaken with health care partners, humanitarian associations and public sector organizations.

  The initial emphasis was on providing help to very underprivileged populations, with partners such as the Secours populaire français, a non-profit organization devoted to fighting poverty and discrimination in France and beyond, and the Samu Social de Paris humanitarian emergency service. A number of awareness-raising initiatives, on topics from ophthalmic examination through to essential equipment in the majority of cases, took place throughout the year. A large-scale awareness-raising and eye test operation also took place on the Journée des Oubliés des Vacances (for children who do not have the opportunity of a vacation) organized by the Secours populaire français. The event provided 70,000 families and children from disadvantaged backgrounds with information, raising their awareness of visual disorders, and more than 1,000 children were given an eye test.

  The Vision For Life™ program subsequently contributed to the creation of organizations to offer long-term vision care for these populations. Four initiatives were undertaken in partnership with the Paris public hospital system, in the system's establishments in both Paris and the Greater Paris area.

  2015 also saw the implementation of a PASS-O (*permanence d'accès aux soins de santé en milieu ophtalmologique,* which provides access to ophthalmology care for people without medical insurance) in a health care center run by the Adolphe de Rothschild Foundation, with the involvement of The Vision For Life™ program. This new structure, the largest in France in the field of ophthalmology, will allow 3,000 underprivileged individuals to be seen for a full vision care pathway and the provision of optical equipment if required.

  Lastly, a number of initiatives were undertaken for the benefit of young people from disadvantaged backgrounds. Vision For Life™ program took part in the *Salon Jeunes d'Avenirs* (youth of the future) exhibition in Paris, which brought together 11,000 young people with few or no qualifications with businesses offering internships or jobs. Volunteers from within the Group were engaged both in respect of Human Resources, offering internships and on-site advice for young people, and also through a dedicated space for raising awareness of the problems of academic achievement linked to vision and eye tests. The Dictée des Cités dictation event also provided an opportunity to raise awareness of the importance of better vision with over 1,000 young people from the suburbs of Paris;

- several projects were undertaken in Africa, including in schools in Tunisia and Morocco, where over 3,000 children were given an eye exam and then provided with eyeglasses.

  In Ivory Coast, the emphasis was on providing support to women through an initiative to coincide with the *Journée Nationale de la Santé Oculaire* (national eye health day). 1,000 people were given eye exams and supplied with eyeglasses, including 100 women, thereby assisting them in their reintegration.

  Lastly, in Ethiopia, Essilor worked with British NGO Vision Aid Overseas and UK Aid to screen over 120,000 people between 2014 and 2015.

In 2015, thanks to the Group's own philanthropic initiatives and those of its partners, 50 programs in more than 28 countries provided eye exams for over 750,000 people and eyeglasses for 160,000.

SOCIAL INFORMATION

4.4 EMPLOYEE HEALTH AND SAFETY, DEVELOPMENT AND ENGAGEMENT

Essilor's success is deeply intertwined with the 60,883 employees throughout the world who, irrespective of their role and the work that they do, contribute to the development and marketing of innovative products that help to improve lives by improving sight.

With a history dating back more than 165 years, the Group has a unique corporate culture that is based on strong values established in all areas and subsidiaries of the business: entrepreneurship, respect for others and mutual trust, and a spirit of cooperation, diversity and innovation.

Through its human resources policy, Essilor also hopes to encourage the development and personal fulfillment of its employees, by offering them opportunities for growth as part of a global, multicultural, decentralized Group. This aim entails a working environment that respects their physical and moral integrity and ensures equal treatment at all times.

By putting these conditions in place, Essilor is able to develop the employability of its staff (in particular, by making it easy for them to access training throughout their career and by broadening their roles and experience with increased autonomy and responsibility), and to attract and retain talent.

Essilor's employee shareholding structure is a key characteristic of the Group's social policy. It is not only of benefit to employees but also shareholders, by aligning their common interests regarding the Company's performance and the value created as a result.

Total workforce and breakdown of employees by geographical area, gender, function and age

As of December 31, 2015, Essilor had 60,883 employees worldwide (including all those working in proportionately consolidated companies). The average workforce for 2015 was 60,503 (employees corresponding to the amount reported for consolidated personnel costs for the period).

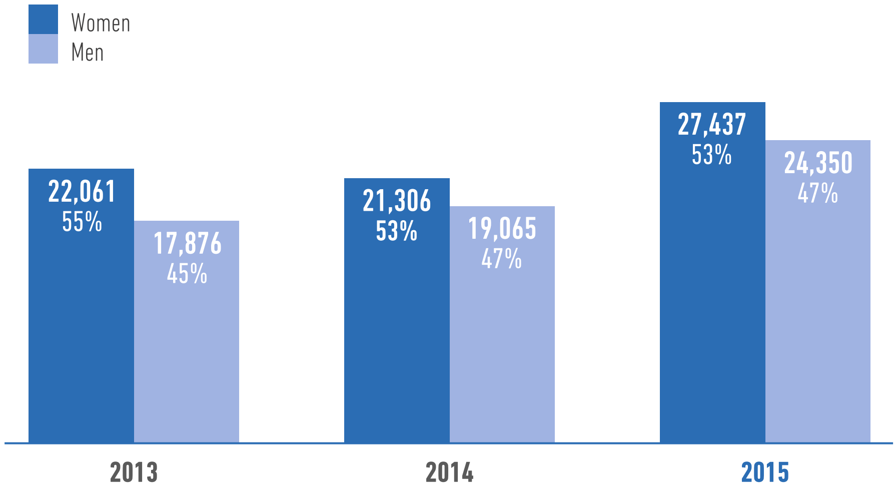
		2015	2014	2013
Number of employees at the end of the period		60,883 (@)	58,032 (@)	55,129 (@)
Average number of employees		60,503 (@)	58,480 (@)	52,962 (@)
Breakdown of the workforce by geographical area	North America	12,456 (@) (20.5%)	12,105 (@) (20.9%)	12,548 (@) (22.7%)
	Europe	10,613 (@) (17.4%)	10,029 (@) (17.3%)	10,768 (@) (19.6%)
	Latin America / Africa / Asia / Australia / Middle East / Russia	37,814 (@) (62.1%)	35,898 (@) (61.8%)	31,813 (@) (57.7%)

	2015	2014	2013
Workforce covered by 2015 reporting on the period	51,787	40,371	39,937
Coverage	85.1%	69.0%	72.4%

Note: Reporting coverage increased from 69.0% in 2014 to 85.1% in 2015, a significant rise due to the increase in the scope of reporting.
The increase in the number of employees reported is mainly due to the expansion in the scope of consolidation, which accounts for 24% of the total reported workforce. Eliminating the impact in the scope of consolidation, there was no significant change in the workforce compared with the previous year.

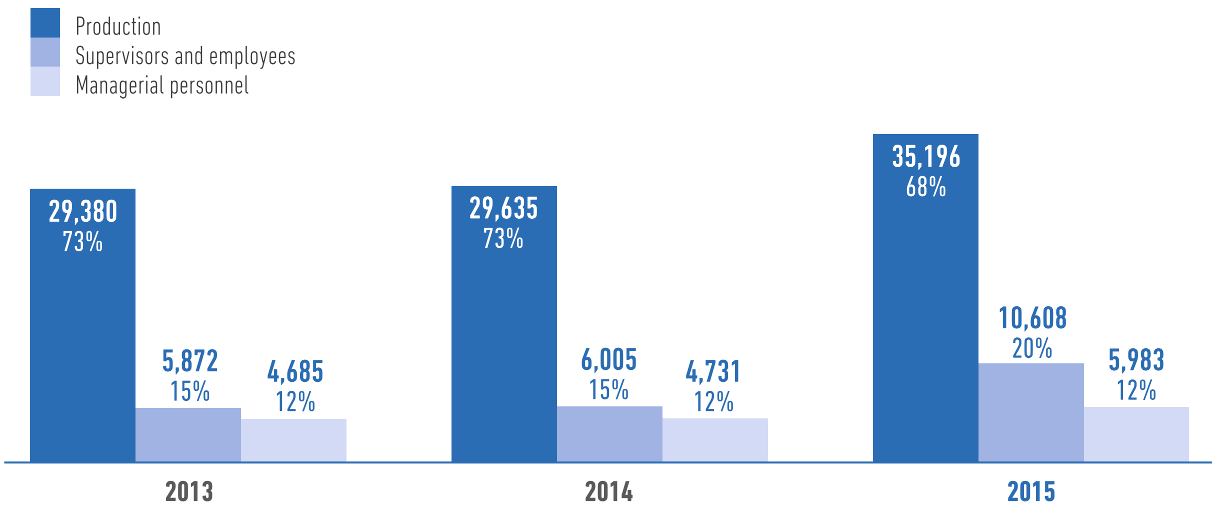
Workforce breakdown by gender

		2015	2014	2013
Breakdown of the workforce by gender ***(based on the workforce covered by reporting)***	Women	27,437 (53.0%)	21,306 (52.8%)	22,061 (55.2%)
	Men	24,350 (47.0%)	19,065 (47.2%)	17,876 (44.8%)



Workforce breakdown by function

		2015		2014		2013	
Breakdown of the workforce by function ***(based on the workforce covered by reporting)***	Production	35,196	68.0%	29,635	73.4%	29,380	73.6%
	Supervisors and employees	10,608	20.4%	6,005	14.9%	5,872	14.7%
	Managerial personnel	5,983	11.6%	4,731	11.7%	4,685	11.7%

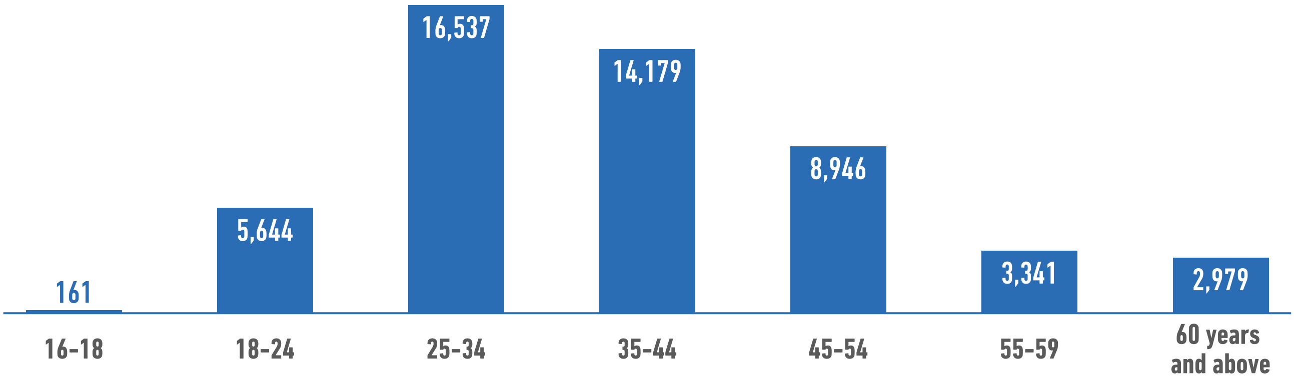


Note: Workforce breakdown by function is based on the total number of employees covered by the reporting for 2015. In previous years, this information was based on the average number of employees, so the data for 2014 and 2013 was recalculated for consistency reasons.
According to the Group's definition, "Production" includes employees working on production sites; "Supervisors and Employees" includes individuals who have management responsibility. Lastly, "Managerial staff" comprises Executive Directors, managers and experts.

4

Workforce breakdown by age

		2015		2014	2013
Breakdown of the workforce by age group ***(based on the workforce covered by reporting)***	16 to 18 years	161	(0.31%)	177 (0.44%)	128 (0.32%)
	18 to 24 years	5,644	(10.90%)	3,839 (9.51%)	4,095 (10.25%)
	25 to 34 years	16,537	(31.93%)	12,112 (30.00%)	11,936 (29.89%)
	35 to 44 years	14,179	(27.38%)	11,623 (28.79%)	10,649 (26.66%)
	45 to 54 years	8,946	(17.28%)	7,941 (19.67%)	7,700 (19.28%)
	55 to 59 years	3,341	(6.45%)	2,850 (7.06%)	2,963 (7.42%)
	60 years and over	2,979	(5.75%)	1,829 (4.53%)	2,466 (6.18%)



Note: The reported workforce under 18 years old is mainly from entities in China and Brazil where the minimum legal working age is 16. The employment of these people is compliant with local regulation.

Turnover

The staff turnover is monitored and calculated by each legal entity and is currently not consolidated. This consolidation cannot be relevant at global level insofar as there are too many factors varying from one year to the next. This is why one of the ways for Essilor to resolve this complex issue and better assess the number of new hires and layoffs worldwide is to refer to the staff turnover of a representative sample.

	2015	2014	2013
Staff turnover	10.0%	8.9%	8.9%

Note: As part of the improvement in reporting for 2015, the Group revised its method for calculating turnover to make it more relevant and representative. Turnover has thus been calculated as an arithmetic average based on a representative sample of 40 legal entities present in 25 countries of the four geographic regions in which the Group operates (Europe, North and South America, Africa, the Middle East and Asia) and covering all of the Group's business activities (production, prescription laboratories, administrative center, equipment, etc.).

Salary changes

Total salaries in 2015: €2,045 million (@)

Total salaries in 2014: €1,743 million (@)

Total salaries in 2013: €1,597 million (@)

2015/2014 change: +17.33%

Average weighted salary changes could be calculated but this would not be relevant globally since there are too many variants from one year to the next (the Group's growth being one of the major variants).

4.4.1 Ensuring health and safety with a quality working environment

Maintaining the health of all employees and offering them a quality working environment are priorities for Essilor. This involves preventing accidents and occupational illnesses, taking measures to minimize the severity of accidents and the implementation of corrective action plans to prevent repetition. In addition to the human factor, the accident may involve significant direct costs (related to absences and temporary replacement staff, fines, contributions and increased insurance costs) and indirect costs (a drop in productivity and disruption to services). Essilor, its employees and their representatives, therefore have a mutual interest in working together to reduce accidents to a minimum.

Health and safety in the workplace

Action plans have been implemented with specific objectives and targets for better prevention and reduction of occupational health and safety risks.

In collaboration with the Human Resources Department, the Global EHS (Environment-Health-Safety) Department, including experts in occupational health and safety, the management of chemical products and ergonomics, leads the Group's approach to health and safety. It defines the annual targets and is supported by a network of EHS coordinators at the Group's main sites, to whom it provides assistance and technical operational support, such as standard procedures, action plans and on-site audits.

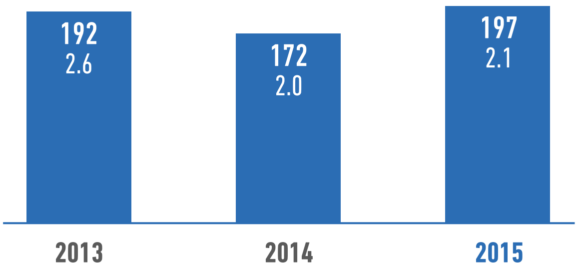
OHSAS 18001 guidelines represent an entry point to occupational health and safety policies at all facilities. One of the goals of these policies is to improve occupational health and safety awareness, training and communication.

As at December 31, 2015, the production facilities in Brazil (1), China (1), the United States (1), France (2), Ireland (1), Mexico (1), the Philippines (2) and Thailand (1) were OHSAS 18001-certified. As a result, the percentage of certified environmental management systems in the Group's upstream production plants was 83% (10/12).

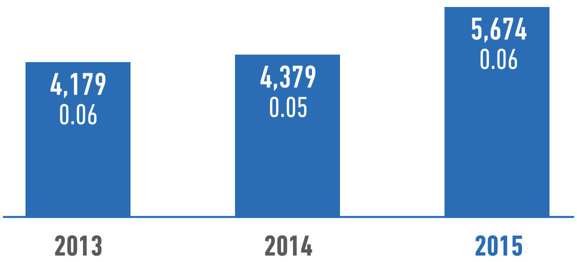
Health & safety indicators

	2015	2014	2013
Accidents with lost work time	197	172	192
Accidents without lost work time	431	338	386
Fatal accidents	0	0	0
Lost work days	5,674	4,379	4,179
Frequency rate for the period	2.1	2.0	2.6
Severity rate for the period	0.06	0.05	0.06

Accidents with lost work time (Frequency rate)



Lost work days (d) (Severity rate)



Note: Accident coverage in 2015 accounted for 75.1% of the total number of employees in 2015. The rise in number of accidents and lost work days is due to the increase in the scope of reporting. Disregarding the scope impact, there was a slight reduction in accidents compared with the previous year. There was no significant change in the rates of frequency of injury or severity of injury.

	2015	2014	2013
Rate of absenteeism	5.1%	4.8%	4.7%

Note: As part of the improvement in reporting for 2015, the Group revised its method for calculating absenteeism to make it more relevant and representative. Absenteeism has thus been calculated as an arithmetic average based on a representative sample of 30 legal entities present in 19 countries of the four geographic regions in which the Group operates (Europe, North and South America, Africa, the Middle East and Asia) and covering all of the Group's business activities.

Agreements with trade unions or employee representatives on health and safety matters

To our knowledge, there are strictly speaking no agreements to date signed with trade unions or employee representatives limited solely to occupational health and safety issues.

Agreements signed on such issues typically have a broader framework in respect of general working conditions and therefore include occupational health and safety.

	2015	2014	2013
% of subsidiaries with collective bargaining agreements	36%	N/A	N/A

Note: In previous years, no data was consolidated on the percentage of subsidiaries having signed collective bargaining agreements. This new indicator covers 67.3% of the total number of employees in 2015.

Occupational illnesses

Identifying and monitoring the possible occurrence of occupational illnesses is the task of each entity and the number of cases has not been consolidated due to the vast differences in definition and verification of professional illness between different countries. The vast majority of reported occupational illnesses fall within the category of musculoskeletal disorders (MSDs). An ergonomics position has been created within the Global EHS Department to initiate and monitor programs set up to reduce the existing number of cases and prevent the occurrence of new ones.

Because the manufacturing of lenses involves the use of numerous chemicals, including some hazardous substances, a special emphasis is placed on chemical management with a focus on preventing employee exposure. Based on a risk assessment approach, preventive and protective actions consist of substitution programs led at Group level, engineering measures like fume and vapor extraction systems, automated filling machine or redesigned workstations, dedicated training sessions and specially adapted personal protective equipment. The effectiveness of such actions is verified by periodic sampling and analysis or via continuous monitoring, plus appropriate medical surveillance of employees.

These programs were continued in 2015.

Organization of working hours

Working hours vary considerably within the Essilor group. Each legal entity has the autonomy to decide the most appropriate working hours. For that reason, Essilor does not disclose the consolidated data regarding working hours.

Local decisions in terms of the organization of working hours are based primarily on adapting to customers' needs, discussions with employees and their representative bodies, compliance with local regulations and optimizing operational efficiency.

4.4.2 Training and the development of skills and talent

With a rapidly growing international business, a presence in emerging countries, areas of specific know-how and growth in new segments, training and the development of skills and talents are strategic challenges for the Group. It may be difficult to hire and retain trained, experienced employees, particularly in competitive areas of the labor market and in emerging countries. This situation affects all levels of employees (workers and supervisors) and calls for specific measures. In consequence, such measures have a prominent role in Essilor's human resources policy.

Developing employees' skills and employability is both an essential criterion for operational efficiency to support the Group's growth, and a responsible commitment by the employer towards its staff.

Training also supports internal mobility and helps in building fulfilling career paths, and Essilor has a strong commitment to its employees in both these respects.

Essilor created its training schemes and mechanisms for identifying and developing talent from very early on. Today, there are a number of initiatives taking place in training and talent management.

Training and development

While the policies implemented in terms of training vary enormously by site depending on the type of activity taking place there (mass production, laboratories, administrative centers, etc.), and the needs of individuals and teams in terms of employability, the training platform that the Essilor group has set up is highly consistent.

At Group level, there is a specific team for devising, rolling out and overseeing training, which falls into three categories:

Essilor University

Distance learning (e-learning) provides complete access to general-interest content or content that is designed for new hires. Programs where employees take responsibility for their own development are also offered.

In 2015, Essilor University's role in developing talent was strengthened. With more than 800 items of content made available, 15,900 employees worldwide have been trained and more than 35,000 courses completed, covering a wide range of subjects such as new products, the fundamentals of ophthalmic optics, managerial development, and the Group's Principles and Values. Through "corporate" (*e.g.,* Essilor's Principles, Compliance), "business" (*e.g.,* Products and Selling) and "specialty" content specifically for management (*e.g.,* lean manufacturing), Group entities have access to all the training they need for skills in key business areas. Lastly, through Essilor University, every employee has a complete picture of the resources available to them to take charge of their own development.

Managerial career paths

There are three classroom-based training programs on offer for Group managerial staff.

- the **General Management Program** (GMP) is aimed at those who primarily work with their teams to perform strategy-related operational tasks. It offers a selection of business topics (strategy, marketing, operations and finance) as part of the continuous learning program underpinned by **Harvard ManageMentor**. Organized in **three** major regions, the program is run in partnership with three management schools and has a common curriculum to which an appropriate local component is added. Leadership is an integral part of the program, which prepares managers to constantly steer change in a more effective manner;
- the **Advanced Management Program** (AMP) is aimed at those who are primarily involved in transforming key strategic objectives and then sharing them with their operating teams. This program has a dual purpose. Firstly, it develops a strategic approach for steering change, and secondly, it develops the qualities needed to lead teams in this context of change;
- a **Senior Management Program** (SMP) was developed in 2015 and the first session will be delivered in 2016. It will be aimed primarily at managers playing a direct role in developing and conducting the strategy (*e.g.,* Country Manager, managers in support functions).

To complement the aforementioned business management programs, a special leadership program, **Transition from Manager to Leader** (TML), was revisited and rolled out on a regional basis to meet a growing demand from managerial staff. Its goal is to help them to develop as leaders, to make an impact and to coach their teams in respect for the Group's values. They receive guidance from coaches so as to identify their strengths and work on their areas for development, also with support from their peers.

During 2015, 135 managers took part in the GMP (at least one per region) and 33 in the AMP, with over 110 managerial staff participating in the TML, making a total of 278. The regional GMP and TML programs for 2016 have already been confirmed, with four or five new sessions scheduled for each, along with a new AMP.

Programs for specific topics, business areas and regions

To cater for the specific needs of a region or a business area or address an operational constraint (*e.g.,* a community of experts who are dispersed throughout the world), specific training programs are devised by the subsidiaries and the Group function.

- **"Grow Your Team" –** Devised by the Group's Operations Department, this program aims to strengthen management practices and management excellence (lean manufacturing, etc.), to promote and ensure the practical application of Group's Principles and Values, and to develop the necessary leadership skills. This program involves the entirety of the managerial chain to create momentum for learning and cohesion.
- **"LOFT" –** The purpose of the LOFT (Learning Organization For Tomorrow) program launched in 2007 is to promote the exchange of best practices and the generation of shared know-how. Since then, an organizational structure for learning has been introduced, with trainers in laboratories and on production sites who are trained as trainers and then train their colleagues at their workstations.
- **"EVE" –** The EVE program, created in 2010 by French multinational food products company Danone, is a leadership program for women which aims to contribute to the development of strong, inspiring individuals in sufficient numbers to bring change to the business. Essilor has joined forces with the other sponsor companies.

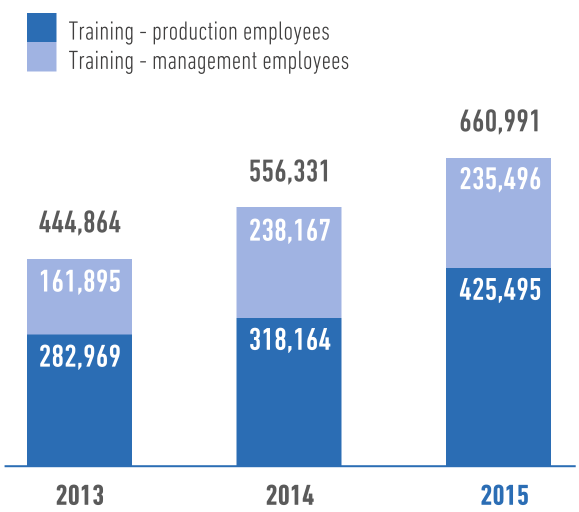
Significant efforts will be made in 2016 to tailor development offerings to different types of request, seeking maximum impact through a mix of online and classroom-based resources, training, coaching and e-learning, combining the network of internal trainers and external contributors to best advantage. Closer coordination between the central and regional Training & Development teams and the facilitators for the business area communities is a priority for supporting the Group's growth, by optimizing resource allocation.

Given their place in the Group, the process of bringing partners into this network is also a significant challenge. It began with some partners in 2015 and increasing efforts will be made as part of forthcoming initiatives.

Total number of training hours

To monitor overall training activity within the Group, the subsidiaries are asked to assess the "Number of training hours" indicator for production staff and all other management positions (supervisors, employees and managerial personnel).

	2015	2014	2013
Number of training hours for production employees	425,495 [a]	318,164	282,969
Number of training hours for management employees	235,496 [b]	238,167	161,895
TOTAL	**660,991**	**556,331**	**444,864**



Note: The coverage for training hours is 62% of the total reported number of employees. The number of training hours is closely linked to the total number of employees. With the expansion in the scope of reporting, the number of training hours therefore increased significantly in 2015.

(a) The increase in training hours for production staff is due to the expansion in the scope of reporting.

(b) The slight reduction in training hours for management employees is mainly due to the discontinuation of Essilor's Genesis MT program in India, which accounted for 47,000 hours in 2014. Eliminating this impact, there was also an increase in the number of training hours for management.

Talent management

In order to attract, develop and retain talent, in 2015 Essilor's Talent Management Department continued with the roll-out of a comprehensive approach built on several lines of action:

- develop "employer branding": maintain a regular presence on the international campuses of top-ranking management schools (INSEAD, ESSEC, HEC, Nanyang Business School, CEIBS, etc.), through presentations on the Group's activities, job and career fairs, leading a case study on Essilor, etc.;
- provide a range of tools so that talented individuals can be actors in their own career paths: training and integration programs, making all job offers available on the Group's Job-Posting intranet, and promotion of mobility;
- develop a central repository of business skills, to be updated regularly;
- drive and coordinate talent management through the worldwide implementation of shared performance analysis software for all managerial staff, to identify areas for personal development, possible individual career development and succession plans for key positions.

4.4.3 Employee integration and inclusion of all forms of diversity

Integration

To integrate all new employees, the Essilor group considers its Principles and Values, which were formalized in 2010 and provide a genuine foundation for integration and recognition, to be fundamental to the Group's culture. In 2015, the Group launched a major internal communication campaign for all employees to promote and breathe life into Essilor's Principles and Values.

At Group level, Vision Essilor is the orientation program for new managers, taking place over an entire week dedicated to direct discussions with Senior Management. The purpose is to identify challenges, seize opportunities, share good practices, and instill awareness of the Group's culture and values, which are regularly enriched by new partners joining the Group. In 2015, Vision Essilor brought together 109 managers from 27 countries, of whom 41% were women, with 10 partner companies, to benefit from the expertise of 28 speakers who are members of the Executive Committee or their direct reports. This represented an exceptional investment that sent a strong message on the willingness of Senior Management to be involved in the managers' development.

A number of induction initiatives exist at regional level, such as in Brazil, with the Somos Essilor program, in France, with the Y.Essilor initiative for trainees and interns, and in the USA, with a 90-day program to discover the optics sector, Essilor group and the Essilor Of America subsidiary, as well as the participant's business area.

Diversity

The Company is keen to ensure equal opportunities for all the Group's employees, in accordance with its commitment in terms of its corporate responsibility and respect for human rights. Our diversity and the value placed on diversity is a strength that adds to our human experience. It supports our geographic development and our adaptation to local cultures.

The promotion of diversity, one of Essilor's five Values, has contributed to international expansion, product and service innovation, and recognition and exceptional growth for the Group. Furthermore, this culture of diversity and inclusion is a key factor for success in integrating newly acquired companies. Encouraging diversity in all its forms is also a means of fostering personal initiative and the development and professional growth of Essilor's employees.

Measures taken to promote gender equality

Essilor entities have introduced various measures to ensure gender equality. Aware of the value that diversity brings to the Company's performance, Essilor offers the same advancement opportunities to men and women. Job-related decisions are based on merit, qualifications and individual ability. With regard to compensation, wage gap analyses are carried out locally and are not consolidated at Group level because of the variety of circumstances. To encourage diversity and inclusion, the Group's "Diversity, let's aim higher" program comprises four major areas, each covering practical initiatives with a focus on gender balance:

- monitor the situation through the use of indicators, *e.g.,* the representation of women at different levels of the business or their participation in Group development programs;
- encourage local teams to speak out more on this topic and take practical action: for example, many subsidiaries organize initiatives to coincide with International Women's Day on March 8;
- augment HR and managerial processes to better cultivate gender balance as a source of richness and reap the benefits: for example, the shortlist for every new job offer for a key internal or external role should ensure to include a suitably qualified female candidate;
- introduce development initiatives to support professional growth: for example, Essilor is investing to allow women to take part in "women's leadership" programs such as the EVE program devised by Danone.

In-house women's networks are also helping to strengthen gender equality within the Group. As such, the aim of the networks created over the last two years in the USA and in France is to:

- support women by fostering their development (through networking, leadership and visibility);
- promote the emergence of the female talent base and use it to best advantage for the Group's expansion;
- contribute to Group HR efforts by suggesting and leading experiments, and ensuring that proper consideration is given to matters of gender balance and the progression of women in organizations.

In line with this commitment to equal opportunities for men and women at the highest levels of the Company, the Board of Directors, which currently includes three women out of a total of fifteen Directors, is submitting the applications of two new female Directors to the Shareholders' Meeting of May 11, 2016; subject to approval of these applications, the balance of men and women would be significantly improved with five female Directors, *i.e.,* 38.5% in accordance with the rules of the code. In 2017, the composition of the Board will comply with the Law which requires balanced representation of men and women. This law provides for a minimum proportion of 40% of Directors of the same gender. See Section 2.2.1.1 of this document.

Lastly, to ensure proper implementation of the Diversity program, the Group has established specific governance arrangements with quarterly committee meetings for local "Diversity ambassadors" to share good practices and a six-monthly follow-up on actions by Senior Management. At a regional level, in the United States, the IDEA Committee (Inclusion & Diversity @ Essilor of America) will be set up at the start of 2016. The purpose of this committee, composed of 12 leaders and sponsored by the President of the North America region, is to decide on, adapt and announce the Inclusion & Diversity strategy in the USA.

Strengthening diversity and inclusion at Essilor requires work on aspects other than gender equality. The Group will place an increased focus on intergenerational diversity to ensure that all the generations present in the Group's workforces work together effectively, with mutually beneficial respect for their differences. Local measures are already in place, such as in France, for example, where the agreement on the *Contrat de génération relatif à l'emploi des jeunes, l'emploi des seniors et la transmission des savoirs et des compétences* (cross-generation contract on the employment of young and older people and the transfer of skills and knowledge) was signed for three years in 2013. Other Group initiatives will be launched in 2016.

Measures taken to promote the employment and integration of people with disabilities

Similarly, Essilor entities have introduced measures to promote the employment and integration of people with disabilities. Recruitment procedures allow such individuals to access to interesting job opportunities. All reasonable efforts are made to adjust working environments so that they are accessible to people with disabilities whose performance might otherwise be affected. Essilor does not engage in any discrimination based on a person's disability in respect of employment, the job itself or promotional opportunities.

	2015	2014	2013
Number of employees with a disability	655	621	N/A
Percentage of employees with a disability	1.3%	1.5%	N/A
Number of associated jobs created	81	20	N/A

Note: The coverage for this new indicator is 77% of the Group's total workforce.

For example, in France, Essilor has signed four collective bargaining agreements since 2007 on the continued employment of people with disabilities and their integration within the Company.

This responsible commitment by the Group and its social partners to the practical implementation of a responsible, coherent proactive policy, is reflected in an increase in the employment rate for staff with disabilities, from 3.44% in 2007 to 5.27% in 2015.

The fourth collective bargaining agreement on the integration and continued employment of people with disabilities was signed in late 2015 for a term of three years, from 2016 to 2018.

This agreement, which will be implemented by Essilor's Mission Handicap and a network of 21 internal officers, is structured around four main lines of action:

- continued employment of Essilor staff with disabilities, through the use of a range of appropriate aids;
- roll-out of a responsible recruitment plan with decisions based on objective skills-related criteria;
- developing the use of the protected worker sector;
- continuing with training, awareness and communication efforts in respect of disability.

Anti-discrimination policy

Essilor has implemented a specific procedure that is invoked in the event of employees reporting allegations of discrimination. Such issues may relate to a job or to an occupation. The few allegations brought to us each year and which have triggered the procedure to classify incidents of discrimination (on average two to five a year Group-wide) have not been proven. There was no procedure leading to sanctions in 2015.

	2015	2014	2013
Total number of incidents of discrimination	0	0	0

4.4.4 Employee shareholding & management / employee consultation

As a result of the Essilor culture, which is heavily influenced by the Group's origins, its history and its two-fold economic and human goal, the Group promotes employee profit-sharing, particularly through shareholding and encourages dialogue between management and employees regardless of whether they are covered by a collective bargaining agreement. All Group employees have access to social protection, which differs in nature depending on local conditions.

The practices for management / employee dialogue also allow Essilor and its staff to manage necessary changes in the organizational structure with ease. This capacity for dialogue is essential to safeguard the agility of the Company, business continuity even in case of grievances, and the excellent reputation that Essilor enjoys amongst all its stakeholders.

Employees – Essilor's main shareholder

Since its founding, Essilor has been committed to a strong internal shareholding policy, and today nearly one in four employees hold shares in the Group. Employees are Essilor's main shareholder, and this has given rise to an original method of governance that encourages dialogue and involves employees in the Group's key decisions. It also means that the interests of employees are aligned with those of shareholders. The employee shareholding is multi-faceted and tailored to the legal framework of each country. Valoptec Association, a non-profit association under the French law of 1901, brings together more than 8,500 active shareholders. Internal shareholders have the largest single shareholding in the Group.

Essilor International's Employee Shareholding Department sets up and manages employee stock purchase plans in all Essilor group companies. New plans were introduced in 2015 by our partners in the following countries: the United States, the Philippines, Singapore, Thailand, Dubai, China, Brazil, France and Laos.

Performance shares were also distributed.

As of December 31, 2015, employees and equity partners held 8.3% of the share capital and 14.3% of voting rights.

Note that all Essilor shareholders who keep their registered shares for at least two years have a double voting right.

	2015	2014	2013
Number of employee shareholders	14,622	12,558	12,041
Percentage of employee shareholders	24.2%	21.5%	22.7%

Note: Percentage calculation based on an average of 60,503 employees for the full year 2015.

Organization of dialogue between management and employees

When it comes to dialogue between management and employees, Essilor promotes listening, discussion and transparency in local decision-making. It also encourages open communication with employees and strives to ensure that everyone can participate without hierarchical boundaries. Dialogue between management and employees varies widely within the Essilor group. Each legal entity has complete autonomy to decide on the most appropriate labor-related dialogue. Labor-related dialogue is generally organized by employee representatives through any means possible or directly for the smallest entities or those not wishing to be represented by one or more third-parties. Such dialogue covers more than 90% of the Group's total workforce.

Representative bodies include: Optical Union in Brazil; Shanghai Essilor Optical Company Limited Trade Union in China; Essilor European Dialogue and Information Committee (EEDIC) in Europe; the Group Committee in France; Karmika Sangha in India; Confederation of Filipino Workers, Essilor Manufacturing Philippines Incorporated Chapter in the Philippines; Essilor Workers' Union of Thailand in Thailand; and numerous activity committees, communication committees, employee committees, factory committees, safety committees, welfare committees and similar bodies.

Numerous initiatives are conducted in the countries of operation in the spirit of labor-related dialogue that the Company embodies. Staff negotiations vary from one establishment to another, but Essilor consistently promotes these throughout the world as a factor in employee satisfaction. Global staff opinion polls continue to be conducted periodically within the Group.

In late 2015, the Group launched its fifth employee opinion poll, which achieved a high response rate of nearly 80%.

In addition, in order to ensure that job and occupational transitions are effective, the minimum advance notification period for any organizational change is generally in excess of six months.

Overview of collective agreements

There are a vast number of collective bargaining agreements per establishment or group of establishments, or per country. Each legal entity has the autonomy to implement collective bargaining agreements.

Essilor promotes collective bargaining agreements as a way to attract and retain employees who contribute to the Group's performance by virtue of their expertise and/or talent. The vast majority of collective bargaining agreements pertain to the introduction of both long-term benefits (medical coverage, pensions, health and disability insurance, life insurance, etc.) and short-term benefits (performance bonuses, distribution of performance shares, shareholding, etc.).

Compliance with the freedom of association and the right to collective bargaining

Essilor complies with International Labour Organization Fundamental Conventions No. 87 on freedom of association and protection of the right to organize convention, and No. 98 on the right to organize and collective bargaining. To date, no activity has been identified as presenting a compliance risk in this area.

ENVIRONMENTAL INFORMATION

4.5 AN OPTIMIZED ENVIRONMENTAL FOOTPRINT

Essilor had its "green revolution" in the mid-20th century with the introduction of the ORMA lens (for ORganic MAterial), which would replace the mineral lens and lead to the abandonment of manufacturing methods with a considerable environmental impact. Since this innovation, the environmental impacts of production activities have been significantly reduced and are now limited to the consumption of water and energy, the management of special waste and the treatment of water discharges. The materials and chemical products used in the production process are subject to stringent regulations in terms of environmental protection and are supplied by industries with good environmental practices that enable the associated impacts to be controlled.

Given the operational, financial and reputational challenges associated with the environment, Essilor has set itself five priorities:

1. Strengthen environmental management processes.
2. Reduce water consumption and guarantee supply.
3. Improve the energy efficiency of manufacturing and transportation processes.
4. Decrease the carbon footprint and adapt to climate change.
5. Limit waste generation and optimize recycling.

Responsibility for overseeing the Group's environmental impact reduction program lies with the Global EHS Department. To fulfill this responsibility, it relies on a network of EHS coordinators who are present on the production sites.

4.5.1 Strengthening environmental management

Environmental assessment and certification

Given its industrial activities, historically, Essilor has implemented environmental management systems that conform to the ISO 14001 standard. Since December 31, 2005, the Essilor mass production sites in Brazil (1), China (1), the United States (1), France (2), Ireland (1), Mexico (1), the Philippines (2) and Thailand (1) have all been certified to ISO 14001. Some Essilor partners are also ISO 14001-certified, such as Nikon Essilor in Japan.

As a result, the percentage of certified environmental management systems of the Group's upstream production facilities was 83% (10/12). In 2015, inspection audits were carried out as planned.

Furthermore, some of the most significant prescription and service laboratories in terms of volume of throughput have also introduced and maintain ISO 14001-certified environmental management systems where this is relevant.

Environmental training

In 2015, in addition to the training and awareness-raising initiatives inherent in ISO 14001-certified systems, the various entities saw the delivery of numerous training courses on aspects of environmental management. The Global EHS Department continued with the roll-out of a program to raise partners' awareness of the EHS policy and management tools via Essilor University (e-learning) and dedicated seminars.

Provisions and guarantees for environmental risk

Essilor made no provision for environmental risks in 2015.

	2015	2014	2013
Monetary value of significant fines	0	0	0

Noise pollution

No complaints about noise, odor or any other form of specific pollution were received in 2015.

Biodiversity & land use

Finding potential significant impacts on biodiversity is one of the aims of the environmental management systems. Essilor has drawn up a biodiversity mapping of the majority of its sites worldwide. Four sites are located within an area of biodiversity interest. The biodiversity audit of one of these sites by an external company showed that there was no significant potential impact and no significant dependency in respect of biodiversity and ecological services for this site and the activities taking place there.

Essilor carries out its business in industrial buildings, usually located in existing industrial areas or commercial premises. Land is therefore not used in the Group's operations per se, but rather is associated with the buildings the Group occupies.

4.5.2 Reducing water consumption

Management of water

The mass production plants and, to a lesser extent, the prescription laboratories, use considerable quantities of water for lens machining, surfacing and rinsing operations. However, net water consumption is not significant since the water used in the production processes is subsequently treated and returned in near-equal volume, excepting leaks, a low level of evaporation and everyday site consumption.

Access to high quality water for production operations is an essential factor in ensuring the quality of the finished and semi-finished lenses that the Company distributes. Most Group sites are generally located in industrial or urban areas where access to water is provided by local authorities. They are dependent on these local authority managed utilities.

Water is also used in sanitary networks. A number of entities use recycled production water or collected rainwater for sanitary networks.

The Group has a few sites located in areas of water stress, such as in India (EMIL) and Mexico (SOFI). The Group may be faced with restrictions on water withdrawals imposed by local authorities, an increase in the cost of water and potentially, questions from local stakeholders who are also dependent on water resources. In this case, the Group fosters and sustains the conditions for dialogue between public sector services, water suppliers and NGOs to anticipate changes in the availability and cost of water, so as to adjust production.

Reduction program

To ensure a more effective roll-out of initiatives to reduce the consumption of natural resources, Essilor has launched the "Reboost" program, which aims to define and roll out Group performance standards, along with associated field projects, to reduce the main environmental impacts.

The following actions have been taken within the "Reboost Water" program:

- a water mapping of the main mass production sites and laboratories;
- a comparison of the sites' water performance with the benchmark process, or "water model";
- a medium-term plan for reduction by water usage operation.

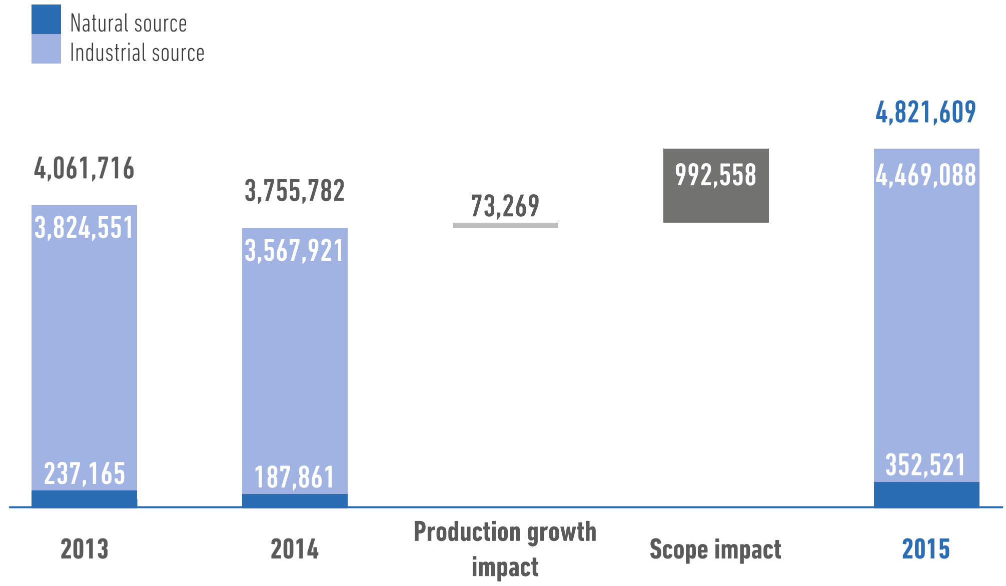
As part of "Reboost Water", each region has to define its own Water roadmap, a process which is overseen at Group level.

In 2015, the water consumption of the first sites to participate in the Reboost program decreased. For example, one site reduced its water consumption by 12% (the equivalent of one month's consumption over a year) as a result of a series of measures relating to the tinting process.

The scope of the Reboost program will be extended in 2016, with particular focus on the coating machines.

Water Consumption (m^3)

		2015	2014	2013
Water consumption (in m^3)		**4,821,609**	**3,755,782**	**4,061,716**
Breakdowns by source	Industrial water	4,469,088	3,567,921	3,824,551
	Natural water	352,521	187,861	237,165



Note: The increase in water consumption in 2015 is mainly due to the increase in lens production and the expansion of the scope of reporting.
The data reported this year covers 74.4% of the total number of employees.
On the basis of the scope of reporting for 2014, water consumption increased by 2% as a result of the increase in production. The impact of the expansion in the scope of consolidation between 2014 and 2015 accounts for 20.6% of total reported water consumption.

Water discharge control program

The prevention and reduction of water discharges are taken into account whenever relevant. This involves investing in waste water treatment systems, from single or combined filtering, neutralization, settling and degreasing processes to complete processing units, purification plants or similar treatment facilities. These measures are designed to reduce loads in existing effluent, which, in the case of prescription laboratories, are essentially suspended solids related to surfacing that are filtered at the job site and sent to a dump as solid waste.

The Group controls the quality of its water discharges. Suspended materials, COD, five-day BOD, heavy metals and other general criteria like pH or other more specific indicators depending on the requirements of local water agencies are monitored locally through the environmental management systems.

In 2015, the Group had only one incident related to water discharge in Thailand. The impact was non-significant and remediation plan has been put in place.

Essilor continued to invest in water treatment plants, particularly in China, on the three production sites in Danyang. Essilor had a total of 85 water treatment plants in 2015.

		2015	2014	2013
Number of water treatment plants		85 [(a)]	42	N/A
Total volume of water discharged		1,819,270	1,305,884	N/A
Development factors	Production impact, 2014 reference scope	1,269,887 [(b)]	1,305,884	N/A
	Scope impact 2015	549,383 [(c)]		

Note: This year, for the first time, the Group published indicators for water treatment and the volume of water discharged.
(a) the number of water treatment plants increased significantly as a result of the expansion in the scope of reporting.
(b) in like-for-like terms, the volume of water discharged decreased slightly by 2.8%.
(c) the impact of the expansion in the scope of consolidation between 2014 and 2015 accounts for 30.2% of total reported water discharge.

4.5.3 Energy efficiency in production and distribution

Energy & Production

Compared with industrial transformation processes, the energy requirement for manufacturing finished and semi-finished lenses is minimal. However, Essilor is committed to improving its energy efficiency, as reflected in a steady fall in energy consumption over the last 15 years.

Beyond Essilor's corporate commitment, energy efficiency is also a lever for cost reduction, since energy accounts for a significant proportion of operational costs. The action plans implemented also allow the Company to control the rise in energy costs and increase its ability to avoid interruptions to or restrictions on energy supply in particular business regions. Lastly, energy efficiency helps to reduce direct greenhouse gas emissions.

As with water, the Reboost program incorporates energy efficiency initiatives. Reboost Energy now incorporates three areas of focus:

- review of the energy consumption of manufacturing processes, looking at compressed air facilities, heat chambers, vacuum processing machines, etc.;
- raising awareness amongst technicians and maintenance teams and providing them with training. One of the three online training sessions available on the Essilor Academy – Save Energy (EASE) intranet site is designed to provide training and a continuous flow of information on good practices, and monitor energy saving technological developments;
- improving the energy efficiency of existing buildings.

With regard to the associated energy mix, to date it is still difficult for most sites to use renewable energies, except in countries where these are available and offered as an option to industrial customers by energy providers.

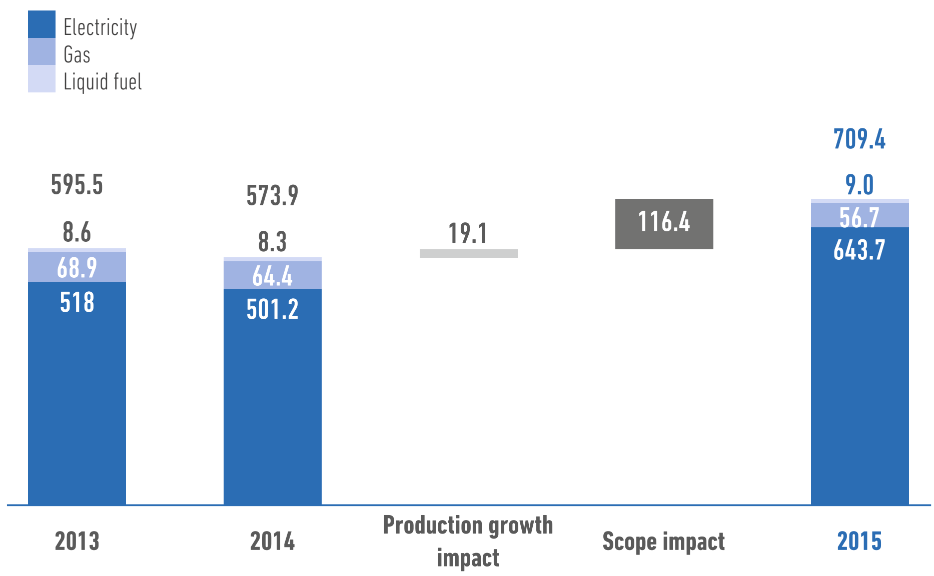
The Reboost program will continue in 2016 with the definition of the Group's "Energy model", in the same way as the model established for water.

Direct energy consumption by primary energy source

		2015	2014	2013
Total consumption (units: GWh)		**709.4**	**573.9**	**595.5**
Breakdown by type	Electricity	643.7	501.2	518.0
	Gas	56.7	64.4	68.9
	Liquid fuel	9.0	8.3	8.6

Note: The increase in total energy consumption is mainly due to the increase in lens production and the expansion of the scope of reporting. The associated coverage in 2015 was 81.8% of the total number of employees.
In like-for-like terms, energy consumption increased by 3.3%. The impact of the expansion in the scope of consolidation from 2014 to 2015 accounts for 16.4% of total reported energy consumption.

Energy Consumption (GWh)



Energy & transportation

Energy use in transportation is assessed on the basis of three categories: primary (flows to a distribution center or offshore prescription laboratory, regardless of the point of origin), secondary (flows to a prescription laboratory or a subsidiary, regardless of the point of origin), tertiary (flows to the customer, regardless of the point of origin).

All categories of transportation were reviewed in 2015; they are reflected in the indicator for greenhouse gas emissions as metric tons of CO_2 equivalent emitted. See the Section below.

4.5.4 A limited carbon footprint

In 2015, the year of the United Nations COP21 conference, Essilor renewed its commitment to limit its greenhouse gas emissions and maintain its position as a low-carbon business.

Despite the fact that the Group's greenhouse gas emissions are largely "indirect" (scope 2 and 3 of the GHG Protocol *), reducing the carbon footprint provides an opportunity to reduce associated costs (of energy and transportation), limit energy dependence, although modest, anticipate the application of binding agreements on climate (with taxes, quotas, etc.) and fulfill expectations in this area from investors or financial institutions and key accounts.

Lastly, analysis of the consequences of climate change on Essilor's business plays a part in controlling associated operational risks on the Group's production sites and those of its strategic suppliers.

In 2015, Essilor expanded the scope of reporting for its greenhouse gas emissions and revised the associated calculation methodology. The Group updated the main conversion factors according to the databases of the Agence française de l'Environnement et de la Maîtrise de l'Énergie, the French Environment and Energy Management Agency (www.ademe.fr/) and the International Energy Agency (www.iea.org/) and reviewed the reporting framework for the transportation of lenses.

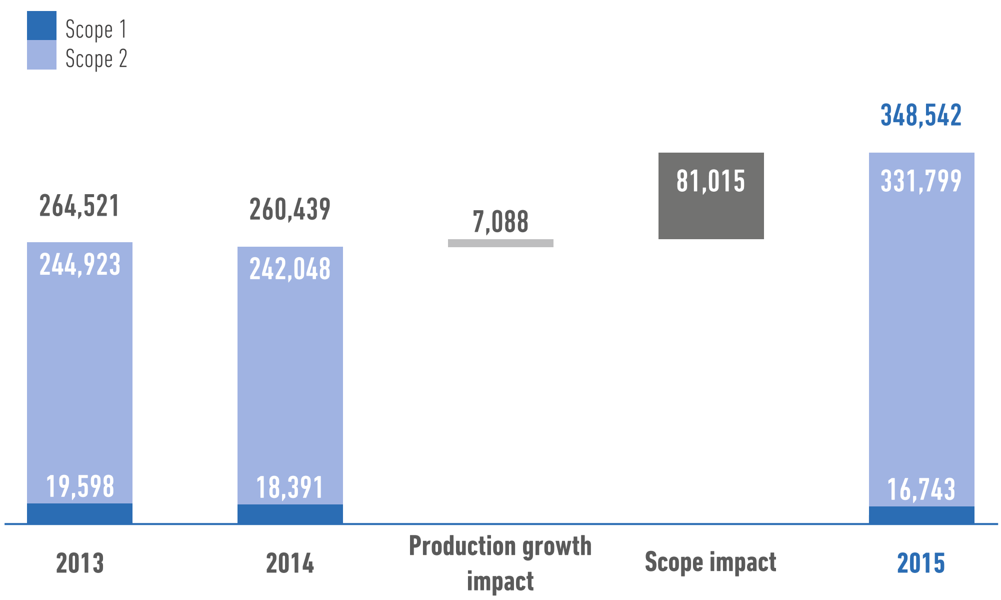
The data for 2013 and 2014 was therefore recalculated on this new basis. See Section 4.7 of this document.

Direct and indirect greenhouse gas emissions deriving from energy consumption (Scope 1 and 2)

	2015	2014	2013
TOTAL SCOPE 1 + 2 EMISSIONS (UNITS: t CO_2-eq)	**348,542**	**260,439**	**264,521**
Scope 1	**16,743**	**18,391**	**19,598**
Gas	13,841	15,702	16,812
Fuel oil	2,902	2,689	2,786
Scope 2	**331,799**	**242,048**	**244,923**
Electricity	331,799	242,048	244,923

Note: The increase in CO_2 emissions is mainly due to the expansion of the scope of reporting, with an impact of 23.2% of the total reported emissions. If the impact of the change in the scope of consolidation is discounted, Group CO_2 emissions increased by only 2.7% due to the increase of energy consumption deriving from the increase of production.

CO2 Emission (t CO_2 -eq)



Indirect greenhouse gas emissions deriving from transportation (Scope 3)

Three main areas of emissions have been redefined:

- primary transportation (flows to a distribution center or offshore prescription laboratory, regardless of the point of origin);
- secondary transportation (flows to a prescription laboratory or a subsidiary, regardless of the point of origin);
- tertiary transportation (flows to the customer, regardless of the point of origin).

The scope of operational reporting covers all mass production plants and all offshore prescription laboratories, eight distribution centers and five partners in Asia.

In 2015, to limit its carbon footprint, the Group continued to expand its use of maritime transport instead of air transport between Asia and the USA. In addition, it optimized its supply chain by promoting regional flows between production plants and prescription laboratories in order to avoid international transfers.

		2015	2014
TOTAL SCOPE 3 EMISSIONS ASSOCIATED WITH TRANSPORTATION (IN t CO_2-eq)		**224,212**	**155,390**
Development factors	Impact related to volume of activity and updating methology	201,115	155,390
	Impact of reporting scope expansion	23,097	

Adapting to the consequences of climate change

As a signatory to the United Nations Caring for Climate initiative, Essilor International is aware of the challenges related to climate change in general.

Faced with the consequences of climate change, Essilor has defined two key areas of concern:

1 Operations

From the initial stages preceding the potential acquisition of a new partner to the implementation of specific action plans in environmental management systems, the Group strives to identify all possible risks, including the risks of natural disasters related to climate change. Essilor wants to protect against such risks as much as possible and react early and optimally should they occur.

To this end, the Group pays particular attention to the locations of its industrial facilities.

2 Development of the product range

Needs relating to the protection of eyes through corrective lenses in a context where climate change may influence the quantity and/or the nature of harmful rays have not yet been evaluated with sufficient precision. However, the protective function of the corrective lens may be incorporated, particularly as a response to the harmful nature of ultraviolet light in general, which is filtered by Xperio® lenses and several other ranges of sun lenses with different E-SPF® index values.

4.5.5 Waste reduction and recovery

Essilor mainly uses plastics and chemical products in the manufacture of lenses. It also buys in packaging products (cardboard, plastic casing, plastic film, etc.).

		2015	2014	2013
Materials used	Raw materials – standard substrates	8,100 t (@)	7,400 t (@)	7,547 t (@)
	Raw materials – other substrates	8,600 t (@)	8,326 t (@)	8,025 t (@)

Environmental impact studies show that Essilor's business activities present no risks of air, water or soil discharges that could seriously affect the environment. However, these activities generate special waste, which must be handled and processed in a particular way.

For many years, Essilor has pursued an approach that aims both to improve production yields (through quality management, continuous improvement, ecodesign, etc.) and to promote a process known as the "3Rs": Reduce the volume of materials used in the various processes (manufacturing and distribution), and Reuse and Recycle raw materials and packaging. To cite a few examples by way of illustration:

- the recycling of more than 95% of elastomer gaskets used in large-scale manufacturing and which are cleaned, ground and finally mixed with 5% new material to produce new joints;
- the use of cupless cardboard boxes; these offer a number of benefits, including dispensing with the plastic cup previously used for the semi-finished lens, without altering the level of protection;

- the development by the Equipment Division of a system for blocking lenses in surfacing operations which breaks with existing technologies and paves the way for the gradual replacement by all market players of conventional blocking systems, some of which use metal alloys;
- the compaction of polycarbonate shavings and residues from the surfacing process to reduce the weight of waste and recover water, which is then filtered and reinjected into the prescription laboratory's in-house system;
- partnerships with waste managers for incineration of our waste with recovery of the energy;
- recycling by subcontractors of certain used effluents (oils, acids etc.), for reuse in Group facilities.

The prevention and reduction of air discharges are taken into account whenever relevant. For example, the Group's entities invest in devices to treat volatile organic compound (VOC) emissions, ranging from simple on-site extractors to computer-controlled biofilters and activated carbon filters or similar devices adapted as needed. They set objectives and targets for the reduction of existing discharges.

The possibility of discharges into soil that would be likely to impact the environment, even slightly, has been assessed and has led to the implementation of appropriate prevention measures, such as retention devices to deal with accidental spills or the outfitting and special management of chemical storage premises.

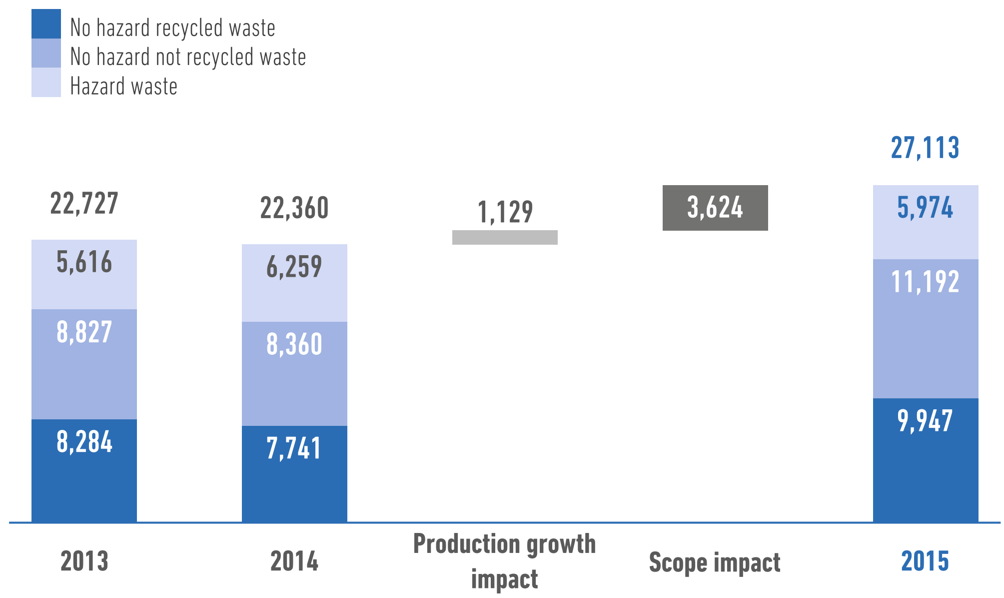
Lastly, Essilor entities have a waste sorting system to manage their ordinary and special industrial waste. This waste is recorded and taken away by certified specialist companies.

Total volume of waste

	2015	2014	2013
TOTAL WASTE (UNITS: T)	**27,113**	**22,360**	**22,727**
Ordinary (non-hazardous) waste	21,139	16,101	17,111
Recycled	9,947	7,741	N/A
Not recycled	11,192	8,360	N/A
Special (hazardous) waste	5,974	6,259	5,616

Note: The reporting coverage for waste is 77.5% of the total number of employees. The increase in the quantity of waste is mainly due to the expansion of the scope of reporting, with an impact of 13% of total reported waste. Disregarding the scope impact, waste increased by 5%, mainly due to the increase in production.

Waste (t)



Accidental spills

	2015	2014	2013
Number of accidental spills	2	0	2

Note: In 2015, there were two accidental spills of chemical products, one in Thailand and one in the United States. The spills were dealt with immediately and had no significant environmental or social impact. Action and remediation plans were implemented.

SOCIETAL INFORMATION

4.6 CORPORATE SOCIAL RESPONSIBILITY THROUGHOUT THE VALUE CHAIN

As Essilor has grown internationally, it has based its success on the proper consideration of local impacts, dialogue with stakeholders and the creation of shared value with partners, suppliers, governments and local communities. The establishment of Essilor sites provides access to meaningful jobs in a buoyant sector and generates significant direct and indirect income. The Group's Principles & Values are the foundation of all business relations, ensuring fair and honest collaboration which is transparent for stakeholders.

As a signatory of the Global Compact, Essilor has undertaken to promote the ten universally accepted principles relating to human rights, labor standards, the environment and the fight against corruption. Within Essilor's scope of consolidation, this undertaking is reflected in internal control procedures to prevent, detect and remedy any situations that undermine integrity and the principle of free competition as well as in employee management procedures that comply with best practices. With its partners, the Company ensures that it does not work with entities that fail to respect the provision of decent working conditions for their employees, employ people below the local legal age or prohibit employee representation.

4.6.1 Fair business practices

Given the diversity of the countries in which Essilor operates, the Company has to remain vigilant to changes in local labor and environmental regulations.

This requires a specific organizational structure, ongoing monitoring and close collaboration between the Legal Affairs, HR and Environment / Operations functions.

Given its business activity and its commitment as a responsible company, Essilor has to combat all forms of corruption and fraud, particularly in geographic areas that are sensitive to this type of risk.

This entails devising a system to prevent risks of corruption and training employees in how to apply it properly, in compliance with local regulations and the Essilor Principles and Values.

Lastly, as a major player in its market in association with its policy of external growth, Essilor is highly vigilant with regard to compliance with competition rules and takes care to prevent conflicts of interest.

To promote fairness in its business practices, Essilor International has introduced procedures which are formalized in a number of documents:

- the Essilor Principles and Values are a formal record of the general guidelines to be followed by every employee;
- the Minimum Control Standards (MCS) formally enshrine 75 internal controls which are generally considered to be the most crucial to have in place. The brochures explaining these procedures to employees have been translated into 33 languages. The MCS also form the basis of the annual self-assessment questionnaire for internal control;
- the Group Standards Guide, which brings together the various rules of internal control covering the main Group-level organizational processes;
- detailed rules and policies (local, regional and/or Group level);
- *ad hoc* working groups devoted to the implementation of specific regulations, such as REACH or California Proposition 65:
  - in 2015, the REACH *ad hoc* working group continued to implement action plans that successfully brought Essilor into compliance with the REACH Regulation. This group is made up of managers and/or experts in purchasing, legal affairs, the environment, workplace health and safety, and research and development. It will continue to monitor REACH compliance over the long term, undertaking upgrade programs as required. The working group members include representatives of the Instruments Division and other Essilor group subsidiaries and legal entities. Similar working groups are being set up to ensure compliance with regulations that impact on various Group entities, such as California Proposition 65 in the United States;
- development of a formal compliance and competition law program;
- preparation of a formal Group-wide guide to preventing corruption, explaining the rules and principles to be observed throughout the Group in addition to local laws.

Prevention of corruption

The sector in which Essilor operates is not considered a sector in which corruption is a characteristic challenge. This does not prevent the Group from taking action within its sphere of influence against all forms of corruption, including extortion and bribery. As a signatory to the Global Compact and a member of Transparency International, Essilor complies with, supports and promotes the United Nations Convention against Corruption.

Tools for training on and raising awareness of the different forms of corruption have been rolled out via audio kits available on the intranet; training in local languages is provided as a suite of programs for raising awareness which are gradually cascaded from the Group's Executive Committee. With infrequent exceptions as a result of very recent hires or other extraordinary events, all Directors of the Group have been made aware of and trained in the prevention of corruption and conflicts of interest, via e-learning.

Compliance with competition rules

The Group's legal risk prevention policy is structured around the three main risks associated with its business activity. As such, for Essilor, a major player in its market, compliance with the rules of competition law and commercial practices is an essential pillar of its risk prevention policy. The compliance program has been formally established and its roll-out allows us to promote and reinforce good competition law practices in trade relations with our partners and stakeholders.

4.6.2 Respect of human rights and integrity

The Company operates in geographic regions where regulations and the implementation of laws on the respect of human rights may be poor. It is the Group's responsibility to introduce due diligence procedures in its management of human resources and relations with its partners (suppliers, partners of the Foundation, subcontractors, etc.), reflecting the principles of the major reference guides, to guarantee its operational capability, its reputation and the credibility of its approach to sustainable development.

As such, Essilor adheres to, upholds and promotes – in particular, but not exclusively – the Universal Declaration of Human Rights and the eight Conventions of the International Labour Organization on freedom of association and the effective recognition of the right to collective bargaining, the elimination of discrimination in respect of employment and occupation, the elimination of all forms of forced or compulsory labour, and the effective abolition of child labour. Essilor is also a member of the Entreprises pour les Droits de l'Homme (Businesses for Human Rights) association, which aims to encourage understanding of and the operational implementation of human rights within companies.

The completion of human rights-related risk mapping in 2014 helped the Group to consolidate its knowledge in this area, opened up ways to improve, such as training for employees via the Essilor U e-learning platform, and brought to light the need to specify control procedures for the respect of human rights when approving and monitoring suppliers. See Section 4.6.3

4.6.3 Sustainable purchasing in supplier relations

As essential partners for its business activity and growth, the Group maintains mutually beneficial relations with its suppliers and subcontractors and supports their performance by assisting them in their international development in particular. Essilor therefore seeks to establish constructive dialogue with them and develop a durable, balanced relationship with respect for ethics and social and environmental issues.

The Purchasing Department bases its supplier relationships on its Supplier Sustainability Program (SSP) which aims to ensure that:

- all its suppliers and subcontractors comply with the principles set out in its supplier charter, and from a contractual standpoint, that they comply with the general purchasing conditions which include, in particular, clauses on the requirement to comply with the Fundamental Conventions of the International Labour Organization and with local legislation, especially as regards minimum salary, working time, health and safety and the environment;
- the CSR performance of all its suppliers and subcontractors conforms to the Group's requirements. In this regard, the Purchasing Department has launched a pilot project which aims to assess their performance by means of a shared evaluation platform administered by EcoVadis. Based on the results of these initial efforts, Essilor plans to roll this program out worldwide;
- management of supplier risk. The Purchasing Department conducts regular risk analyses for its strategic suppliers for this purpose. It may decide to carry out audits at suppliers' premises and plans for improvement are developed jointly.

This program also informs suppliers of charitable actions by the Group and encourages them to initiate positive local action for the population and the environment (*e.g.,* program of purchasing from the protected worker sector, local sourcing, etc.).

4.6.4 Responsible product marketing

Essilor has to market products with stated levels of quality and performance that meet customers' needs most effectively.

Quality & Customer satisfaction

Continuous improvement in customer satisfaction with the Group depends in particular on product and service quality control, an important factor in ensuring that costs are stable, limiting legal risks and enhancing the Group's reputation.

The Quality and Customer Satisfaction Department reports directly to the Corporate Senior Vice President, Global Engineering (member of the Executive Committee). Its aims are four-fold:

- to satisfy customers, in terms of products and services, taking into account the diversity and variation of expectations, in accordance with customer segments;
- to improve the effectiveness and consistency of internal processes, aligning them with the overall strategic objectives and measuring their efficiency;
- to control the factual nature of decision-making processes (results focus);
- to represent the Essilor group on standardization bodies and promote the interests of consumers on these bodies.

	2015	2014	2013
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	0	0	0

Responsible marketing

Essilor's responsibility is to communicate clearly and honestly the visual care benefits of its products, in compliance with the regulations. This transparency is at the heart of the relationship of trust that Essilor has built with its customers and helps to build an intangible asset for the Company. To this end, the action taken by the Group comprises three working areas:

- responsible marketing initiatives aim to ensure that product-related communication is accurate and complies with the regulations on advertising. This responsibility extends to local authorities and consumer associations who put questions to Essilor's customers on potential disparities with the stated benefits of the products;
- secondly, the Company is active in ensuring that the sales networks provide honest, accurate information to customers on the benefits of Essilor products. Regular training is provided for the sales force and eye care professionals to remind them of the current standards and the rules of integrity in customer relations. Each of the Group's distribution subsidiaries monitors its own compliance with local applicable laws, standards and voluntary codes;
- lastly, honest communication also calls for transparency in the public positions that the Company adopts in its dealings with the authorities and professional associations and for the consistency of these positions with the targets for sustainable development. In accordance with French law, the Company has no political involvement. It works with its local public sector stakeholders and participates in the development of international standards and in other work relating to its areas of business. It also belongs to professional associations for its industry whose mission is to improve awareness of the importance of good vision. The Group is a member of ASNAV, Association interprofessionnelle pour l'Amélioration de la Vue (interprofessional association for improving vision), of GIFO, a French optical industry group, and of the EUROM 1 European optical industry group and of the Vision Council in the United States.

4.6.5 Direct and indirect socioeconomic contribution

Present in 63 countries, Essilor stimulates local economies with its industrial activities, purchasing and business partnerships, and creates direct and indirect employment, develops local skills and expertise and generates taxes and duties.

The first lever for action was to prioritize local employment. The Group encourages the local recruitment of management teams in its subsidiaries and, more generally, enforces the principle of local decision-making. The proportion of senior managers hired locally at the main operational sites is greater than 80%.

The Group also generates significant business flows with its local suppliers by preferring short supply chains for products and services outside the scope of central referencing.

Local distributors of products and services referenced by Group contracts also benefit from the local economic impact of the Group's purchasing. The result is a balanced situation, the Group estimating that 50% of its procurement is sourced centrally and 50% locally.

The Group's economic value breaks down into many components (revenue, operating expenses, employee expenses, donations, taxes and duties, dividends, etc.) that are itemized in this 2015 Registration Document.

Essilor's socio-economic footprint for fiscal year 2015 can be summarized by the following items in descending order of importance:

- revenue: €6,716 million;
- trade payables: €2,200 million;
- employees / compensation: €2,045 million;
- taxes and duties: €308 million; representing an effective tax rate of 27.5%
- shareholders: €251 million; and
- financial expenses: €54 million.

Over and above its economic contribution, Essilor helps to improve the quality of life and the productivity of millions of individuals by correcting their sight. A key contributor to this shared value creation, the Group's 2.5 NVG Division deploys inclusive business models to provide local visual correction at an affordable price for disadvantaged populations in 24 countries in Asia, Latin America and Africa.

In 2015, Essilor appointed a third-party expert to measure the social impact of its Eye Mitra™ program, which aims to provide local eye care to populations in rural and semi-urban areas of India through the development of local micro-enterprises by individuals who are underemployed. The challenge is considerable: in 2013, it was estimated that 550 million people in India needed visual correction and the associated overall productivity loss was estimated at US$37 billion a year.

Conducted in six provinces of the Uttar Pradesh region in north-east India, the study identifies three main impacts:

- a boost to the local economy, with an average of US$770 in income generated for suppliers and SMEs for each participant in the Eye Mitra™ program;
- an increase in income of 64% for previously employed Eye Mitra™, who also feel more respected in their community;
- growth in productivity for 59% of new eyeglass wearers *, who gain an average of one-and-a-half hours a day in their day-to-day tasks (* Note: 75% of people who buy their glasses from an Eye Mitra™ partner are doing so for the first time).

Lastly, besides the actions targeting its core business and led by the Corporate Mission teams (2.5 NVG and Essilor Vision Foundation), several Group entities conduct other charitable initiatives that generally involve issues of public health, education and integration.

4.7 METHODOLOGY NOTE & CORRESPONDENCE TABLES

4.7.1 Methodology note

Scope of reporting

Essilor has committed to achieving target coverage of 85%, based on the number of employees, by 2017; it is unable to commit to a target of 100% given the growth of the Group and the heterogeneous nature of the subsidiaries (in terms of workforce, business activities and financial contribution).

In 2015, reporting coverage was 85.1%, in line with the target.

Reporting coverage of each indicator has been specified in notes below the main graphics.

There are two specific notes in terms of the scope of reporting:

- for Essilor of America, due to the limited data collected, the information on work-related injuries and training hours is not consolidated in the group data;
- for Essilor Industrial, and in particular the plant in Puerto Rico, which closed in 2015, the information on water discharge and waste is not consolidated in the group data due to its specific nature.

Indicators

As defined in the Group's reporting protocol:

- the frequency rate is calculated as "Number of work-related injuries with lost days x 1,000,000 / Total number of hours worked during the reporting period";
- the severity rate is calculated as "Total number of lost work days x 1,000 / Total number of hours worked during the reporting period";
- for raw materials, "standard substrates" are products used in the manufacture of ORMA low-index semi-finished lenses. "Other substrates" denotes polycarbonate high-index semi-finished lenses.

Updated method for calculating CO_2 emissions

In accordance with the GHG Protocol, the accounting and reporting standard for greenhouse gas emissions (http://www.ghgprotocol.org), information on CO_2 emissions is communicated on the basis of three scopes: Scope 1, 2 and 3.

In 2015, the Group further clarified its scopes for emissions in accordance with the GHG Protocol standard and updated its calculation method and the conversion factors using the databases of the Agence française de l'Environnement et de la Maîtrise de l'Énergie (www.ademe.fr/) and the International Energy Agency (www.iea.org/).

Scope 1 – This corresponds to direct emissions resulting from the on-site combustion of fossil fuels such as gas, fuel oil and coal. The CO_2 conversion factors were updated in 2015 in accordance with the ADEME database (http://bilans-ges.ademe.fr):

- Gas: conversion factor changed from 200 gCO_2e / kWh in 2014 to 244 gCO_2e / kWh LCV in 2015;
- Fuel oil: conversion factor changed from 300 gCO_2e / kWh in 2014 to 324 gCO_2e / kWh LCV in 2015;
- Coal: conversion factor changed from 600 gCO_2e / kWh in 2014 to 377 gCO_2e / kWh LCV in 2015.

Scope 2 – This relates to indirect emissions associated with the electricity consumption required for manufacturing and machining lenses. In 2014, the conversion factor for electricity used for all entities was 86 gCO_2e / kWh, the average emissions value for France from 2006 to 2008, published by the IEA. The conversion factors for electricity were updated in 2015, in accordance with the conversion factor per country published in 2013 by the IEA on the basis of statistics for 2011.

The conversion factors for the main countries where Essilor is a consumer of electricity are:

- China: 766 gCO_2e / kWh;
- United States: 522 gCO_2e / kWh;
- France: 82 gCO_2e / kWh;
- Thailand: 513 gCO_2e / kWh;
- Philippines: 481 gCO_2e / kWh.

Scope 3 – This corresponds to other indirect emissions related to the transportation of lenses. For lens logistics, Essilor redefined the various types of transportation and freight: the scope now encompasses journeys between Essilor sites and airports, ports or railway stations, which were not reported in previous years.

Transportation is classified as follows:

A. Primary transportation: flows to a distribution center or offshore prescription laboratory, regardless of the point of origin.

B. Secondary transportation: flows to a prescription laboratory or a subsidiary, regardless of the point of origin.

C. Tertiary transportation: flows to the customer, regardless of the point of origin.

The scope of reporting for A, B and C covers all mass production plants and all offshore prescription laboratories, eight distribution centers and five partners in Asia.

4.7.2 Correspondence table for the criteria of the Grenelle 2 law

	Parts
SOCIAL	
Employment	
Total workforce and breakdown of employees by gender, age and geographical area	4.4
Hires and layoffs	4.4
Salary changes	4.4 and 4.6.5
Organization of labor	
Organization of working hours	4.4.1
Absenteeism	4.4.1
Labor / management relations	
Organization of dialogue between management and employees, especially procedures for providing information to employees and the consultation and negotiation process	4.4.4
Collective bargaining agreements	4.4.4
Health and safety	
Occupational health and safety	4.4.1
Occupational health and safety agreements signed with trade unions or employee representatives	4.4.1
Workplace accidents, including their frequency and severity, and occupational illnesses	4.4.1
Training	
Training policies	4.4.2
Total number of training hours	4.4.2
Equal opportunities	
Measures taken to promote gender equality	4.4.3
Measures taken to promote the employment and integration of people with disabilities	4.4.3
Anti-discrimination policy	4.4.3
Promotion and upholding of the Fundamental Conventions of the International Labour Organization on	
compliance with the freedom of association and the right to collective bargaining	4.4.4 and 4.6.3
the elimination of discrimination in respect of employment and occupation	4.4.3 and 4.6.3
the elimination of forced or compulsory labor	4.6.2 and 4.6.3
the effective abolition of child labor	4.6.2 and 4.6.3
ENVIRONMENT	
General environmental policy	
Organization of the Company to take into account environmental issues and, where appropriate, processes for environmental assessment or certification	4.5.1
Employee training and information on environmental protection	4.5.1
Means employed to prevent environmental and pollution risk	4.5.1
Amount of provisions and guarantees for environmental risk, except in cases where such information is likely to cause serious damage to the Company in an ongoing dispute	4.5.1
Sustainable use of resources	
Measures to prevent, reduce and remedy discharges into the air, water and soil that seriously impact the environment	4.5.1, 4.5.2, 4.5.4 and 4.5.5
Measures to prevent, recycle and dispose of waste	4.5.5
Consideration of noise pollution and any other form of pollution specific to an activity	4.5.1

	Parts
Sustainable use of resources	
Water consumption and water supply based on local restrictions	4.5.2
Consumption of raw materials and measures taken to improve the efficiency of their use	4.5.5
Energy consumption and measures taken to improve energy efficiency and the use of renewable energies	4.5.3
Land use	4.5.1
Climate change	
Greenhouse gas emissions	4.5.4
Adapting to the consequences of climate change	4.5.4
Safeguarding biodiversity	
Measures taken to safeguard or develop biodiversity	4.5.1
SOCIETAL	
Regional, economic and social impact of the Company's activities	
Impact on employment and regional development	4.6.5, 4.3.3 and 4.3.4
Impact on local and neighboring populations	4.6.5, 4.3.3 and 4.3.4
Relationships with persons or organizations affected by the Company's business activities, particularly inclusion associations, educational establishments, environmental protection associations, consumer associations and neighboring populations	
Conditions for interacting with such persons or organizations	4.1.1
Partnership or sponsorship initiatives	4.3.4, 4.3.1, 4.3.3
Subcontractors and suppliers	
Social and environmental challenges reflected in the purchasing policy	4.6.3
Importance of subcontracting and consideration of the social and environmental responsibility of suppliers and subcontractors	4.6.3
Fair practices	
Anti-corruption initiatives	4.6.1
Measures taken regarding consumer health and safety	4.3.1, 4.3.2 and 4.6.4
Other initiatives undertaken to promote human rights	
Other initiatives undertaken to promote human rights	4.6.2 and 4.6.3

4.7.3 Correspondence table for the G4 Guidelines of the Global Reporting Initiative

Following the recommendations of the Global Reporting Initiative 4th version, all the indicators and information disclosed in this chapter have been reviewed and audited by KPMG.

General items of information		Reference
Strategy and analysis		
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	introduction Chapter 4
Organizational profile		
G4-3	Report the name of the organization.	5.1.1
G4-4	Report the primary brands, products and services.	1.3
G4-5	Report the location of the organization's headquarters.	5.1.1
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	1.3.1.3
G4-7	Report the nature of ownership and legal form	5.1.3 and 5.2.1.1
G4-8	Report the markets served (including geographic breakdown, sectors served and types of customers and beneficiaries).	1.2, 1.3 and 1.5.1
G4-9	Report the scale of the organization	Key figures in the introduction to the Registration Document and 3.3
G4-10	Detailed information on the workforce	4.4
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	4.4.4
G4-12	Describe the organization's supply chain.	1.3.1.3 and 4.1.1
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	1.5.1, 1.5.3 and 1.5.4
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	2.2.3.3 and 4.6.4
G4-15	List externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses.	Methodology note in Chapter 4 and Section 4.6.1
G4-16	List of memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization is involved	4.3.1 and 4.3.4
Identified material aspects and boundaries		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not considered by the report.	Note 2.2 to Chapter 3
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	4.2.3 and 4.7.1
G4-19	List all the material Aspects identified in the process for defining report content.	4.1 of the 2014 Registration Document
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	4.1 of the 2014 Registration Document and description of the managerial approach for each issue
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	4.1 of the 2014 Registration Document and description of the managerial approach for each issue
G4-22	Report the effect of any restatements of information provided in previous report, and the reasons for such restatements.	No restatement
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	4.2.3

General items of information		Reference
Stakeholder engagement		
G4-24	Provide a list of stakeholder groups engaged by the organization	4.1.1
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	4.1.1
G4-26	Report the organization's approach to stakeholder engagement.	4.1.1
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	4.1.1
Report profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	4.2.3
G4-29	Date of the most recent previous report (if any).	2014 Registration Document covering fiscal year 2014
G4-30	Reporting cycle (such as annual, biennial).	4.2.3
G4-31	Provide the contact point for questions regarding the report or its contents.	invest@essilor.com
G4-32	Report the 'in accordance' option the organization has chosen and the GRI Content Index.	4.7.3
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report.	4.8
Governance		
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	2.1 and 4.2.1
Ethics and integrity		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	4.6.1

	Specific items of information for material issues	Reference
Economy		
	Economic performance – Management approach	**4.6.5**
G4-EC1	Direct economic value generated and distributed	4.6.5
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	4.5.4
	Indirect economic impact – Management approach	**4.3**
G4-EC7	Development and impact of infrastructure investments and services supported	4.3, 4.3.1, 4.3.3, 4.3.4 and see 2014 Change Report
G4-EC8	Significant indirect economic impacts, including the extent of impacts	4.3, 4.3.1, 4.3.3, 4.3.4 and see 2014 Change Report
Environment		
	Energy – Management approach	**4.5.3**
G4-EN3	Energy consumption within the organization	4.5.3
G4-EN4	Energy consumption outside of the organization	4.5.3
G4-EN7	Reductions in energy requirements of products and services	4.3.2
	Water – Management approach	**4.5.2**
G4-EN8	Total water withdrawal by source	4.5.2
G4-EN9	Water sources significantly affected by withdrawal of water	4.5.2
	Emissions – Management approach	**4.5.4**
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	4.5.4
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	4.5.4
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	4.5.4
	Effluents and waste – Management approach	**4.5.2 and 4.5.5**
G4-EN22	Total water discharge by quality and destination	4.5.2
G4-EN23	Total weight of waste by type and disposal method	4.5.5
G4-EN24	Total number and volume of significant spills	4.5.5
	Products and services – Management approach	**4.3.2**
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	4.3.2
	Transportation – Management approach	**4.5.3 and 4.5.4**
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	4.5.3 and 4.5.4
Social – Labor practices and decent work		
	Occupational health and safety – Management approach	**4.4.1**
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	4.4.1
	Training and education – Management approach	**4.4.2**
G4-LA9	Average hours of training per year per employee by gender, and by employee category	4.4.2
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	4.4.2
	Diversity and equal opportunities – Management approach	**4.4.3**
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	2.2.1.1

Specific items of information for material issues		Reference
	Assessment of suppliers' employment practices – Management approach	**4.6.2 and 4.6.3**
G4-LA15	Substantial actual and potential negative impacts for labor practices in the supply chain and actions taken.	4.6.2 and 4.6.3
Social – Human rights		
	Assessment of suppliers' respect for human rights – Management approach	**4.6.2 and 4.6.3**
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	4.6.2 and 4.6.3
Social – society		
	Local communities – Management approach	**4.3 and** see 2014 Change Report
G4-SO2	Operations with significant actual and potential negative impacts on local communities	**4.3 and** see 2014 Change Report
	Combating corruption – Management approach	**4.6.1**
G4-SO4	Communication and training on anti-corruption policies and procedures	4.6.1
	Anti-competitive behavior – Management approach	**4.6.1**
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Note 28 to Section 3.4
	Company compliance – Management approach	**4.6.1**
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	4.6.4
Social – Product responsibility		
	Customer health and safety – Management approach	**4.3.2 and 4.6.4**
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	4.3.2 and 4.6.4
G4-PR2	Total number of incidents of non-compliance with the regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	4.6.4
	Marketing communications – Management approach	**4.6.4**
G4-PR7	Total number of incidents of non-compliance with the regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	4.6.4

4.8 ASSURANCE REPORT BY THE APPOINTED INDEPENDENT THIRD-PARTY, ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

This is a free translation into English of the appointed independent third-party's report issued in French and it is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2015

To the Shareholders,

In our capacity as independent third-party of the company Essilor International, accredited by the COFRAC under number 3-1049 (1), we hereby present to you our report on the consolidated social, environmental and societal information for the year ended December 31st, 2015, presented in the Management Report (hereinafter the "CSR Information"), in accordance with Article L.225-102-1 of the French Commercial Code.

Responsibility of the Company

The Board of Directors is responsible for preparing a Management Report including CSR Information in accordance with the provisions of Article R.225-105-1 of the French Commercial Code and with the guidelines used by the Company (hereinafter the "Guidelines"), summarized in the Management Report and available upon request at the Company's head office.

Independence and quality control

Our independence is defined by regulations, the French code of ethics governing the audit profession and the provisions of Article L.822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional auditing standards and applicable law and regulations.

Responsibility of the independent third-party

On the basis of our work, it is our responsibility to:

- attest that the required CSR Information is presented in the Management Report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is presented fairly, in all material respects, in accordance with the Guidelines (Opinion on the fair presentation of the CSR Information).

Our work involved the expertise of seven people between October 2015 and February 2016 for a total duration of around nine weeks. We called upon our specialists in Corporate Social Responsibility to assist us in carrying out our work.

We performed the procedures below in accordance with professional auditing standards applicable in France, with the decree dated May 13, 2013 determining the manner in which the independent third-party should carry out their work, and with International Standard ISAE 3000 (2) concerning our opinion on the fair presentation of CSR Information.

1. Statement of completeness of CSR Information

Nature and scope of the work

We reviewed, on the basis of interviews with the managers of the relevant departments, the Company's sustainable development strategy with respect to the social and environmental impact of its activities and its societal commitments and, where applicable, any initiatives or programs it has implemented as a result.

(1) For which the scope is available on the site www.cofrac.fr.
(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

We compared the CSR Information presented in the Management Report with the list provided in Article R.225-105-1 of the French Commercial Code.

For any consolidated information that was not disclosed, we verified that the explanations provided complied with the provisions of Article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the consolidated scope, *i.e.* the Company, its subsidiaries as defined by Article L.233-1 and the entities it controls as defined by Article L.233-3 of the French Commercial Code, within the limitations set out in the methodological information presented in the Chapter 4.7 of the Management Report.

Conclusion

Based on these procedures and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the Management Report.

2. Opinion on the fairness of the CSR Information

Nature and scope of the work

We conducted a dozen of interviews with the people responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, with those responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, taking into account best practice, where appropriate;
- verify that a data collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information with respect to the characteristics of the Company, the social and environmental impact of its activities, its sustainable development strategy and industry best practice.

With regard to the CSR Information that we considered to be the most important [(1)]:

- at the consolidation level, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organization, policy, actions), we performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and consolidation of the data. We also verified that the data was consistent by cross-checking it with other information in the Report of the Board of Directors;
- at the entity level for a representative sample of entities selected [(2)] on the basis of their activity, their contribution to the consolidated indicators, their location and risk analysis, we conducted interviews to verify that the procedures were followed correctly, and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents an average of 28% of headcount and between 23% and 29% of presented quantitative environmental information.

For the other consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, based on our professional judgement, were sufficient to enable us to provide limited assurance; a higher level of assurance would have required us to carry out more extensive work. Due to the use of sampling techniques and other limitations intrinsic to the operation of information and internal control systems, we cannot completely rule out the possibility that a material irregularity in the CSR Information has not been detected.

Conclusion

Based on our work, we did not identify any material anomaly likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly in accordance with the Guidelines.

French original signed by:

Paris – La Défense, March 3, 2016

KPMG S.A.

Philippe Arnaud Partner Climate Change and Sustainability	**Alphonse Delaroque** Partner

(1) *Social indicators: Total headcount (breakdown of employees by gender and age), Turnover rate, Frequency rate of workplace accidents with lost days, Number of training hours.*
Environmental indicators: Energy consumption, Greenhouse gases emissions related to energy consumptions, Water consumption, Waste production.
Qualitative information: Conditions of health and safety at work, The organization of the Company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues, Territorial, economic and social impact of the Company activity regarding regional employment and development and on the local populations, Conditions of the dialogue with stakeholders, Measures implemented to promote consumers health and safety.

(2) *FGX US (United States), EOA Dallas including Omega Optical (United States), Labs Essilor Canada (Canada), Jiangsu Wanxin Optical Co. Ltd (China), S.E.O. Operations (Chine), Chemiglas (Korea), Aichi Nikon Co Ltd (Japan), BBGR Provins (France), BBGR Sézanne (France).*

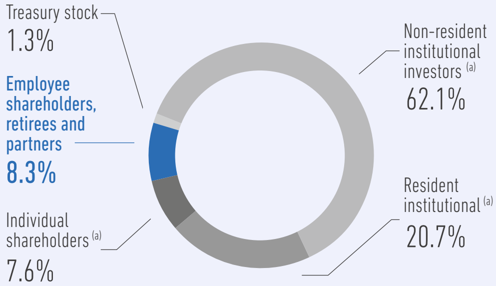
INFORMATION ABOUT THE COMPANY, ITS SHARE CAPITAL AND STOCK OWNERSHIP

5

IN BRIEF

DISTRIBUTION OF SHARE CAPITAL AT DECEMBER 31, 2015

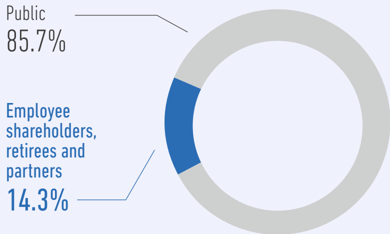
Number of outstanding shares: 216.5 million



(a) Estimates at December 31, 2015.

DISTRIBUTION OF VOTING RIGHTS AT DECEMBER 31, 2015

Number of voting rights: 229.8 million



17,418

Internal shareholders (b)
in 56 countries representing:

8.2% of share capital

14% of voting rights

(b) Current, former and retired employees.

SHARE PRICE AND DIVIDEND

In €

The CAC 40 graph has been rebased to the Essilor share price at January 1, 2005

(b) Current, former and retired employees.
(c) Subject to the decision of the Shareholders' Meeting of May 11, 2016, option of receiving the dividend either in cash or in shares (see Section 5.2.7).
(d) Average annualized growth rate.

5.1 THE COMPANY

5.1.1 Company name and registered office

The name of the Company is Essilor International (Compagnie Générale d'Optique), hereinafter "Essilor", the "Company" or the "Group".

The registered office of the Company is located at 147, rue de Paris, 94220 Charenton-le-Pont, France.

The telephone number of the registered office is +33 (0)1 49 77 42 24.

5.1.2 Date of formation and term of the Company

The Company was formed on October 6, 1971 for a 99-year term, expiring on October 6, 2070.

Essilor International is registered with the Créteil Trade and Companies Register under No. 712 049 618. The APE business identifier codes are 3250B (Essilor) and 7010Z (registered office).

5.1.3 Legal form

Essilor is a joint stock company *(société anonyme)* with a Board of Directors under French law, governed by Book II of the French Commercial Code.

5.1.4 Corporate purpose

In accordance with Article 2 of the bylaws, the Company's corporate purpose, in all countries, is to:

- design, manufacture, purchase, sell and trade in any and all eyewear and optical products, including the manufacture, purchase and sale of frames, sunglasses and other protective equipment, lenses and contact lenses;
- design and/or manufacture, purchase, sell and/or market any and all ophthalmic optics and materials as well as any and all material and equipment for the screening, detection, diagnosis, measurement or correction of physiological disabilities, for professional or private use;
- design and/or develop, purchase and/or sell computer software applications, programs and related services;
- undertake research, clinical trials, wearer tests, training, technical assistance and engineering services in relation to the above activities;
- provide any and all services and assistance related to the above activities, including consulting, accounting, auditing, logistics and cash management services.

More generally, the Company may perform any financial, commercial or industrial transactions or any transactions involving either real estate or securities directly or indirectly related to the above-mentioned purposes or any similar or related purposes, or that would facilitate their extension or development or make them more profitable.

It may perform such transactions for itself, on behalf of third-parties or through any and all forms of participation, including creating new companies, acquiring shares in existing companies, forming partnerships, merging companies, advancing funds, purchasing or selling securities and rights to equity instruments, selling or leasing out all or part of its real estate, securities or related rights, or by any other means.

5.1.5 Conditions governing changes in the share capital

The Company's bylaws do not contain any restrictions over and above the applicable legal provisions in relation to capital increases.

5.1.6 Fiscal year

The Company's fiscal year runs from January 1 to December 31 of each year.

5.1.7 Shareholders' Meetings

Notice of meeting

All holders of ordinary shares are entitled to participate in Shareholders' Meetings, regardless of the number of shares they own, provided all payments due for such shares have been met.

Shareholders' Meetings are called and conduct business in accordance with the applicable laws and regulations.

Since the Shareholders' Meeting of May 11, 2012, "pure" or "administered" registered shareholders have the option of receiving their invitation and/or the preparatory documents for the Shareholders' Meeting by email.

Right to attend meetings

To attend a Shareholders' Meeting in person or by proxy:

- holders of "pure" registered or "administered" registered shares must be listed as the shareholder of record at midnight, Paris time, on the second business day before the meeting date;
- holders of bearer shares must be listed as the shareholder of record at midnight, Paris time, on the second business day before the meeting date. Ownership of the shares will be evidenced by a certificate of ownership *(attestation de participation)* issued by the custodian institution that keeps the shareholder's securities account, to be submitted with the postal voting form / proxy or the request for an attendance card issued in the shareholder's name. A certificate of ownership can also be issued to shareholders wishing to attend the meeting who have not received their attendance card by midnight, Paris time, on the second business day before the meeting date;
- Shareholders may be represented by their spouse, another shareholder or an individual or legal entity of their choosing in accordance with applicable laws and regulations, particularly those stipulated in Article L.225-106 I of the French Commercial Code. Each shareholder present or represented at the meeting has a number of votes equal to the number of shares represented, directly or by proxy, without limitation.

Shareholders who have sent in a postal voting form or proxy or requested an attendance card via their custodian institution can nevertheless sell all or some of their shares before the meeting. However, if the sale occurs before midnight, Paris time, on the second business day before the meeting, the Company shall accordingly invalidate or amend, as appropriate, the postal voting form, proxy or attendance card or certificate of ownership. In this case, the custodian institution will be required to notify the Company or the Company's registrar of the transaction, including all necessary information.

However, the custodian institution will not be authorized to notify the Company or the registrar of any transactions carried out after midnight, Paris time, on the second business day before the meeting, and no such transactions will be taken into account by the Company, regardless of any agreement to the contrary.

Shareholders who are not resident in France, within the meaning of Article 102 of the French Civil Code, may ask their custodian institution to submit their vote in accordance with the applicable laws and regulations.

Pre-meeting disclosure of temporary holdings

Pursuant to their legal obligations, any individual or legal entity (with the exception of those referred to in Article L.233-7, Section IV, paragraph 3 of the French Commercial Code) who, as a result of one or more temporary sales or similar transactions as defined in Article L.225-126 of the French Commercial Code, individually or jointly owns shares representing more than 0.5% of the voting rights of the Company, must inform the Company and the Autorité des Marchés Financiers (AMF) of the number of shares owned temporarily, no later than midnight, Paris time, on the second business day before the Shareholders' Meeting.

Disclosures and statements can be sent to the Company at the following address: Invest@essilor.com

Any undisclosed shares held temporarily as defined above will be stripped of voting rights for that Shareholders' Meeting and at all other Shareholders' Meetings until the shares held temporarily are sold or returned.

The email must contain the following information:

- name or company name and a contact person (name, position, telephone number, email address);
- identity of the seller (name or company name);
- type of transaction;
- number of shares acquired in the transaction;
- ISIN code of the shares listed on NYSE Euronext Paris;
- transaction expiration date;
- voting agreement (if any).

This information will be published on the Company's website.

2016 Shareholders' Meeting

The Combined Ordinary and Extraordinary Shareholders' Meeting will be convened on May 11, 2016.

For information about the financial authorizations to be put to the vote at the Extraordinary Shareholders' Meeting of May 11, 2016, see Section 5.2.1.4.

For information about the proposed renewal of the share buyback program, to be put to the vote at the Ordinary Shareholders' Meeting of May 11, 2016, see Section 5.2.2.3 "Share buyback programs."

5.1.8 Disclosure threshold provisions

In addition to the statutory disclosures, the Company's bylaws state that any individual or legal entity who, acting alone or in concert with others, directly or indirectly, owns 1% of the voting rights must inform the Company thereof within five days, by registered letter with return receipt requested, sent to the Company's registered office. The same formalities are required whenever a shareholder exceeds or falls below the threshold in further increments of 2%.

Disclosure is also required, within the same maximum period, of any reduction in the percentage of voting rights held to below any of the above-mentioned thresholds.

Any undisclosed shares in excess of the above-mentioned disclosure thresholds will be stripped of voting rights in accordance with the law at the request of one or more shareholders together holding at least 5% of the share capital at the time of the meeting.

5.2 SHARE CAPITAL

5.2.1 Changes in the share capital

5.2.1.1 Breakdown of the share capital in 2015

At December 31, 2015	Number of shares	%	Number of voting rights	%
Employee shareholding				
(Current, former and retired employees)				
• Valoptec International FCPE	4,748,023	2.2%	9,483,751	4.1%
• Essilor group 5 and 7-year FCPE	4,642,163	2.1%	8,964,929	3.9%
• Fund for employees outside of France	841,052	0.4%	870,359	0.4%
• Registered shares held directly by employees	7,411,239	3.4%	12,855,536	5.6%
SUB-TOTAL	**17,642,477**	**8.2%**	**32 174 575**	**14%**
Partner shareholders [(a)]				
Registered shares held by partners	343,240	0.2%	686 480	0.3%
SUB-TOTAL	**17,985,717**	**8.3%**	**32,861,055**	**14.3%**
Treasury stock				
• Treasury shares	2,860,098	1.3%		
• Liquidity contract				
SUB-TOTAL	**2,860,098**	**1.3%**		
PUBLIC	**195,610,625**	**90.4%**	**196,947,451**	**85.7%**
TOTAL	**216,456,440**	**100%**	**229,808,506**	**100%**

(a) Partner shareholders refers to the Essilor International shares held by employees, senior managers and, if applicable, former employees and senior managers of companies in which Essilor International held a stake that was subsequently sold in full.

At December 31, 2015, the share capital amounted to €38,962,159.20, divided into 216,456,440 fully paid-up ordinary shares, each with a par value of €0.18.

Taking into account the double voting rights attached to registered shares held for at least two years and the absence of voting rights attached to treasury shares, the total number of exercisable voting rights attached to the Company's share capital at December 31, 2015 was 229,808,506.

Changes in the share capital during the fiscal year were as follows:

- €46,270.26 increase, excluding original issue premium, corresponding to the issue of 257,057 new shares, each with a par value of €0.18 subscribed by the Essilor group five- and seven-year FCPE;
- €55,233.90 increase, excluding original issue premium, corresponding to the issue of 306,855 new shares, each with a par value of €0.18 resulting from the exercise of stock options.

There was no material change in the shareholder situation as at January 31, 2016.

Maximum dilution at fiscal year-end

Taking into account all shares that could be issued after December 31, 2015 due to the exercise of the existing options, regardless of their exercise prices, the maximum dilution of the share capital would be as follows:

At December 31, 2015	Number of shares	%	Number of voting rights	%
Position at year end	216,456,440		229,808,506	
Outstanding stock subscription options	603,631	0.3%	603,631	0.3%
Outstanding rights to performance shares	4,126,157	1.9%	4,126,157	1.8%
TOTAL POTENTIAL DILUTION	**4,729,788**	**2.2%**	**4,729,788**	**2.1%**
Total capital diluted at year end	221,186,228		234,538,294	

The breakdown of changes in share capital in 2015 is presented in Note 10 to the consolidated financial statements (Section 3.4) and Note 12 to the annual financial statements for the fiscal year (Section 3.8).

5.2.1.2 Breakdown of the share capital in 2014 and 2013

At December 31, 2014	Number of shares	%	Number of voting rights	%
Employee shareholding				
(Current, former and retired employees)				
• Valoptec International FCPE	5,138,786	2.4%	10,212,138	4.5%
• Essilor group 5 and 7-year FCPE	4,850,547	2.2%	9,300,092	4.1%
• Fund for employees outside France	771,871	0.4%	792,079	0.3%
• Registered shares held directly by employees	6,995,113	3.2%	12,205,511	5.3%
SUB-TOTAL	**17,756,317**	**8.2%**	**32,509,820**	**14.2%**
Partner shareholders (a)				
Registered shares held by partners	343,240	0.2%	686,480	0.3%
SUB-TOTAL	**18,099,557**	**8.4%**	**33,196,300**	**14.5%**
Treasury stock				
• Treasury shares	3,959,921	1.8%		
• Liquidity contract				
SUB-TOTAL	**3,959,921**	**1.8%**		
PUBLIC	**193,833,050**	**89.8%**	**195,372,367**	**85.5%**
TOTAL	**215,892,528**	**100%**	**228,568,667**	**100%**

(a) Partner shareholders refers to the Essilor International shares held by employees, senior managers and, if applicable, former employees and senior managers of companies in which Essilor International held a stake that was subsequently sold in full.

At December 31, 2013	Number of shares	%	Number of voting rights	%
Employee shareholding				
(Current, former and retired employees)				
• Valoptec International FCPE	5,592,064	2.6%	11,171,131	4.9%
• Essilor group 5 and 7-year FCPE	4,969,207	2.3%	9,492,757	4.2%
• Fund for employees outside France	736,958	0.3%	749,621	0.3%
• Registered shares held directly by employees	6,332,600	2.9%	10,960,386	4.8%
SUB-TOTAL	**17,630,829**	**8.1%**	**32,373,895**	**14.3%**
Partner shareholders [(a)]				
Registered shares held by partners	343,240	0.2%	686,480	0.3%
SUB-TOTAL	**17,974,069**	**8.4%**	**33,060,375**	**14.6%**
Treasury stock				
• Treasury shares	4,454,406	2.1%		
• Liquidity contract				
SUB-TOTAL	**4,454,406**	**2.1%**		
PUBLIC	**192,271,023**	**89.6%**	**193,751,842**	**85.4%**
TOTAL	**214,699,498**	**100%**	**226,812,217**	**100%**

(a) Partner shareholders refers to the Essilor International shares held by employees, senior managers and, if applicable, former employees and senior managers of companies in which Essilor International held a stake that was subsequently sold in full.

5.2.1.3 History of the share capital

Changes in share capital during the last five years € thousands	Number of shares	Nominal amount	Issue premium	New issued capital	Aggregate number of shares of the Company
SHARE CAPITAL AT DECEMBER 31, 2010				**38,098**	**211,655,342**
Subscription of shares reserved for the Essilor group mutual fund	521,316	94	21,708	38,192	212,176,658
Exercise of subscription options	1,861,638	335	60,996	38,527	214,038,296
Capital increase paid up by capitalizing reserves				38,527	214,038,296
SHARE CAPITAL AT DECEMBER 31, 2011				**38,527**	**214,038,296**
Subscription of shares reserved for the Essilor group mutual fund	385,354	69	21,927	38,596	214,423,650
Exercise of subscription options	2,700,390	486	95,417	39,082	217,124,040
Cancellation of treasury shares	(2,400,000)	(432)	(113,122)	38,650	214,724,040
Capital increase paid up by capitalizing reserves				38,650	214,724,040
SHARE CAPITAL AT DECEMBER 31, 2012				**38,650**	**214,724,040**
Subscription of shares reserved for the Essilor group mutual fund	377,407	68	23,267	38,719	215,101,447
Exercise of subscription options	1,098,051	198	44,800	38,916	216,199,498
Cancellation of treasury shares	(1,500,000)	(270)	(77,530)	38,646	214,699,498
Capital increase paid up by capitalizing reserves				38,646	214,699,498
SHARE CAPITAL AT DECEMBER 31, 2013				**38,646**	**214,699,498**
Subscription of shares reserved for the Essilor group mutual fund	337,182	61	23,451	38,707	215,036,680
Exercise of subscription options	855,848	154	34,840	38,861	215,892,528
Cancellation of treasury shares				38,861	215,892,528
Capital increase paid up by capitalizing reserves				38,861	215,892,528
SHARE CAPITAL AT DECEMBER 31, 2014				**38,861**	**215,892,528**
Subscription of shares reserved for the Essilor group mutual fund	257,057	46	24,901	38,907	216,149,585
Exercise of subscription options	306,855	55	14,531	38,962	216,456,440
Cancellation of treasury shares				38,962	216,456,440
Capital increase paid up by capitalizing reserves				38,962	216,456,440
SHARE CAPITAL AT DECEMBER 31, 2015				**38,962**	**216,456,440**

5.2.1.4 Delegations and authorizations granted to the Board of Directors

Summary of delegations from the Shareholders' Meeting

Summary table of outstanding delegations [1]

Issued capital and unissued authorized capital: the table below summarizes the currently valid delegations granted by the Shareholders' Meetings of May 7, 2014 and May 5, 2015 to the Board of Directors relating to share capital, and indicates the use of these delegations.

Delegation type	Date of Shareholders' Meeting (resolution number)	Term (expiration date)	Maximum amount authorized	Overall use at 12/31/2015
Share capital increases for employees and Executive Board Directors				
Share capital increase reserved for employees	May 5, 2015 (13th)	21 months (February 4, 2017)	1.5% of the share capital (at the issue date)	0.16%
Free share award (performance shares) for employees and Executive Board Directors	May 5, 2015 (14th)	38 months (July 4, 2018)	2.5% of the share capital (at the grant date)	0.62%
Stock subscription options award for employees	May 5, 2015 (15th)	38 months (July 4, 2018)	1% of the share capital (at the grant date)	0.05%
Share capital increases				
Capital increase through a share issue with preferential subscription rights	May 7, 2014 (16th)	26 months (July 6, 2016)	1/3 of the share capital (at the date of the Shareholders' Meeting) €1,500 million for securities borrowing	None
Capital increase through a share issue without preferential subscription rights	May 7, 2014 (17th)	26 months (July 6, 2016)	10% of the share capital (at the date of the Shareholders' Meeting) €1 billion for securities borrowing	None
Greenshoe option (applicable under Resolutions 16, 17 and 20)	May 7, 2014 (18th)	26 months (July 6, 2016)	15% of the initial issue	None
Capital increase in payment for a capital contribution in kind	May 7, 2014 (19th)	26 months (July 6, 2016)	10% of the share capital at the date of the Shareholders' Meeting	None
Award of shares to qualified investors or a small circle of investors (Art. L.411-2 II of the French Monetary and Financial Code)	May 7, 2014 (20th)	26 months (July 6, 2016)	10% of the share capital (at the date of the Shareholders' Meeting) €1.2 billion for securities borrowing	None
Share issue based on price terms alternative to those laid down in Resolutions 17 and 20	May 7, 2014 (21st)	26 months (July 6, 2016)	10% of the share capital (at the date of the Shareholders' Meeting)	None
Overall limit of authorizations without preferential subscription rights or reserved for contributions in kind (Resolutions 17, 18, 19, 20)	May 7, 2014 (22nd)	26 months (July 6, 2016)	10% of the share capital (at the date of the Shareholders' Meeting) This ceiling is deducted from the overall ceiling of one-third of the share capital (Resolution 16)	None
Capital increase through the capitalization of reserves, profit, premiums or other items	May 7, 2014 (23rd)	26 months (July 6, 2016)	€500 million	None
Buyback by the Company of its own shares				
Purchase by the Company of its own shares	May 5, 2015 (12th)	18 months (November 6, 2016)	10% of the share capital at the purchase date	None
Reduction in share capital through the cancellation of shares				
Cancellation of shares acquired by the Company under Article L.225-209 of the French Commercial Code	May 7, 2014 (14th)	24 months (May 6, 2016)	10% of the share capital on the day of cancellation per 24-month period	None

(1) Article L.225-100 of the French Commercial Code.

Financial authorizations to be put to the vote at the Extraordinary Shareholders' Meeting of May 11, 2016

The Board of Directors is seeking authorization from the Shareholders' Meeting to issue new shares for cash and, where applicable, award free shares or securities giving access to the share capital to employees, in accordance with the law and pursuant to Articles L.225-129, L.225-129-6 and L.225-138 of the French Commercial Code and Article L.3332-18 of the French Labor Code. These issues and grants would be reserved for members of a company savings plan, and shares issued under this authorization would not exceed the equivalent of 1.5% of the capital at the time of each issue. The duration would be 21 months.

Furthermore, the Board of Directors is proposing to renew the existing financial authorizations which were approved by the Shareholders' Meeting of May 7, 2014 and which are due to expire. None of these delegations of authority for share capital increases may be used while a takeover bid for the Company is in progress.

Generally speaking, these resolutions fall into two broad categories:

- resolutions which would involve share capital increases with preferential subscription rights; and
- resolutions which would involve share capital increases without preferential subscription rights (including by means of a public offering or a private placement, subject to a limit of 10%, in consideration of a contribution in kind granted to the Company).

The Board is also proposing to submit a resolution for shareholder approval which involves the delegation of powers granted to the Board to effect capital increases through the capitalization of reserves, profits or premiums, subject to a limit of €500 million.

For information about the proposed renewal of the share buyback program, to be put to the vote at the Shareholders' Meeting of May 11, 2016, see Section 5.2.2.3 "Share buyback programs."

5.2.2 Essilor shares

The Essilor share trades on Euronext Paris – Euronext – Local stocks – Compartment A, under ISIN and Euronext code FR0000121667. The shares are eligible for the deferred settlement service (SRD).

The Essilor share is included in the following indices: CAC 40, SBF 120, CAC All-Tradable, Euronext 100, EURO STOXX 50, STOXX All Europe 100 and FTSEurofirst 300.

The Essilor share is also included in three indices that specialize in socially responsible investment (SRI indices):

- FTSE4Good, published by the Financial Times and the London Stock Exchange (FTSE);
- Ethibel Excellence index;
- ECPI Ethical Index EURO index.

Essilor is included in the Euronext FAS IAS Index launched by Euronext and the Fédération Française des Associations d'Actionnaires Salariés et d'Anciens Salariés (FAS). This is composed of all stocks in the CAC All-Tradable Index with a significant employee shareholder base, *i.e.* where at least 3% of the share capital is held by more than one-quarter of the employees. For more information about employee share ownership, refer to Section 5.2.6.3.

The shares are freely transferable and cannot be jointly owned.

5.2.2.1 Key stock market data

(Source: Reuters, Bloomberg and Euronext)

	Share price (€)			Number of outstanding shares at December 31	Market capitalization at December 31 [(a)] (€ millions)
	Session high	Session low	Closing price		
2015	**125.15**	**88.72**	**115.05**	**216,456,440**	**22,379**
2014	93.26	70.51	92.68	215,892,528	17,942
2013	89.99	71.90	77.28	214,699,498	14,882
2012	78.24	54.50	76.02	214,724,040	14,578
2011	57.72	46.61	54.55	214,038,296	10,968
2010	51.17	40.84	48.18	211,655,342	9,741
2009	42.00	26.08	41.75	215,509,972	8,395
2008	44.39	26.87	33.57	211,019,922	7,065

(a) Used in the CAC40 index.

5.2.2.2 Share prices and trading volumes

(Sources: Bloomberg, Reuters and Euronext Paris)

Stock markets: Euronext Paris, Turquoise, Bats Europe, Chi-x Alternative, Equiduct, London Stock Exchange, SmartPool, Acquis Exchange and XAQU.

	Trading volume (millions of shares)	Trading volume, in capital (€ millions)	Share price, (€)	
			Session high	Session low
2014				
September	25.08	2,200	87.90	80.60
October	29.99	2,486	88.55	76.65
November	16.55	1,452	90.36	85.29
December	19.68	1,758	93.26	82.75
2015				
January	24.71	2,368	100.50	88.72
February	21.32	2,106	104.45	93.87
March	16.43	1,744	109.35	102.15
April	16.30	1,815	115.80	105.15
May	16.26	1,780	114.35	104.40
June	19.95	2,169	114.15	103,00
July	20.64	2,350	121.10	103.35
August	20.49	2,227	119.25	95.01
September	23.01	2,475	111.95	102.45
October	19.05	2,124	120.90	105,00
November	14.25	1,822	124.55	118.10
December	18.81	2,195	125.15	111.70
2016				
January	19.94	2,214	114.35	106.20

5.2.2.3 Share buyback programs

In May 2015, the Shareholders' Meeting renewed the Board of Directors' authorization to buy back its own ordinary shares representing up to 10% of the Company's share capital on the date of purchase, as allowed under Articles L.225-209 *et seq.* of the French Commercial Code, for a term of 18 months expiring on November 6, 2016.

Pursuant to the provisions of Article L.225-211 of the French Commercial Code as amended by Order No. 2009-105 of January 30, 2009, the Board of Directors states that there were no share buybacks during the 2015 fiscal year.

At December 31, 2015, Essilor held 2,860,098 treasury shares, representing 1.32% of the share capital. The par value of these shares was €514,817.64 and their book value was €222.3 million (*i.e.* an average net cost of €77.73 per share).

Liquidity contract

The Company was not a party to any liquidity contracts in 2015.

Share buybacks

In accordance with Article L.225-211 of the French Commercial Code as amended by Order 2009-105 of January 30, 2009, no shares were reallocated in 2015.

	2015
	Treasury shares
Number of shares at start of period – January 1	**3,959,921**
Stock purchase options exercised	
Delivery of performance shares	(1,099,823)
Delivery of convertible bonds	
Cancellation of treasury shares	
Purchase of treasury shares	
Number of shares at end of period – December 31	**2,860,098**

Position at January 31, 2016	
Percentage of capital held directly and indirectly	1.32%
Number of shares canceled in the last 24 months	0
Number of shares held in portfolio	2,860,098
Book value of portfolio (€)	222,302,668
Market value of portfolio [(a)] (€)	327,052,206

(a) Based on the closing price on January 31, 2016.

	Total gross flows from March 1, 2015 to January 31, 2016			Open positions at January 31, 2016					
	Purchases	Sales	Cancellations	Open buy positions			Open sell positions		
				Calls bought	Puts sold	Forward purchases	Calls bought	Puts sold	Forward sales
Number of shares									
Maximum average maturity									
Average transaction price, (€)									
Total amount, (€)									

Renewal of the financial authorization to implement a share buyback program

In accordance with Article 241-2 of the AMF General Regulations, the Shareholders' Meeting of May 11, 2016 is asked to renew the authorization to buy back shares solely for the purposes set out below. The actual order in which the buyback authorization will be used will be based on needs and opportunities.

The main objectives of the program will be:

- to hedge the stock purchase option plans or other allotments of shares intended for employees, including the award of bonus shares set forth in Articles L.225-197-1 *et seq*. of the French Commercial Code, in favor of Group senior managers and employees;
- to buy shares for cancellation, notably in order to offset the dilutive impact of the exercise of stock subscription options by Group senior managers and employees;
- to potentially hedge debt securities that can be converted into or exchanged for Company shares, by buying shares for delivery (in the case of delivery of existing shares when exercising the conversion right) or by buying shares for cancellation (in the case of new shares created when exercising the conversion right);
- to support the price of the shares under a liquidity contract that complies with the AMAFI Code of Ethics endorsed by the Autorité des Marchés Financiers;
- the subsequent use of the shares in exchange or presentation as consideration for future external growth operations up to a maximum of 5% of the share capital;
- to implement any market practice that may be acknowledged by regulations or the Autorité des Marchés Financiers.

The shares held under the buyback program may not represent more than 10% of the Company's share capital at any given time.

Main characteristics of the new buyback program:

- securities concerned: Essilor International ordinary shares (traded on Euronext Paris in Compartment A);
- maximum percentage of the share capital that may be held according to the resolution tabled at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 11, 2016: 10% of the share capital, or, for example, 21,645,644 shares based on the share capital as at December 31, 2015;
- maximum percentage of the share capital that may be bought back, taking into account the number of treasury shares held as at December 31, 2015: 8.68% of the share capital, or, for example [21,645,644 – 2,860,098 = 18,785,546] shares based on the share capital as at December 31, 2015;
- maximum purchase price per share: €145 (as adjusted if necessary to take into account the effects of any transactions involving the share capital).

The shares may be purchased, sold or transferred and paid for by any appropriate method on the regulated market or over the counter (including through straight purchases, or the use of financial instruments or derivatives or the implementation of options strategies). The entire share buyback program may be carried out through a block purchase.

The authorization is being sought for a maximum term of 18 months expiring on November 10, 2017.

5.2.2.4 Share cancellations and capital reductions

The Combined Shareholders' Meeting of the Company of May 7, 2014 authorized the Board of Directors to reduce the share capital by canceling all or some of the treasury shares held by the Company, provided that the number of shares canceled during any 24-month period does not exceed 10% of the total share capital. In 2015, Essilor International did not cancel any shares.

The renewal of this authorization, which expires on May 6, 2016, will be submitted for the approval of the Combined Shareholders' Meeting of May 11, 2016.

5.2.3 Essilor stock and rights held by members of the management, governance and supervisory bodies

Position at December 31, 2015

	Employees and corporate officers – Members of the Board of Directors				
	Hubert SAGNIÈRES	Yi HE	Juliette FAVRE	Maureen CAVANAGH	Franck HENRIONNET
Shares	317,155	22,477	2,481	2,025	2,008
Rights to performance shares					
• November 24, 2011					
• November 27, 2012		2,000		1,200	150
• December 14, 2012					
• November 25, 2013	45,000	2,200		2,000	
• December 20, 2013					
• November 25, 2014	40,000	2,200	900	2,000	50
• December 19, 2014			20		20
• December 2, 2015	35,000	1,870	765	1,700	85
• December 18, 2015			20		20

Independent Directors

At December 31, 2015, the Independent Directors did not hold any stock subscription options or rights to performance shares. They held 11,033 Essilor shares.

5.2.4 Stock subscription options

Stock subscription options, if exercised, trigger the issuance of new ordinary shares in Essilor.

As at December 31, 2015, the total number of shares that may be created as a result of stock subscription options exercised was 603,631.

The subscription price is equal to the average of the opening prices quoted for the Company's shares over the twenty trading days preceding the Board of Directors' decision to grant the options.

Under capped plans, the maximum profit that can be made by each grantee is capped at 100% of the value of the options granted.

Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as the performance shares described in Section 5.2.5) and can be canceled if the target is not met.

Grant date [a]	Number of options granted	Granted to Executive Committee	Subscription price (€)	**Number of options outstanding at December 31, 2015**	Number of options outstanding at January 31, 2016
November 27, 2008 [b]	1,568,080	430,000	33.17		
November 26, 2009 [b]	1,579,120	314,160	38.96	153,207	144,417
November 25, 2010 [b]	634,760		48.01	83,900	80,084
November 24, 2011 [b]	85,620		52.27	12,295	10,135
November 27, 2012 [b]	81,760		71.35	55,778	54,723
November 25, 2013 [b]	87,880		77.29	78,578	78,203
November 25, 2014 [b]	121,505	21,000	87.16	119,850	119,710
December 2, 2015 [b]	100,023	13,500	121.32	100,023	100,023
TOTAL	**4,258,748**	**778,660**		**603,631**	**587,295**

(a) Plans prior to that of November 27, 2008 no longer have stock subscription options outstanding.
(b) Capped performance plans.

The position regarding stock subscription options is presented below:

Information is provided only for those award plans for which options are currently outstanding.

	At December 31, 2015	**o/w in 2015**	At January 31, 2016	o/w in 2016
Rights granted [a]	4,258,748	100,023	4,258,748	
Rights canceled [a]	552,631	89,671	556,129	3,498
Rights exercised [a]	3,102,486	306,855	3,115,324	12,838
Rights outstanding [a] et [b]	603,631		587,295	

(a) Plans from November 27, 2008 to December 2, 2015.
b) i.e. 0.28% of the share capital at December 31, 2015.

5.2.5 Performance shares

If the rights to performance shares are exercised, grantees will be awarded either existing or new ordinary shares in Essilor.

At its meeting of November 22, 2006, the Board of Directors decided to set up the Company's first performance share award plan. The decision was preceded by an assessment of the benefits of this type of plan. The conclusions from this assessment were as follows:

- the potential dilutive impact of performance shares is less than half that of stock subscription options offering an equivalent potential gain;
- the grant system makes it easier for grantees to keep their shares, unlike shares acquired on exercise of stock subscription (or purchase) options, some or all of which are almost always sold by the grantees to finance the exercise price;
- the terms of the performance share awards are designed to ensure that the potential gain for grantees is as close as possible to that for holders of stock options. The performance shares are subject to vesting conditions based on growth in the Company's share price to ensure that the interests of grantees converge with those of shareholders.

5.2.5.1 Vesting conditions for shares and holding obligation

Essilor's long-term compensation plans were designed to encourage the alignment of the interests of employee shareholders and external shareholders.

Performance shares awarded between 2006 and 2015 inclusive are governed by performance share plan regulations with conditions that have changed since 2006.

Since 2010, the final award of performance shares is contingent on:

- a performance condition based on the progress of the trading price of the share measured over several years;
- an employment condition in order to guarantee the long-term commitment of the grantees and their loyalty to the Company;
- an obligation to hold vested shares to strengthen the convergence between the interests of employee shareholders and external shareholders;
- stricter conditions for corporate officers.

Performance condition

For the 2012 to 2014 plans, the vesting of shares and the number of shares vested are subject to a performance condition based on the annualized growth of the Essilor share price over a period of between two and six years (from N+2 to N+6) from their grant date:

At the time they are awarded, the Initial Reference Share Price (equal to the average of the 20 opening prices preceding the grant date) is determined.

Two years after the award (N+2), an Average Share Price is calculated, equal to the average of the opening prices for the three months preceding the date of the second anniversary of the award.

2015 plans: the vesting of shares and the number of shares vested are subject to a performance condition based on the annualized growth of the Essilor share price over a period of between three and six years (from N+3 to N+6) from their grant date:

At the time they are awarded, the Initial Reference Share Price (equal to the average of the 20 opening prices preceding the grant date) is determined.

Three years after the award (N+3), an Average Share Price is calculated, equal to the average of the opening prices for the three months preceding the date of the third anniversary of the award.

If the increase between the Average Share Price and the Initial Reference Share Price is:

- **greater than 22.5%** (i.e., annualized growth [1] of 7%), all shares initially awarded will vest provided that the employment condition is met (detailed in the section "Employment condition");
- **between 6.1% and 22.5%** (corresponding to annualized growth [1] of between 2% and 7%), some of the shares initially awarded will vest provided that the employment condition is also met (detailed in the section "Employment condition");
- **less than 6.1%** (i.e., annualized growth of less than 2%), no shares will vest. In this case, a further performance assessment will be carried out three months later with annualized share price benchmarks of between 2% and 7%. This measurement of performance may be repeated until the sixth anniversary of the grant date (N+6).

The first time that the annualized increase between the Average Share Price and the Initial Reference Share Price crosses the 2% threshold (as an annualized increase) is when the number of shares vested is determined, even if the annualized increase subsequently rises. Over time, the minimum threshold (growth of the share price) to be reached in order to receive a minimum number of Essilor shares will increase: 6.1% at N+3, 8.2% at N+4... and 12.6% at N+6.

If, at the end of N+6, the minimum threshold of a 12.6% rise in the trading price has not been achieved, the plan becomes null and void and the employees will not receive any Essilor shares.

Employment condition

Plans from 2012 to 2014: for French tax residents, the award of shares is subject to the grantee's employment with the Group on the date the performance condition is achieved, which may occur between the second anniversary and the sixth anniversary of the award.

For non-French tax residents, the employment condition is set at:

- the fourth anniversary of the award if the achievement of the performance condition occurs between the second and fourth anniversary;
- on the date that the performance condition is met, if that day occurs after the fourth anniversary of the award.

2015 plans: for French tax residents, the award of shares is subject to the grantee's employment with the Group on the date the performance condition is achieved, which may occur between the third anniversary and the sixth anniversary of the award.

For non-French tax residents, the employment condition is set at:

- the fourth anniversary of the award if the achievement of the performance condition occurs between the third and fourth anniversary;
- on the date that the performance condition is met, if that day occurs after the fourth anniversary of the award.

This employment condition is waived in the event of the grantee's death, disability, lay-off or retirement of the beneficiary.

Holding condition

Plans from 2012 to 2014: Once the performance condition is achieved, the shares acquired must be kept. French tax residents may sell the shares acquired no earlier than the sixth anniversary of the initial award. For non-French tax residents, half of the shares acquired must be kept for a minimum period of two years, and the other half may be sold immediately for payment of taxes. Refer also to Note 6 to the consolidated financial statements (Section 3.4).

2015 Plans: Once the performance condition is achieved, the shares acquired must be kept. French tax residents may sell the shares acquired no earlier than the fifth anniversary of the initial award. All shares acquired are available to non-French tax residents. Refer also to Note 6 to the consolidated financial statements (Section 3.4).

(1) For the 2012 to 2014 plans: Calculation formula: (Average Price/Initial Price)^(1/N) -1 where N is the number of years between the award and the performance measurement date. N =2 then, if the performance condition is not achieved, 2.25 and so on up to a maximum of six.
2015 plan: Calculation formula: (Average Price/Initial Price)^(1/N) -1 where N is the number of years between the award and the performance measurement date. N =3 then, if the performance condition is not achieved, 3.25 and so on up to a maximum of six.

5.2.5.2 Outstanding rights to performance shares

Grant date [a]	Number of rights granted	Granted to Executive Committee	Initial reference share price (used to measure performance) (€)	**Number of outstanding rights at December 31, 2015**	Number of outstanding rights at January 31, 2016
November 25, 2010	893,458	341,800	48.01		
December 20, 2010	74,355	195	48.01		
November 24, 2011	1,193,189	346,800	52.27		
December 21, 2011	74,445	195	52.27		
November 27, 2012	1,176,340	335,500	71.35	552,840	552,440
December 14, 2012	98,640	280	71.35	280	280
November 25, 2013	1,279,460	347,500	77.29	720,070	718,870
December 20, 2013	96,880	280	77.29	300	300
November 25, 2014	1,448,464	404,000	87.16	1,421,294	1,419,044
December 19, 2014	96,440	300	87.16	88,220	87,960
December 2, 2015	1,251,533	315,650	121.32	1,251,533	1,250,713
December 18, 2015	91,620	300	121.32	91,620	91,400
TOTAL	**7,774,824**	**2,092,800**		**4,126,157**	**4,121,007**

(a) Plans prior to that of November 24, 2011 no longer have any rights to performance shares to vest.

Rights to performance shares are presented below:

	At December 31, 2015	o/w in 2015	At January 31, 2016	o/w in 2016
Rights granted [a]	7,774,824	1,343,153	7,774,824	
Rights canceled [a]	378,992	138,432	384,032	5,040
Rights exercised [a]	3,269,675	1,099,823	3,269,785	110
Rights outstanding [a] and [b]	4,126,157		4,121,007	

(a) Plans from November 25, 2010 to December 2, 2015.
(b) i.e. 1.91% of the share capital at December 31, 2015.

5.2.5.3 Grant and exercise of stock options during the year

Granted and exercised: • stock subscription options; • stock purchase options; • rights to performance shares; granted to employees other than Non-Executive Board Directors.	Total number	Weighted Average Price (€)	Maturity date	Related plans
Options granted in fiscal year 2015 by the issuer or by any company in the scope of the stock option grants, to the ten employees of the issuer and of any company in this scope, with the highest number of stock options granted (comprehensive data)	43,549	(121.32)	12/02/2022	12/02/2015
Rights to performance shares granted in fiscal year 2015 by the issuer or by any company in the scope of the stock option grants, to the ten employees of the issuer and of any company in this scope, with the highest number of stock options granted (comprehensive data)	181,270	(121.32)	12/02/2020 or 12/02/2023 and 12/18/2020 or 2023	12/02/2015 and 12/18/2015
Options held on the aforementioned issuer and companies, **exercised in fiscal year 2015**, by the ten employees of the issuer and of any company in this scope, with the highest number of stock options granted (comprehensive data)	(52,359)	(49.29)		11/25/2010 11/24/2011

5.2.5.4 History of awards of stock subscription options and rights to performance shares

For more information about performance shares, also refer to Section 5.2.5 "Performance shares."

Plan	27/11/2008	26/11/2009	25/11/2010
Date of the Shareholders' Meeting	May 11, 2007	May 11, 2007	May 11, 2010
Date of the Board of Directors' meeting	November 27, 2008	November 26, 2009	November 25, 2010
Type of plan	Capped performance share subscription options plan [(a)]	Capped performance share subscription options plan [(a)]	Capped performance share subscription options plan [(a)]
Total number of shares that can be subscribed or bought	Maximum 1,568,080	Maximum 1,579,120	Maximum 634,760
By corporate officers	320,000	230,000	
• Philippe Alfroid	100,000		
• Xavier Fontanet	120,000	80,000	
• Hubert Sagnières	100,000	150,000	
By the ten largest employee beneficiaries	170,000	194,000	75,000
Exercise start date	November 29, 2010	November 28, 2011	November 26, 2012
Expiration date	November 27, 2015	11/26/2016 or 2017	November 25, 2017
Subscription or purchase price (€)	33,170	38,960	48,010
Number of beneficiaries	2,286	2,412	1,362
Terms of exercise	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.
Number of shares subscribed atDecember 31, 2015	1,295,494	1,235,531	485,992
Subscription options or rights toperformance shares canceled	272,586	190,382	64,868
Remaining subscription options orrights to performance shares		153,207	83,900

(a) Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as performance shares) and can be canceled if the target is not met.

(b) The vesting of stock subscription options is contingent on a performance condition based on the annualized growth in the Essilor share price. A second performance condition applies specifically to Executive Board Directors: the number of options that vest may be reduced in the event that the average rate of target achievement for the variable component is less than 100%.

Plan	25/11/2010	20/12/2010	24/11/2011	24/11/2011	21/12/2011
Date of the Shareholders' Meeting	May 11, 2010	May 11, 2010	May 11, 2010	May 11, 2010	May 11, 2010
Date of the Board of Directors' meeting	November 25, 2010	November 25, 2010	November 24, 2011	November 24, 2011	November 24, 2011
Type of plan	Rights to performance shares	Rights to performance shares (Group plan for France)	Capped performance share subscription options plan (a)	Rights to performance shares	Rights to performance shares (Group plan for France)
Total number of shares that can be subscribed or bought	Maximum 893,458	Maximum 74,355	Maximum 85,620	Maximum 1,193,189	Maximum 74,445
By corporate officers					
• Xavier Fontanet	45,000	15		50,000	
• Hubert Sagnières	45,000	15		50,000	
By the ten largest employee beneficiaries	200,000	150	28,300	180,000	150
Exercise start date	Residents: 26/11/2012 Non-residents: 25/11/2014	Residents: December 20, 2012 Non-residents: 23/12/2014	November 25, 2013	November 25, 2013 or 2015 (b)	December 21, 2013 (c)
Plan end date	November 25, 2016 or 2018	December 20, 2016 or 2018	November 24, 2018	November 25, 2017 or 2019	December 21, 2017 or 2019
Subscription or purchase price (€)			52,270		
Number of beneficiaries	3,116	4,957	232	5,037	4,963
Terms of exercise	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until November 25, 2016 or 2018, depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from November 25, 2016 or 2018 depending on vesting date.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until December 20, 2016 or 2018, depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from December 20, 2016 or 2018 depending on vesting date.	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until November 24, 2017 or 2019, depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from November 24, 2017 or 2019 depending on vesting date.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until December 21, 2017 or 2019, depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from December 21, 2017 or 2019 depending on vesting date.
Number of shares subscribed at December 31, 2015	836,688	68,625	61,750	1,093,157	66,435
Subscription options or rights to performance shares canceled	56,770	5,730	11,575	100,032	8,010
Remaining subscription options or rights to performance shares			12,295		

(a) Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as performance shares) and can be canceled if the target is not met.

(b) Shares will be granted to residents provided that the estimated annualized Average Price is 2% higher than €52.27.
For non-residents, shares may be awarded no earlier than November 24, 2015.

(c) Shares will be granted to residents provided that the estimated annualized Average Price is 2% higher than €52.27.
For non-residents, shares may be awarded no earlier than December 21, 2015.

Plan	27/11/2012	27/11/2012	14/12/2012	25/11/2013	25/11/2013
Date of the Shareholders' Meeting	May 11, 2012	May 11, 2012	May 11, 2012	May 11, 2012	May 11, 2012
Date of the Board of Directors' meeting	November 27, 2012	November 27, 2012	November 27, 2012	November 25, 2013	November 25, 2013
Type of plan	Capped performance share subscription options plan [(a)]	Rights to performance shares	Rights to performance shares (Group plan for France)	Capped performance share subscription options plan [(a)]	Rights to performance shares
Total number of shares that can be subscribed or bought	Maximum 81,760	Maximum 1,176,340	Maximum 98,640	Maximum 87,880	Maximum 1,279,460
By corporate officers					
• Xavier Fontanet		45,000	20		45,000
• Hubert Sagnières		45,000	20		45,000
By the ten largest employee beneficiaries	32,900	193,750	120	34,350	201,500
Exercise start date	November 27, 2014	Residents: November 27, 2014 Non-residents: November 27, 2016 [(c)]	Residents: December 15, 2014 Residents: December 15, 2014 [(d)]	November 25, 2015 [(e)]	November 25, 2015 [(f)]
Plan end date	November 27, 2019	November 27, 2018 or 2020	December 14, 2018 or 2020	November 25, 2020	November 25, 2019 or 2021
Subscription or purchase price (€)	71,350			77.29	NS [(b)]
Number of beneficiaries	216	5,035	4,932	248	5,775
Terms of exercise	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until November 27, 2018 or 2020, depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from November 27, 2018 or 2020 depending on vesting date.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until December 14, 2018 or 2020, depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from December 14, 2018 or 2020 depending on vesting date.	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years. Cancellation possible.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until November 25, 2019 or 2021, depending on vesting date. Residents: Award subject to performance. Cancellation possible. Sellable from November 25, 2019 or 2021 depending on vesting date.
Number of shares subscribed at December 31, 2015	19,017	548,700	88,100	4,562	480,550
Subscription options or rights to performance shares canceled	6,965	74,800	10,260	4,740	78,840
Remaining subscription options or rights to performance shares	55,778	552,840	280	78,578	720,070

(a) Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as performance shares) and can be canceled if the target is not met.

(b) If performance shares are granted, they will be allocated out of the Company's treasury shares.

(c) For non-residents, shares may be awarded no earlier than November 27, 2016.

(d) For non-residents, shares may be awarded no earlier than December 14, 2016.

(e) Options will be granted provided that the estimated annualized Average Price is 2% higher than €77.29.

(f) Shares will be granted to residents provided that the estimated annualized Average Price is 2% higher than €77.29.
For non-residents, shares may be awarded no earlier than November 25, 2017.

Plan	20/12/2013	25/11/2014	25/11/2014	19/12/2014
Date of the Shareholders' Meeting	May 11, 2012	May 11, 2012	May 11, 2012	May 11, 2012
Date of the Board of Directors' meeting	November 25, 2013	November 25, 2014	November 25, 2014	November 25, 2014
Type of plan	Rights to performance shares (Group plan for France)	Capped performance share subscription options plan [(a)]	Rights to performance shares	Rights to performance shares (Group plan for France)
Total number of shares that can be subscribed or bought	Maximum 96,880	Maximum 121,505	Maximum 1,448,464	Maximum 96,440
By corporate officers				
• Xavier Fontanet	20		40,000	
• Hubert Sagnières	20		40,000	
By the ten largest employee beneficiaries	120	59,900	238,600	200
Exercise start date	December 20, 2015 [(c)]	November 25, 2016 [(d)]	November 25, 2016 [(e)]	December 19, 2016 [(f)]
Plan end date	December 20, 2019 or 2021	November 25, 2021	November 25, 2020 or 2022	December 19, 2020 or 2022
Subscription or purchase price (€)	NS [(b)]	87.16	NS [(b)]	NS [(b)]
Number of beneficiaries	4,844	256	6,410	4,822
Terms of exercise	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until December 20, 2019 or 2021, depending on vesting date.	Non-residents and residents: cannot exercise until performance is achieved. Then up to 50% in the third year and the remainder in subsequent years.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until November 25, 2020 or 2022, depending on vesting date.	Non-residents: Award subject to performance. Cancellation possible. 50% sellable at award, 50% locked in until December 19, 2020 or 2022, depending on vesting date.
	Residents: Award subject to performance. Cancellation possible. Sellable from December 20, 2019 or 2021 depending on vesting date.	Cancellation possible.	Residents: Award subject to performance. Cancellation possible. Sellable from November 25, 2020 or 2022 depending on vesting date.	Residents: Award subject to performance. Cancellation possible. Sellable from December 19, 2020 or 2022 depending on vesting date.
Number of shares subscribed at December 31, 2015	86,020	140 [(g)]	500 [(h)]	900
Subscription options or rights to performance shares canceled	10,560	1,515	26,670	7,320
Remaining subscription options or rights to performance shares	300	119,850	1,421,294	88,220

(a) Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as performance shares) and can be canceled if the target is not met.

(b) If performance shares are granted, they will be allocated out of the Company's treasury shares.

(c) Shares will be granted to residents provided that the estimated annualized Average Price is 2% higher than €77.29. For non-residents, shares may be awarded no earlier than December 20, 2017.

(d) Options will be granted provided that the estimated annualized Average Price is 2% higher than €87.16.

(e) Shares will be granted to residents provided that the estimated annualized Average Price is 2% higher than €87.16. For non-residents, shares may be awarded no earlier than November 25, 2018.

(f) Shares will be granted to residents provided that the estimated annualized Average Price is 2% higher than €87.16. For non-residents, shares may be awarded no earlier than December 19, 2018.

(g) In the event of death or incapacity, all options may be exercised immediately.

(h) Shares vested due to death or incapacity.

Plan	02/12/2015	02/12/2015	18/12/2015
Date of the Shareholders' Meeting	May 5, 2015	May 5, 2015	May 5, 2015
Date of the Board of Directors' Meeting	December 2, 2015	December 2, 2015	December 18, 2015
Type of plan	Capped performance share subscription options plan (a)	Rights to performance shares	Rights to performance shares (Group plan for France)
Total number of shares that can be subscribed or bought	Maximum 100,023	Maximum 1,251,533	Maximum 91,620
By corporate officers			
• Xavier Fontanet		35,000	
• Hubert Sagnières		35,000	
By the ten largest employee beneficiaries	43,549	181,170	100
Exercise start date	December 2, 2018 (c)	December 2, 2018 (d)	December 18, 2018 (e)
Plan end date	December 2, 2022	December 2, 2020 or 2023	December 18, 2020 or 2023
Subscription or purchase price (€)	121.32	NS (b)	NS (b)
Number of beneficiaries	283	6,744	4,581
Terms of exercise	Non-residents and residents: cannot exercise until performance is achieved. Then up to 100% in the fourth year. Cancellation possible.	Non-residents: Award subject to performance. Cancellation possible. 100% sellable from award to December 2, 2019 or 2021 depending on vesting date. Residents: Award subject to performance. Cancellation possible. 100% sellable from December 2, 2020 or 2023 depending on vesting date.	No non-residents on this plan. Residents: Award subject to performance. Cancellation possible. 100% sellable from December 18, 2020 or 2023 depending on vesting date
Number of shares subscribed at December 31, 2015			
Subscription options or rights to performance shares canceled			
Remaining subscription options or rights to performance shares	100,023	1,251,533	91,620

(a) Capped performance plans are, additionally, conditional on share price performance (like performance shares) and may be cancelled if targets are not reached.
(b) If performance shares are awarded, they are taken from the Company's existing treasury shares.
(c) Options will be granted provided that the estimated annualized Average Price is 2% higher than €121.32.
(d) Shares will be granted to residents provided that the estimated annualized Average Price is 2% higher than €121.32.
For non-residents, shares may be awarded no earlier than December 2, 2019.
(e) Shares will be granted to residents provided that the estimated annualized Average Price is 2% higher than €121.32.

5.2.6 Stock ownership

Fully paid-up shares may be held in either registered or bearer form, at the shareholder's discretion.

The Company may, at any time, subject to compliance with the applicable laws and regulations, request information from the clearing organization about the numbers of securities held as well as the name, corporate name, nationality, year of birth or year of formation of holders of securities that, now or in the future, carry the right to vote at Shareholders' Meetings.

To the Company's knowledge, there are no shareholders that directly, indirectly or in concert, hold 5% or more of the voting rights.

Breaches of legal thresholds:

In 2015, BlackRock Inc. reported that it had breached upwards and downwards the 5% limit on Essilor International capital.

Date of breach	Upwards/downwards	% of share capital	% of voting rights
2015/12/8	Upwards	5.01	4.66
2015/12/10	Downwards	4.99	4.64
2015/12/11	Upwards	5.03	4.67
2015/12/14	Downwards	4.97	4.62
2015/12/18	Upwards	5.11	4.75
2015/12/22	Downwards	4.98	4.63

5.2.6.1 Different voting rights

As from June 22, 1974, double voting rights have been attributed to all fully paid-up shares registered in the name of the same holder for at least two years.

The holding period was raised to five years at the Extraordinary Shareholders' Meeting of June 11, 1983, and reduced to two years at the Extraordinary Shareholders' Meeting of March 3, 1997.

In the case of a capital increase through the capitalization of reserves, profits or issue premiums, the registered bonus shares awarded to a shareholder in respect of existing shares with double voting rights also carry double voting rights.

If the Company is merged with and into another company, the double voting rights will be exercisable at Shareholders' Meetings of the absorbing company, provided that the bylaws of the latter include double voting right provisions.

If any registered shares are converted to bearer shares or transferred to another shareholder, the double voting right on those shares is forfeited.

However, double voting rights will not be forfeited if registered shares are transferred by way of succession, or liquidation of marital estate, or gift between spouses or to a relative in the direct line of succession, and such change of ownership is not taken into account in determining the two-year minimum holding period referred to above.

In accordance with the law, double voting rights may not be abolished by an Extraordinary Shareholders' Meeting unless this decision is first approved by a special meeting of holders of shares with double voting rights.

At December 31, 2015, the Company's bylaws did not contain any restrictions on the exercise of voting rights.

5.2.6.2 Arrangements resulting in a change in control of the Company and shareholders' pacts

Contracts that could have an impact in the event of a public offering as set forth in Article L.225-100-3 of the French Commercial Code:

- the joint venture agreement with Nikon Corporation contains a clause allowing Nikon to acquire Essilor's 50% stake in the Nikon-Essilor joint venture or to require the joint venture to be wound up following a change of control of Essilor International, subject to certain conditions;
- the agreements covering the Company's bank facilities also include a change of control acceleration clause.

Other items that could have an impact in the event of a public offering as set forth in Article L.225-100-3 of the French Commercial Code:

- employees and partners hold 8.3% of the Company's share capital and 14.3% of the voting rights. They may exercise these voting rights directly or give proxy to the representatives of the Essilor seven-year FCPE and representatives of the Valoptec Association.

To the best of the Company's knowledge, there are no shareholders' pacts, preemptive rights agreements or other agreements that may, at a subsequent date, result in a change in control of the Company.

5.2.6.3 Employee shareholding

Represented and managed independently and autonomously throughout the world by Valoptec Association, a French non-profit association, Essilor's strong network of active employee shareholders provides the Company with major leverage to achieve sustainable performance, strategic alignment and operating excellence.

The Group actively encourages employee savings. It offers various possibilities for investment in plans or funds in various countries.

As a result, 17,418 Group employees currently hold Essilor shares. They represent 8.2% of the share capital and 14% of the voting rights.

Employees of the Essilor group may become shareholders in various ways.

Employee stock ownership plans

Employees of the Essilor group may become shareholders by purchasing, through various stock purchase plans, shares held directly, units in French Purchasing Stock Plans (FCPE) mutual funds or shares held outside of France.

These shares or units are generally purchased with the financial help of the Group subsidiary concerned and are either issued through a capital increase or bought directly on the market. The shares are subject to a locking period of between two and seven years, depending on the country.

- FCPEs affected: FCPE Valoptec International, Essilor group five-year FCPE, Essilor group seven-year FCPE, FCPE Essilor International.
- Shareholdings outside of France: Essilor Shareholding Plan (USA), Australian Shareholding Plan, Share Incentive Plan (UK), Irish Shareholding Plan, ESPP Korea.

- Direct share purchase plans: Austria, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Finland, Germany, Hong Kong, Hungary, India, Indonesia, Ireland, Italy, Laos, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Portugal, Romania, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Arab Emirates and the United Kingdom.

Stock options

Employees can also acquire shares by exercising stock subscription (or purchase) options. For French employees, the exercise price may be paid by funds released from the Corporate Savings Plan; in which case the shares are registered in the employee's name and then locked in for five years in the plan.

Performance shares

The various performance share plans will also enable employees to receive and hold Essilor shares, provided that the vesting conditions–based on the Essilor share performance – specified in the plans' rules are met.

5.2.7 Dividend policy

The Company has not established a dividend policy. Every year, the dividend is recommended by the Board of Directors for approval by the Shareholders' Meeting.

2016 dividend in respect of fiscal year 2015

For fiscal year 2015, the Board of Directors will recommend to the Shareholders' Meeting of May 11, 2016, an 8.8% increase in the net dividend to €1.11 per share from €1.02 per share for the previous year.

The recommended dividend represents almost one third of consolidated net profit attributable to Group equity holders and reflects the Group's solid performance in 2015.

The dividend will be paid on or after June 8, 2016, in cash or in shares, at the shareholder's discretion.

History of the overall dividend distribution and growth

Total dividends for 2015 and the previous six years were as follows:

€ millions	Net profit attributable to Group equity holders	Amount distributed	Ratio (payout ratio)	Net dividend (€)	Date of payment
2015	757	237 (a)	31%	1.11 (a)	June 8, 2016
2014	642 (b)	216	34%	1.02	May 21, 2015
2013	593	198	33%	0.94	May 27, 2014
2012	584	185	32%	0.88	June 4, 2013
2011	506	177	35%	0.85	May 29, 2012
2010	462	173	37%	0.83	May 19, 2011
2009	391	148	37%	0.70	May 28, 2010

(a) Based on treasury shares at January 31, 2016 and subject to the decision of the Shareholders' Meeting of May 11, 2016.
(b) Adjusted for non-recurring items relating primarily to the acquisition, in 2014, of Transitions Optical, Coastal and Costa and, in 2013, of Xiamen Yarui Optical (Bolon).

The Board will recommend to the Shareholders' Meeting of May 11, 2016, the distribution of a dividend of €1.11 per share. Shareholders will have the option of receiving the dividend either in cash or in shares. If exercised, this option would allow shareholders to obtain, in consideration for the amount due in respect of the dividend, new Essilor shares at a preferential subscription price corresponding to 90% of the average of the opening prices quoted for Essilor's shares on the Euronext regulated market in Paris over the 20 trading days preceding the Shareholders' Meeting of May 11, 2016. This average is reduced by the amount of the dividend per share of €1.11.

Dividends not claimed within five years will lapse, in accordance with the law.

Paying agent

CACEIS Corporate Trust ,14, rue Rouget-de-Lisle, 92862 Issy-les-Moulineaux, France – Tel: +33 (1) 57 78 00 00.

6

ADDITIONAL INFORMATION ABOUT THE REGISTRATION DOCUMENT

IN BRIEF

COMPANY NAME

The Company's name is Essilor International (*Compagnie Générale d'Optique*), hereinafter "Essilor", the "Company" or the "Group".

MARKET-RELATED INFORMATION

Unless otherwise stated:

- information on market positions is based on volumes sold;
- marketing information relating to the market and the ophthalmic industry or Essilor's positions comes from Essilor and from internal assessments and studies, which may be based on external market surveys.

THIRD-PARTY INFORMATION

When information comes from a third-party, it has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by such third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

PERSONS RESPONSIBLE

Hubert Sagnières,
Chairman and Chief Executive Officer

STATUTORY AUDITORS

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine

Mazars
61, rue Henri-Regnault
92075 Paris-La Défense Cedex

TRADEMARKS

Essilor®, Orma®, Varilux®, Varilux Comfort®, Varilux® S™ Series, Varilux® E Series™, Varilux®, Physio®, Crizal®, Prevencia®, Light Scan®, Eyezen™, E-SPF®, Xperio®, Airwear®, M'Eyefit®, Neksia®, Nautilus™, W.A.V.E Technology Wavefront Advanced Vision Enhancement™, Foster Grant®, Gargoyles®, Magnivision®, Corinne McCormack®, Crystal Vision®, Ryders Eyewear®, Solar Shield®, e-Readers™, Costa®, Freedom Polarized™, Suuna™, Monkey Monkey™, Art™, Multi-FLEX™, Duo-FLEX™, Transitions®, Transitions® Signature™, Transitions® XTRActive®, EyeBuyDirect™, Frames Direct™, Coastal™, Clearly™, Lensway™, glasses4you™, 2.5 New Vision Generation™, Eye Mitra™, Ready-to-Clip™, Essilor Vision Foundation™, Vision For Life™ are trademarks of the Essilor group.

Vision Impact Institute™ is a trademark of Vision Impact Institute.

Bolon™, Molsion™ and Prosun™ are trademarks of Xiamen Yarui Optical Co. Ltd.

Kodak® is a trademark of Eastman Kodak Company.

Nikon® is a trademark of Nikon Corporation.

Shamir® is a trademark of Shamir Optical Industry Ltd.

Osse™ and Mustang™ are trademarks of Merve Optik.

Ironman® is a trademark of World Triathlon Corporation. Nine West® is a trademark of Nine West Development L.L.C. Dockers® and Levi's® are trademarks of Levi Strauss & Co. Reebok® is a trademark of Reebok International Limited. Hello Kitty® is a trademark of Sanrio, Inc. Disney® is a trademark of Disney Consumer Products, Inc. Karen Millen is a trademark of Karen Millen Fashion Limited.

6.1 PERSONS RESPONSIBLE

6.1.1 Person responsible for the Registration Document

Hubert Sagnières, Chairman and Chief Executive Officer, is the person responsible for the information given in the Registration Document.

6.1.2 Statement by the person responsible for the Registration Document

I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission that might affect its significance.

I declare that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and earnings of the Company (as well as those of the companies forming part of the consolidated group). The information pertaining to the Management Report (provided in the cross-reference table in Section 6.4.3) presents a true and fair view of the developments in the business, results and financial position of the Company and of the companies forming part of the consolidated group, and includes a description of the principal risks and uncertainties they face.

The historical financial information presented in this document has been reported on by the Statutory Auditors, as provided in Sections 3.5 and 3.9 of this Registration Document for fiscal year 2015 and incorporated by reference for fiscal years 2014 and 2013. For fiscal year 2014, the Statutory Auditors have included in their report on the consolidated financial statements provided on pages 164 and 165 of the Registration Document filed with the AMF on March 12, 2015 under number 15-0131, a comment on the impact on the balance sheet and the income statement of the acquisition of 51% of the share capital of Transitions Optical.

I have obtained an audit completion letter from the Statutory Auditors in which they state that they have audited the information relating to the financial position and financial statements contained in this Registration Document and read the document in its entirety.

Charenton-le-Pont, March 16, 2016

Hubert Sagnières

6.2 STATUTORY AUDITORS

6.2.1 Incumbent and alternate Statutory Auditors

Incumbent

PricewaterhouseCoopers Audit

63, rue de Villiers
92208 Neuilly-sur-Seine

First appointed: June 14, 1983.

Reappointed by the Shareholders' Meeting of May 16, 2013 for a term of six years.

PricewaterhouseCoopers Audit is represented by Christine Bouvry (registered member of the Compagnie Régionale des Commissaires aux comptes de Versailles).

The Alternate Auditor for PricewaterhouseCoopers Audit is Étienne Boris (registered member of the Compagnie Régionale des Commissaires aux comptes de Versailles).

Mazars

61, rue Henri-Regnault
92075 Paris-La Défense Cedex

First appointed: May 11, 2007.

Reappointed by the Shareholders' Meeting of May 16, 2013 for a term of six years.

Mazars is represented by Daniel Escudeiro and Pierre Sardet (registered members of the Compagnie Régionale des Commissaires aux comptes de Versailles).

The Alternate Auditor for Mazars is Jean-Louis Simon (registered member of the Compagnie Régionale des Commissaires aux comptes de Versailles).

6.2.2 Resignation or non-renewal

No Auditors resigned in 2015.

6.3 PUBLICLY AVAILABLE DOCUMENTS

The bylaws and other corporate documents are available for consultation at the Company's registered office (147, rue de Paris, 94220 Charenton-le-Pont, France).

Paper copies of the last three years' Registration Documents and Annual Reports are available on request from the Investor Relations & Financial Communications Department at the Company's registered office. Paper copies of the 2015 Registration Document and Annual Report will be available at the Shareholders' Meeting called to approve the annual financial statements on May 11, 2016.

Essilor regularly provides its shareholders with transparent, accessible information about the Group, its activities and its financial results via a large range of resources.

Information published by the Company in the past year

Documents published in the BALO may be viewed at http://balo.journal-officiel.gouv.fr/

Conduct searches using the Company's name – Essilor International – or SIREN (business registration) number: 712049618.

The Group's website www.essilor.com also contains the following public information:

- regulatory information as defined by the Autorité des Marchés Financiers (AMF);
- AMF filings that are required to be published on the Company website;
- analyst presentations and webcasts of analyst meetings, when available;
- financial press releases and, when available, audio webcasts of conference calls;
- Annual Reports and Registration Documents (containing historical financial information about the Company) for the last five years;
- information on Shareholders' Meetings, including notices of meeting, draft resolutions, instructions on how to attend meetings and the results of voting on resolutions;
- information on sustainable development.

6.4 CROSS-REFERENCE TABLES

6.4.1 Registration Document

The following regulated information described in Article 221-1 of the AMF's General Regulations is provided in this document:

- Annual Financial Report;
- Information concerning Auditors' fees;
- a description of the share buyback program;
- the Chairman's Report on corporate governance and internal control.

The cross-reference table below identifies the main information provided for in Appendix 1 of European Commission Regulation 809/2004/EC.

20.5 Latest financial information	page 91	In brief, Section 3
20.6 Interim and other financial information		
20.6.1 Quarterly and half-yearly financial information		N/A
20.6.2 Interim financial information covering the first six months of the following fiscal year		N/A
20.7 Dividend policy	pages 191 and 259	§ 5.2.7 and Section 3.8 Note 19
20.8 Legal and arbitration proceedings	page 28	§ 1.6.3
20.9 Material changes in Essilor's financial or trading position	page 155	Section 3 Note 32
21 Additional Information		
21.1 Share capital		
21.1.1 Subscribed capital, changes in share capital and Essilor shares	page 240	Section 5.2
21.1.2 Shares not representing capital		N/A
21.1.3 Stock held by the Company	page 247	§ 5.2.2.3
21.1.4 Convertible securities, exchangeable securities, securities with warrants, stock subscription options, stock purchase options and rights to performance shares	page 249	§ 5.2.3
21.1.5 Terms governing any acquisition rights and/or obligations in relation to subscribed but unpaid capital or to any undertaking to increase the capital	page 244	§ 5.2.1.4
21.1.6 Capital of any member of the Group under option or agreement	page 25	§ 1.5.5
21.1.7 Changes in share capital	page 243	§ 5.2.1.3
21.1.8 Financial authorizations to be put to the vote at the Extraordinary Shareholders' Meeting	page 244	§ 5.2.1.4
21.2 Bylaws (Charter and Articles of Association)		
21.2.1 Corporate purpose	page 238	§ 5.1.4
21.2.2 Provisions relating to members of the Board of Directors and senior management	page 57	§ 2.2.2
21.2.3 Rights, preferences and restrictions attaching to each class of shares	pages 249, 250 and 257	§ 5.2.4, § 5.2.5 and § 5.2.6
21.2.4 Changes in shareholders' rights	page 239	§ 5.1.7
21.2.5 Shareholders' Meetings	page 239	§ 5.1.7
21.2.6 Change of control provisions	page 258	§ 5.2.6.2
21.2.7 Disclosure threshold provisions	page 240	§ 5.1.8
21.2.8 Conditions governing changes in capital	page 238	§ 5.1.5
22 Material Contracts	**pages 21 and 258**	**§ 1.5.3.5 and § 5.2.6.2**
23 Third-Party Information, Statements by Experts and Declarations of Any Interest		
23.1 Expert statements or reports		N/A
23.2 Information from a third-party	page 261	In brief, Section 6
24 Public Documents	**page 264**	**Section 6.3**
25 Information on Holdings	**page 156**	**Section 3 Note 33**

6.4.2 Annual Financial Report

Statement by the person responsible for the document	**page 262**	**Chap. 6.1**
Management Report		
Operating and financial analysis	page 92	Chap. 3.1
Risk factors	page 26	Chap. 1.6
List of authorizations with respect to the increase in the capital of the parent company and consolidated Group (Art. L.225-100 and L.225-100-2 of the French Commercial Code)	page 244	§ 5.2.1.4
Information relating to share buybacks (Art. L.225-211, Para. 2 of the French Commercial Code)	page 247	§ 5.2.2.3
Items that could have an impact in the event of a public offering (Art. L.225-100-3 of the French Commercial Code)	page 258	§ 5.2.6.2
Financial Statements		
Annual financial statements	page 160	Chap. 3.7
Report of the Auditors on the financial statements	page 192	Chap. 3.9
Consolidated financial statements	page 96	Chap. 3.3
Report of the Auditors on the consolidated financial statements	page 158	Chap. 3.5
Auditors' fees	page 159	Chap. 3.6
Chairman's Report on the preparation and organization of the Board's work and internal control procedures implemented by the Company.	page 52	Chap. 2.2
Report of the Auditors on internal control	page 88	Chap. 2.5

6.4.3 Management Report

Activity Report		
Status and activity of the Company during the year	pages 9, 16 et 92	Chap. 1.3, Chap. 1.5 et Chap. 3.1
Research and development	page 19	§ 1.5.3
Operations	page 22	§ 1.5.4
Acquisitions and partnerships	page 23	§ 1.5.5
Financial information for the year	pages 25 et 92	§ 1.5.5 et Chap. 3.1
Description of principal risks and uncertainties	page 26	Chap. 1.6
Subsequent events	pages 95 et 155	§ 3.2.3 et Chap. 3.4 Note 32
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The information presented in this Registration Document was prepared primarily by the Essilor International Finance Department, Legal Department and Investor Relations Department.

Investor Relations Department

Essilor International - 147 rue de Paris - 94227 Charenton Cedex - France

Tél. : + 33 (0)1 49 77 42 16 - Fax : + 33 (0)1 49 77 43 24

E-mail : invest@essilor.com - Internet : www.essilor.com

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Essilor International
(Compagnie Générale d'Optique)
147, rue de Paris
94220 Charenton-le-Pont
France
Phone: +33 (0)1 49 77 42 24

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www.essilor.com