2010

REGISTRATION DOCUMENT

essilor

PRELIMINARY INFORMATION - DOCUMENTS INCORPORATED BY REFERENCE

In accordance with Article 28 of European Commission Regulation 809/2004/EC, the following information is incorporated by reference in this Registration Document:

- The business review for the year ended December 31, 2008, the content of which has been principally included in the different sections of the 2008 Registration Document, the 2008 consolidated financial statements and Auditors' report on the consolidated financial statements for the year ended December 31, 2008, presented on pages 81 to 142 and 176 to 177 of the 2008 Registration Document filed with the AMF on March 30, 2009 under No. D.09-0167.
- The business review for the year ended December 31, 2009, the content of which has been principally included in the different sections of the 2009 Registration Document, the 2009 consolidated financial statements and Auditors' report on the consolidated financial statements for the year ended December 31, 2009, presented on pages 83 to 144 and 176 to 177 of the 2009 Registration Document filed with the AMF on March 30, 2010 under No. D.10-0189.

The two aforementioned Registration Documents can be downloaded from the Company's website, www.essilor.com.

The following regulated information described in Article 221-1 of the AMF's General Regulations is provided in this document:

- The annual financial report;
- Information concerning Auditors' fees;
- The description of the share buyback program;
- The Chairman's report on corporate governance and internal control.

The annual information document required pursuant to Article 222-7 of the AMF's General Regulations is presented in Section 24, "Public Documents".

DISCLAIMER

The English language version of this annual report is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However in all matters of interpretation of information, views or opinion expressed therein the original language version of the document in French takes precedence over the translation.

Company name

The Company's name is Essilor International (*Compagnie Générale d'Optique*), hereinafter referred to as "Essilor", "the Company" or "the Group".

Reporting period

Unless otherwise specified, the information contained in this Registration Document and its appendices concerns 2010.

Market information

Unless otherwise specified:

- Information concerning market shares and market positions is based on volumes sold;
- Marketing information concerning the ophthalmic market and industry, and Essilor's market share and positions is based on internal assessments and studies incorporating external market data where appropriate.

TRADEMARKS

Crizal®, Crizal® Alizé®, Crizal Easy™, Crizal Forte®, Crizal® Sapphire™, Essilor®, Essilor® Azio® 360°, Eyecode™, Kappa Ultimate Edition™, M'Eye Touch™, Mr Blue®, Varilux®, Varilux Comfort®, Varilux Comfort® New Edition, Varilux® India 360°™, Varilux Physio®, Varilux Physio 2.0®, Varilux Physio® Enhanced, Varilux® Kan, Vision Haute Résolution™, Visioffice®, W.A.V.E. Technology™, Xperio®, are trademarks filed or registered in the name of Essilor International.

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Registration Document

& Annual Financial Report

2010

Essilor International
Compagnie Générale d'Optique
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94220 Charenton-le-Pont
France
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www.essilor.com

The French version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF) on March 29, 2011 under no. D.11-0193, 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.

Contents

Based on Appendix 1 of the European Commission regulation 809/2004/EC.

REQUIRED INFORMATION PROVIDED IN THE 2010 ANNUAL FINANCIAL REPORT

1 PERSONS RESPONSIBLE

1.1 Person responsible for the Registration Document

Hubert Sagnières, Chief Executive Officer, is the person responsible for the information given in the Registration Document.

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 the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and present fairly the assets, financial position and results of the Company (as well as those of the companies forming part of the consolidated group). The information pertaining to the management report (Sections 9 and 10 relative to the analysis of results of operations and financial position, Section 4 relative to risk factors and Section 21 relative to share capital) presents fairly the changes in 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 Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2008 incorporated herein by reference includes an emphasis-of-matter paragraph. The report may be found on pages 176 and 177 of the 2008 Registration Document filed with the AMF under No. D.09-0167.

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2010 presented in this Registration Document includes an emphasis-of-matter paragraph. This report may be found in section 20.4.

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 accounts contained in the Registration Document and read said document in its entirety.

Charenton le Pont, March 29, 2011

Hubert Sagnières

2 STATUTORY AUDITORS

2.1 Names and addresses of the Company's Auditors for the period covered by the historical financial information

Auditors

Incumbent Auditors

PricewaterhouseCoopers Audit

63 rue de Villiers

92200 Neuilly-sur-Seine

Date of first appointment: June 14, 1983.

(The incumbent auditors Befec Mulquin et associés, merged with and into Price Waterhouse and was renamed Befec-Pricewaterhouse in 1995, and subsequently merged with Coopers & Lybrand to become PricewaterhouseCoopers Audit in 2002).

Re-appointed by the Shareholders' Meeting of May 11, 2007 for six years.

PricewaterhouseCoopers Audit is represented by Christine Bouvry (member of Compagnie Régionale des commissaires aux comptes de Versailles) who on May 11, 2010 succeeded Jacques Denizeau (member of Compagnie Régionale des commissaires aux comptes de Versailles).

The alternate auditor for PricewaterhouseCoopers Audit is Etienne Boris (member of the Compagnie Régionale des commissaires aux comptes de Versailles).

Mazars

61 rue Henri Regnault

92075 La Défense cedex

Date of first appointment: May 11, 2007.

Appointed by the Shareholders' Meeting of May 11, 2007 for six years.

Mazars is represented by Pierre Sardet (member of the Compagnie Régionale des commissaires aux comptes de Versailles).

The alternate auditor for Mazars is Jean-Louis Simon (member of the Compagnie Régionale des commissaires aux comptes de Versailles).

2.2 Resignations, non-renewal of appointments

No auditors resigned in 20010.

3 SELECTED FINANCIAL INFORMATION

3.1 Selected historical financial information

MAIN CONSOLIDATED FINANCIAL DATA

€ millions, excluding per share data	**2,010**	**2009[(a)]**
INCOME STATEMENT		
Revenue	3,892	3,268
Contribution from operations[(b)]	705	593
Operating profit	618	550
Profit attributable to Group equity holders	462	391
Basic earnings (attributable to Group equity holders) per ordinary share, in €	2	2
Diluted earnings (attributable to Group equity holders) per ordinary share, in €	2	2
BALANCE SHEET		
Share capital	38	39
Equity attributable to Group equity holders	3,001	2,713
Net debt	296	(93)
BALANCE SHEET TOTAL	**5,213**	**4,163**
CASH FLOW STATEMENT		
Net cash from operating activities	619	510
Net cash used in investing activities	(536)	(272)
Net cash used in financing activities	(114)	(369)
Net increase (decrease) in cash and cash equivalents	(30)	(131)
Cash and cash equivalents at the end of the period	346	364

(a) Accounts adjusted following recognition of securities acquisition costs as expenses pursuant to the IFRS 3 (revised) (see Note 1).

(b) Operating income before share-based payments, restructuring costs, other income and expense, and before goodwill impairment.

In 2010, the ophthalmic optical market continued its dynamic performance in the fast growing countries and began to recover in the developed markets. In this context, Essilor relied on its product innovation and on the efficiency of its distribution network and production tool to strengthen its high-end positions and accelerate mid-range deployment. The Group also used its solid financial structure to accelerate its acquisition strategy in order to enter new market segments and expand its presence in the high-growth markets.

The highlights of 2010 were:

- an increase in volumes and the sharp growth in revenue (+19.1%);
- the launch of 240 products in all market segments;
- the success of the roll-outs of the Varilux Physio 2.0 and Comfort New Edition lenses;
- the strong performance of the Laboratory Equipment and Instruments segments;
- the integration of FGX International, the world leader in reading glasses, and Signet Armorlite, the exclusive distributor of Kodak lenses;
- continuation of the acquisition program, with 29 transactions, including 12 in the high-growth markets, representing a total of €432 million in revenue over a full year;
- maintenance of a contribution margin of 18.1% of revenue and an increase of 16.6% in net earnings per share;
- a 23% increase in “free cash flow” (operating flows minus industrial investments), at €480 million;
- a continued solid balance sheet with a net debt to equity ratio of less than 10%.

Excerpt from the management report of the Board of Directors of March 1, 2011.

The consolidated financial statements of the Group are presented in Section 20 of this Registration Document.

3.2 Selected financial information for interim periods

Financial information for interim periods has not been included in this Registration Document. As a reminder, the consolidated results as of June 30, 2010 were released on August 27, 2010. The press release, the consolidated balance sheet, the consolidated income statement, and the consolidated cash flow statement as of June 30, 2010, and the first-half 2010 results presentation may be downloaded from www.essilor.com in the Publications section.

4 RISK FACTORS

4.1 Operational risks

Operational risks are managed by the operating units concerned. A risk centralization unit has been set up to develop a general view of risk management processes, particularly as they relate to operational risks.

Three categories of risks have been identified including in particular:

IT risks

The Group's business activity depends to some extent on the proper operation of its IT. The latter is the responsibility of the information systems division which ensures its security policy, technical architectures and processes in place for fighting against this risk.

Risks related to raw materials

Changes in regulations may lead us to replace the materials we use with new raw materials. This category of risk is managed jointly by the purchasing department and the research and development department.

Logistics risks

The quality of the services of the Group depends on a logistics chain that could be interrupted by incidents related to transportation or to storage facilities. The Group's logistics division and its regional correspondents are responsible for implementing alternative solutions (Business Continuation Plans).

Managers assigned to these risks are tasked with anticipating, to the extent possible and actively monitoring changes in such risks in order to reduce their potentially negative impact and to report on them to the Executive Committee.

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.).

4.2 Market risks

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

Risk factors are described in detail in the notes to the consolidated financial statements in Section 20.3.1.5, Note 26.

4.2.1 LIQUIDITY RISK

The Group's funding strategy is designed to ensure that borrowing needs are met at all times, in terms of both amounts and duration, by diversifying sources of financing.

Much of the medium- and long-term financing and short-term liquidity is centralized at the parent company through bank loans, medium-term lines of credit or commercial paper. Cash pools and short- and medium-term loans established with the Group's main subsidiaries are gradually centralizing liquidity.

4.2.2 CURRENCY RISK

In view of the fact that the Group operates in numerous countries, it is exposed to currency fluctuations. Exposure to currency risks is hedged using appropriate market instruments. Foreign exchange market transactions are entered into solely to hedge risks arising on business operations. The Group does not carry out any currency trading transactions without underlying commercial transactions.

4.2.3 INTEREST RATE RISK

The objective of the interest rate management policy is to minimize financing costs while protecting the Group against the effects of an unfavorable change in interest rates.

The vast majority of the Group's financing is centralized on the parent company; interest rate risks are therefore centralized at the parent company level.

4.2.4 COUNTERPARTY RISK

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

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

At December 31, 2010, counterparties for investment and capital markets transactions carried out by the Group Treasury department were all rated at least A-1 (short-term) and A+ (long-term) by Standard & Poor's.

The banks participating in the two syndicated credit facilities all had Standard & Poor's ratings of at least A-1 (short-term) and A (long-term).

4.3 Legal risks (material claims and litigation, proceedings, arbitration)

Germany

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

On June 10, 2010, following the investigation, the BKA notified the companies investigated that it intended levying fines on them, with the fine applicable to Essilor’s two subsidiaries representing an aggregate amount of around €50 million.

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

The Group had recorded €9.2 million in provisions for this investigation in its consolidated financial statements for the year ended December 31, 2009. This amount was based on the status of the matters at that date and the fact that the Company had not been notified of any fines.

Following the notifications received from the BKA, the Group decided to increase these provisions to €50.7 million. Consequently, an additional €41.5 million was booked under “Other expenses from operations” in the interim consolidated financial statements at June 30, 2010.

Since that date, there have been no further developments in proceedings. In the absence of new information, additional provisions made in the interim consolidated financial statements at June 30, 2010 remained unchanged at December 31, 2010.

United States and Canada

Following the settlement of charges brought by the Federal Trade Commission in 2009 after an investigation into Transitions Optical Inc’s business practices, since late March 2010, around twenty motions for authorization to bring class actions have been filed since 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 to jointly monopolize the market for the development, manufacture and sale of photochromic lenses between 1999 and March 2010.

At this stage, at December 31, 2010, the Group had recorded no provision for this purpose. In fact, joinder for the cases was granted before a US federal court in late 2010. However, no proceedings have commenced and the claims received do not include any monetary requirements. The admissibility proceedings for the complaints will begin in the first half of 2011.

Other disputes

Essilor International has received a notice of adjustment pertaining to fiscal years 2006, 2007 and 2008. The Company is contesting some of the adjustments requested. In the consolidated financial statements, the tax audit provision for the period 2006 to 2010 amounted to €31.1 million.

To the best of the Company’s knowledge, there are no other legal or tax disputes, governmental or judicial proceedings or arbitration which may have or have had in the recent past a significant impact on the financial position, income, profitability, operations or assets of the Company or Group.

Refer to Section 20.3.1.5, Notes 21 and 28 for more information.

4.4 Industrial and environmental risks

4.4.1 INDUSTRIAL RISKS

See Section 6 of this Registration Document, “Business Overview” for a description of the Company’s business activities.

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

The Company has set up a system to manage issues related to the European Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH) Directive. Under REACH, companies that manufacture and import chemical substances are required to assess the risks arising from their use and to take the necessary measures to manage them. To the best of its knowledge, the Company complies with this directive.

Refer to the report on social and environmental policies in Appendix 2 of this document and the sustainability report in Appendix 3 of this document.

4.4.2 ENVIRONMENTAL RISKS

Environmental management systems have been implemented and are being maintained at upstream production facilities and, where appropriate, at downstream prescription laboratories. The environmental management systems of all the facilities (100%) are all ISO 14001 certified.

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

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

Refer to Section 8.2 for more information on “Environmental risks.”

Refer also to the report on social and environmental policies in Appendix 2 of this document and the sustainability report in Appendix 3 of this document.

4.5 Insurance

The Group has high level risk prevention programs and 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 all new construction projects and other major works. 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.

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 placed with leading insurers that have no ties with the Group.

Local insurance policies are taken out by subsidiaries to add to the cover provided by the worldwide programs and comply with local insurance requirements.

The programs cover property and casualty risks (fire, explosion, machine damage, 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 liability risks (operating, after-sales, clinical trials, professional and environmental liability). In order to remain compliant with regulatory changes, the liability risk program extends to environmental responsibility in the event of damage to biodiversity, as well as the responsibility incumbent upon Essilor and its subsidiaries regarding the transportation of raw materials, waste and products. It also covers clean-up costs at insured sites.

Under the laws of certain countries, insurance cover must be taken out with local insurers, in which case the guarantees may be different from those provided under the worldwide insurance programs. The worldwide master policy covers any excess loss not covered by a local policy.

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

The Group's policies have low deductibles and transfer substantially all of the risk to the insurance market.

No major insurance claims were reported in 2010 and no Group companies are involved in any significant insurance-related litigation.

To determine the required level of cover, the Group 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.

Based on the results of this analysis, in 2010 the maximum insurance cover was kept at €150 million for property and casualty risks and business interruption, and at €1.5 million for transportation risks.

In 2010, the total cost of the worldwide insurance programs of the Group was €3.27 million. This amount is significantly the same as in 2009, despite the constantly broadening scope of coverage.

5 INFORMATION ABOUT THE COMPANY

5.1 History and development of the Company

5.1.1 LEGAL AND COMMERCIAL NAME OF THE COMPANY

The Company's name is Essilor International (Compagnie Générale d'Optique), hereinafter referred to as "Essilor", "the Company" or "the Group".

5.1.2 PLACE OF REGISTRATION AND REGISTRATION NUMBER

Essilor International is registered with the Créteil Trade and Companies Registry under No. 712 049 618.

The APE business identifier codes are 334 A (Essilor) and 741 J (Headquarters).

5.1.3 DATE OF FORMATION AND LENGTH OF LIFE OF THE COMPANY

The Company was formed on October 6, 1971 for a 99-year term expiring on October 6, 2070.

5.1.4 REGISTERED OFFICE, LEGAL FORM, GOVERNING LAW, CORPORATE PURPOSE AND FISCAL YEAR

Registered office

The registered office of the Company is located at 147, rue de Paris - 94220 Charenton-le-Pont, France.

The telephone number for the registered office is +33 (0)1 49 77 42 24.

The telephone number for Essilor International's Investor Relations Department is +33 (0)1 49 77 42 16.

Legal form and governing law

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.

Corporate purpose (Article 2 of the Bylaws)

The Company's corporate purpose, in any and 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, protective lenses and other protective equipment, and eyeglass and contact lenses;
- design and/or manufacture, purchase, sell and/or market any and all ophthalmic optical instruments 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 and programs and related services;
- perform 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, audit, 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 otherwise.

Fiscal year

The Company's fiscal year runs from January 1 to December 31.

5.1.5 IMPORTANT EVENTS IN THE DEVELOPMENT OF THE COMPANY'S BUSINESS

Company history

5.1.5.1 Essilor was created by the merger of two innovative companies

The first, Société des Lunetiers (Essel) was an eyewear manufacturer that traced its origins to the Association Fraternelle des Ouvriers Lunetiers, a workers' cooperative created in 1849. In 1953, Essel invented and patented the first progressive lens, which it called Varilux. The lens was introduced in the market in 1959. With its origins as a workers' cooperative, Essel had a strong employee share ownership culture that remains a key feature of Essilor's corporate culture to this day.

The second was Société Industrielle de Lunetterie et d'Optique Rationnelle (Silor) whose founder, Georges Lissac, invented the first plastic lens, marketed under the Orma brand.

The two companies merged in 1972 to form Essilor.

5.1.5.2 A period of international expansion

Essilor was already present in the export market in the 1970s. Essel's products were sold in Japan and Silor had begun making inroads into the US market. A distribution network was gradually built up, first in Europe and the United States and then in Asia.

In the 1980s, Essilor became an international player and began transferring part of its stock lens production to emerging countries. The first plastic lens plant was opened in the Philippines. Geographical diversification of the industrial base was supported by a similar expansion of local distribution capabilities, through either acquisition of the local distributor, as in Australia and the Netherlands, or the creation of new subsidiaries, as in Japan and Canada.

5.1.5.3 Essilor becomes the global market leader

Strategic Strategic refocusing

While expanding its international reach, Essilor also refocused on its core corrective lens business, selling its contact lens business in 2001.

Globalization

In the early 1990s, the ophthalmic optical market was reshaped by a wave of mergers and acquisitions and an increase in competition. In this environment, Essilor – by then the world's leading ophthalmic optics company – focused on strengthening its positions through a global expansion strategy. Until the mid-1990s, Europe accounted for the bulk of the Company's sales.

In 1995, it acquired Gentex Optics, one of the leading US manufacturers of polycarbonate lenses.

This was followed by a number of other international expansion initiatives, designed to provide better service to customers, establish Essilor's corrective lenses in all markets throughout the world and optimize manufacturing operations.

The pace of acquisitions slowed between 2000 and 2001, due to the higher level of debt generated by share buybacks in connection with Saint-Gobain's disposal of its interest in Essilor, but since then the Group has continued to expand rapidly in international markets (see table below).

This strategy has enabled the Group to consolidate and expand its positions in North America (led by a large-scale program of prescription laboratory acquisitions), Latin America, Europe and Asia, while at the same time affirming its leadership in fast-growing Asian markets, particularly China and India. This strategy also allows the acquisition of new technologies for the entire Group and the integration of new distribution networks which are developing a segmented product offer for vision professionals.

At the same time, Essilor continued to expand its scope of activity in the optical market. In 2008, the Group acquired the Satisloh company, a world leader in prescription laboratory equipment; in 2010, Essilor took control of FGX International, the North American leader in reading glasses and Signet Armorlite, an ophthalmic lens manufacturer located primarily in the United States and Europe.

A sustained globalization strategy

Europe	North America	Latin America	Asia-Pacific / Middle East / Africa
2007			
In France, acquisition of Novacel, a European lens distributor. In the United Kingdom, acquisition of Sinclair Optical Services and United Optical, two prescription laboratories. In Norway, acquisition of Sentralslip, a lens edging and mounting laboratory. In Serbia, a new subsidiary was set up.	United States: Essilor of America continued to expand its network of prescription laboratories, acquiring Beitler McKee Optical; Personal Eyes; Sutherlin Optical; Premier Optics and Gold Optical Enterprises; GK Optical and Dispensers Optical. Acquisition of OOGP, one of the five largest contact lens distributors in the US. Acquisition of KBco, a US distributor of polarized lenses. In Canada, acquisition of Optique Cristal.	Essilor first Brazilian acquisition, purchasing a stake in Unilab, a prescription lens laboratory.	Essilor acquisition of Integrated Lens Technology Pte Ltd (ILT), a Singapore-based ophthalmic lens distributor that serves Asia, Europe, the Middle East and Latin America. In China, Nikon-Essilor acquired all outstanding shares of Nikon Beijing, its local distributor.

Europe	North America	Latin America	Asia-Pacific / Middle East / Africa
2008			
In Switzerland, acquisition of Satisloh, the world's leading supplier of prescription laboratory equipment. In Italy, acquisition of Galileo, a major player in the Italian market. In Germany, acquisition of the distributor Nika. In the Netherlands, O'Max, a distributor of optometric and edging equipment was purchased. In Eastern Europe, acquisition of Omega Optix (Czech Republic and Slovakia), Optymal Ood (Bulgaria) and Optika Hulgikaubanduse Oü (Estonia).	United States: Essilor of America acquired majority stakes in the following prescription laboratories: Pech Optical; Interstate Optical; Empire Optical of California; Collard Rose Optical Laboratory; Advance Optical; SouthWest Lens; Opti-Matrix; Next Generation Ophthalmics; Future Optics; Rainbow Optical Labs; Deschutes Optical Idaho; Dependable Optics; Hi-Tech Optical; Pinnacle. In Canada, acquisition of Westlab Optical.	In Brazil, acquisition of a 51% stake in Technopark.	In India, acquisition of 20/20 Rx Lens and Sankar & Co. In Malaysia, Essilor acquires the country's leading independent laboratory Frame N'Lenses.
2009			
In France, Novisia, an Essilor subsidiary, acquired a majority stake in Mont Royal, a lens distributor with a prescription laboratory. In the United Kingdom, the Company acquired Wholesale Lens Corporation Limited, a lens distributor, and Horizon, a prescription laboratory. In Belgium, acquisition of De Ceunynck, a lens distributor with a prescription laboratory. In Poland, Essilor raised its stake in JZO from 10% to 51%.	In the United States: the Group acquired majority stakes in the following prescription laboratories: Barnett & Ramel; McLeod Optical; Ultimate Optical and Apex Optical; Orion Progressive Lab; Optical Dimensions; Truckee Meadows Optical; Abba Optical and Vision Pointe Optical, together with a minority interest in Cherry Optical. Essilor also acquired majority interests in OptiSource International, a manufacturer and distributor of equipment and consumables for opticians and laboratories, and Frames For America, an on-line optical products retailer. In Canada, Nikon-Essilor subsidiary Nikon Optical Canada raised its stake in prescription laboratory Tech-Cite from 50% to 100%.	In Brazil, Essilor acquired 51% of GBO, a lens distributor.	In India, Essilor increased its stake in GKB Rx Lens Private Ltd from 50% to 76% and acquired a controlling interest in Lens & Spects. In the Middle East, Essilor signed a 50/50 joint venture with Amico in Dubai. In Australia, acquisition of three prescription laboratories – Prescription Glass Pty Ltd, Precision Optics Pty Ltd and Wallace Everett Lens Technology Pty Ltd – and of Sunix. In South Africa, acquisition of Vision Optics.

Europe	North America	Latin America	Asia-Pacific / Middle East / Africa
2010			
In France, Essilor acquired a stake in Essor, a lens distributor. In the United Kingdom, the Group acquired Leicester Optical, a prescription and edging-mounting laboratory. In the Equipment division, the Group acquired a majority stake in DAC Vision in the consumables segment.	In the United States, Essilor completed the acquisition of FGX International, the US leader in reading glasses. Essilor also acquired Signet Armorlite, one of the leading independent manufacturers of ophthalmic lenses. The Group acquired majority holdings in the following prescription laboratories: Hawkins; Custom Optical; Epic Labs; Gulf States; Reliable Optics; Winchester Optical; NEA Optical. Nikon Essilor also increased its stake in the Encore laboratory and acquired a majority interest in Pasch. In Canada, Essilor acquired Cascade and Econo-Optic, two prescription laboratories.	In Brazil, Essilor acquired a majority interest in four prescription laboratories: Embrapol Sul, Tecnolens, Farol and Ceditop.	In China, Essilor purchased 50% of the capital of Wanxin Optical, one of the top manufacturers of ophthalmic lenses. In Taiwan, Essilor acquired a majority interest in SMJ, a prescription laboratory and lens distributor. In Singapore, Essilor acquired distributor Visitech. In India, Essilor acquired a majority stake in GKB Optics Technologies and in Prakash, two prescription laboratories. In Australia, Essilor acquired a majority interest in Eyebiz Pty Limited, a prescription laboratory of the Luxottica group. In the United Arab Emirates, Essilor became the majority shareholder of prescription laboratory Ghanada Opticals. In South Africa, it signed a partnership with Easy Vision, a lens distributor to independent laboratories.

Strategic partnerships

All the partnerships set up since the 1990s have represented innovative solutions allowing us to expand our international positions, distribution networks, product offerings and technology portfolios:

- In 1990, the Group entered into a partnership with US-based PPG Industries to develop Transitions variable-tint plastic lenses;
- In 1999, the Group joined forces with Japan's Nikon Corp., to create Nikon-Essilor Co. Ltd. This new joint venture combined Essilor's business interests in Japan, including Japanese marketing rights for the Varilux brand, with all of Nikon's ophthalmic optical assets, including worldwide marketing rights for Nikon-brand products in this segment;
- In 2002, the Group teamed up with Samyung Trading Co. Ltd. in South Korea to form another joint venture, Essilor Korea Ltd, which has subsidiaries in South Korea and China;
- In 2006, the Group established a partnership with India's GKB Rx Lens;
- In 2010, the Group signed a partnership with Wanxin Optical in China.

Innovation strategy

Alongside our international growth strategy, we have been pursuing a strategy of innovation to develop high value-added products and maintain our technological lead, in response to market demand.

Each year sees innovations in:

- surface coatings,
- materials, and
- designs, primarily in progressive lenses.

Technologies developed by other industries are regularly integrated to constantly improve Essilor's product properties.

Since 2006, we have used digital surfacing technology to develop new generation progressive lenses combining:

- the wavefront management system, a revolutionary method for calculating lens optics (design);
- a high-precision production technique; and
- new personalization options.

In 2010, new surface coatings and new lenses were unveiled. See Section 6.1.2, "New products and/or services."

New products were also introduced by Satisloh in Equipment and FGX International.

Taken together, our technological, marketing and service innovations, multiple network distribution strategy, partnerships and acquisitions ensure that we can meet demand in every segment of the ophthalmic optics market around the world.

5.2 Investments

5.2.1 PRINCIPAL INVESTMENTS

Investments

€ millions	**2010**	**2009**
Property, plant and equipment and intangible assets	140.0	125.3
Depreciation and amortization	184.0	161.0
Financial investments net of cash acquired	539.2	152.9
Purchases of owne shares	348.9	76.1

Purchases of property, plant and equipment

Capital expenditure net of the proceeds from asset sales totaled €124 million (or 3.2% of consolidated revenue) in 2010 compared to €116 million in 2009.

By region, Europe accounted for €36 million of these outlays, North America €31 million, and the rest of the world €57 million.

45% of expenditure was made in prescription laboratories in order to boost digital surfacing capacities and multi-layer treatments. Investments in mass production plants, most in Asia, represented 35%. The balance was primarily targeted for Instruments and Laboratory Equipment.

Expenditure commitments for the first month of 2011 represented an estimated €19 million, of which Europe accounted for €4 million, North America for €10 million, and the rest of the world for €5 million.

Financial investments

Financial investments net of cash acquired amounted to €539.2 million in 2010, versus €152.9 million in 2009. These investments mainly related to acquisitions made by the Group.

The Group also spent €348.9 million (net of disposal proceeds) on share buybacks in 2010, compared with €76.1 million in 2009.

In early 2011, Essilor made several acquisitions in various parts of the world. Details of these acquisitions may be found in Section 12.3, “Events after the year-end.”

5.2.2 PRINCIPAL OUTSTANDING INVESTMENTS

Capital expenditure commitments payable represented approximately €94 million at December 31, 2010, corresponding mainly to outstanding orders for equipment, particularly for export laboratories. This amount broke down as follows: €15 million in Europe, €24 million in North America and €54 million for the rest of the world.

5.2.3 PRINCIPAL FUTURE INVESTMENTS

In 2011, the Group will continue its capital expenditure in production and prescription. The Group continues to acquire prescription capacities in its export laboratories. . It will also invest in its French and American innovation and technology centers.

In the area of financial investments, the Group will continue to implement a very active acquisition strategy, particularly the acquisition of the Shamir company.

For more information, refer to Section 12.3, “Events after the year-end.”

6 BUSINESS OVERVIEW

6.1 Core businesses

6.1.1 OPERATIONS AND BUSINESS SEGMENTS

6.1.1.1 Business segments

Optical lenses and instruments

Essilor is the world leader in corrective lenses. The Company designs, manufactures and customizes corrective lenses to meet each person's unique vision requirements.

Through a broad range of lenses, Essilor provides solutions for correcting myopia, hypermetropia, astigmatism and presbyopia to enable people to regain perfect vision and protect their eyesight.

Essilor serves every segment of the ophthalmic lens market with globally recognized brands, such as:

- Varilux and its range of progressive lenses.
- Crizal and its range of lenses with anti-reflection, anti-scratch and anti-static surface coatings.
- Xperio for polarized lenses.
- Nikon, Transitions (photochromic lenses) and Kodak, brands used under the agreement with Nikon Corporation, Transitions Optical Inc. and Kodak.

Essilor is also the world leader in lens edging instruments for opticians and prescription laboratories, and in vision screening instruments for eyecare professionals, schools, occupational medicine centers, the military and other institutions.

In 2010, the Lens and optical instruments business represented 92% of the Group's revenue.

Equipment

The Equipment business consists primarily of Satisloh, which manufactures and sells equipment and consumables used by prescription laboratories. Satisloh is the world's leading supplier of surfacing machines and anti-reflective coating units.

In 2010, the Equipment business represented 3.7% of the Group's revenue.

Readers

In 2010, Essilor acquired FGX International, the North American leader in the design and sale of reading glasses. This company is also present in the retail sun glasses market.

In 2010, the Readers business represented 4.85% of Group revenue.

Consolidated revenue

€ millions	**2010**	**2009**
Optical lenses and instruments[a]	3,561.6	3,164.4
Equipment[b]	143.0	103.5
Readers[c]	187.0	
TOTAL	**3,891.6**	**3,268.0**

(a) Corrective lenses and lens preparation instruments for opticians.

(b) Lens manufacturing and prescription laboratory equipment, mainly supplied by Satisloh.

(c) Business of FGX International, a company acquired in 2010.

6.1.1.2 Organization of the ophthalmic lens industry

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

The ophthalmic lens industry is organized into four distinct businesses, which correspond to the phases in the transformation of the product ordered by consumers: raw materials suppliers, lens manufacturers, prescription laboratories and distributors.

<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 colspan="2">Other manufacturers - Essilor</td></tr>
<tr><td>Lens finishers</td><td>Independent laboratories</td><td rowspan="2">Optical chains with integrated laboratories</td></tr>
<tr><td>Retailers</td><td colspan="2">Independent opticians – Non-integrated optical chains</td></tr>
<tr><td>End customers</td><td colspan="3">Consumers</td></tr>
</table>

Chemical companies and glass manufacturers

Raw materials are developed and produced by glass manufacturers for glass 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.

Lens manufacturers

Using these raw materials, lens manufacturers produce single-vision finished lenses and a variety of semi-finished lenses. Essilor conducts this business.

Prescription lens laboratories

Prescription laboratories transform semi-finished lenses into finished lenses corresponding to the exact specifications of an optician'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, scratch-proofing, anti-reflective, smudge-proofing, antistatic, light-filtering and other coatings. Essilor operates in this segment and owns 332 prescription laboratories around the world.

Essilor's Equipment business designs and markets equipment lines (primarily machines for surfacing and for antiglare coatings) intended for prescription laboratories.

Retailers and optical chains

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

The primary role of eyecare professionals is to advise customers on the choice of lenses, based on the prescription, as well as the choice of frames. They then forward the prescription data to a laboratory.

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

In the United States and the United Kingdom, for example, laboratories usually fully mount the lenses and frames and deliver ready-to-wear eyeglasses to the eyecare professionals.

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

Essilor is a supplier for optical retailers and chains worldwide.

6.1.1.3 A global organization

Optical lenses and instruments

Essilor has a worldwide network of plants and prescription laboratories which serve eyecare professionals (optical retailers and chains) everywhere in the world.

<u>Production plants</u>

Their role is to securely supply finished and semi-finished lenses to subsidiaries and direct customers, on-time, on-spec and at the best cost.

Plant locations as of December 31, 2010 (City, date of entry in the Group)

North and South America	Europe	Asia-Pacific
United States Carbondale, Pennsylvania - 1995 Dudley, Massachusetts - 1995 **Mexico** Chihuahua - 1985 **Puerto Rico** Ponce - 1986 **Brazil** Manaus - 1989	**Ireland** Ennis - 1991 **France** Dijon - 1972 Ligny en Barrois (Les Battants) 1959 Sézanne - 1974	**Philippines** Marivelès - 1980 Laguna - 1999 **Thailand** Bangkok - 1990 **China** Shanghai - 1997 **Japan** Nikon-Essilor plan in Nasu - 2000 (joint venture)

14 Essilor plants operated as of December 31, 2010:

- excluding the two plants in China and Korea which Essilor Korea, a company held by Essilor in a 50/50 joint venture with Samyung Trading Co. Ltd, owns via its subsidiary Chemiglas;
- excluding plants of ILT Danyang in China and Signet Armorlite in Mexico, companies in which the Group acquired majority interests in 2010;
- excluding the production units of BNL in France and Specialty Lens Corp in the United States, companies acquired in 2003;
- the Bangalore (India) plant has been converted into a prescription laboratory.

Equipment

Satisloh has productions units in Germany, Italy and China.

Prescription lens laboratories

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

At year-end 2010, the 332 prescription laboratories in the Essilor and Nikon-Essilor network were located as follows:

North America	190
Europe	45
Asia-Pacific	81
Latin America	16

Logistics centers

Logistics centers take delivery of finished and semi-finished lenses and ship them to the distribution subsidiaries and prescription laboratories. There are twelve centers worldwide, 6 in Asia, 2 in Europe, 2 in North America and 2 in South America.

6.1.1.4 Distribution of Essilor products

Essilor products are distributed through:

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

Essilor's customers are:

- opticians/optometrists for ophthalmic lenses and edging-mounting instruments directly or indirectly through distributors;
- prescription laboratories for lenses, edging-mounting instruments and laboratory equipment (primarily surfacing and antiglare machines);
- consumer retail, pharmacies and specialized retail for the reading glasses of FGX International.

6.1.1.5 2010 business review

Excerpts from the management report of the Board of Directors of March 1, 2011.

Consolidated revenue

Revenue growth in 2010	Reported	Like-for-like	Changes in scope of consolidation[(a)]	Currency effect
€ millions	623.6	97.5	338.8	187.3
In %	19.1%	3.0%	10.4%	5.7%

(a) The effect of consolidation consists of 3.1% for organic acquisitions (acquisitions of prescription laboratories and distributors) and 7.3% for strategic acquisitions (FGX International and Signet Armorlite).

The procedures for calculating this aggregate are explained in Note 2.3 to the consolidated financial statements.

In 2010, the consolidated revenue of the Essilor Group was €3,891.6 million, an increase of 19.1%.

On a like-for-like basis, growth in sales was 3.0%. This increase reflects the recovery in lens and optical instruments activity and strong growth for the Equipment division.

The impact of consolidation (+10.4%) reflects both the integration of FGX International and Signet Armorlite (+7.3%) and the revenue contributed by the partnerships and organic acquisitions signed in 2009 and 2010 (+3.1%).

The foreign exchange impact (+5.7%) is the result of the appreciation in all the Group's invoicing currencies, including the US Dollar, the Canadian dollar, the Brazilian real and the Australian dollar.

Research and development

Additional information about research and development can be found in Section 11, "Research and Development, patents and licenses."

Production and capital expenditure

Essilor owns 14 plants located in North America (4), Latin America (1), Europe (4) and Asia (5 including the Nikon-Essilor plant in Japan).

In its plants, the Group produces single-vision finished lenses, and semi-finished lenses. The second type is then shipped to prescription laboratories which perform polishing and apply coatings (antiglare, protective, etc.)

In 2010, production volumes totaled approximately 242 million lenses, a significant increase over 2009. This growth in volume was primarily located in the Asian plants, as volumes on the other continents remained stable or rose slightly. It was primarily the result of the insourcing of lens volumes previously purchased outside, gains in new customers, particularly in the United States and Asia and, finally, a solid increase in volumes of polarized lenses. In terms of material, excluding significant growth in polarized lenses, polycarbonate and high index lenses continued to grow and the 1.5 index material remained stable. In this very dynamic context, the Group achieves both significant gains in productivity and a decline of nearly 3% in its production costs and operating expenses from 2009. The principal items of capital expenditure were the addition of production capacities for polarized lenses and the expansion of the building in the Philippines.

Global prescription lens production and finishing

The Group's 332 prescription laboratories produce custom lenses based on orders, all different, from professional vision customers in all regions. Using semi-finished lenses, the prescription laboratories finish the product with surfacing operations, treatments (coatings) and cutting and mounting. In 2010, the Essilor prescription laboratories produced 75 million lenses (excluding acquisitions and partnerships finalized in 2010).

During the year, Essilor established partnerships with over twenty new laboratories on all continents. In addition, the Group strengthened its ties with several independent laboratories located in Europe, the United States and Latin America through DEO (*Digital-surfacing External Offer*), a partnership offer that includes the installation of its digital surfacing technologies, technology that has grown in the last several years and allows the creation of sophisticated designs, particularly for personalized lenses. At the end of the year, 33 independent laboratories were equipped with DEO.

Moreover, the Group continued to expand its server laboratories. After the four centers created in Thailand, (2), Mexico and India, Essilor opened a new laboratory in Shanghai, China, early in the year. These laboratories produce lenses primarily for the European and North American markets with short delivery times and very competitive costs, which allowed the Group to expand its mid-range product offering in line with its strategy. At the same time, Essilor continued to expand in local service offers in certain countries for its local laboratories, including ultra-short delivery times, special product lines, and training for eyecare professionals.

Logistics

In 2010, an increase in volumes and sales with the subsidiaries generated an increase in inventory volumes at constant consolidation, plus improved performance in terms of coverage. This growth, which raised the number product items to 580,000 was driven by the added value products, particularly the polarized and photochromic lenses.

One of the highlights of the year was the global launch of the new generation of the Varilux Comfort lens, which was synchronized on three continents – North America, Europe and Latin America. For the logistics and production teams, this meant the prior fabrication of 60,000 new moulds and the semi-finished lenses were produced in half of the Group's plans. In addition, teams represented by logistics, marketing, sales and engineering were mobilized around a common project to reduce the costs to change the lens product lines and the obsolescence of the old generation. Finally, the Group continued to streamline its sites and regrouped its distribution centers for Scandinavia at a single site in Sweden.

2010 acquisitions

In 2010, the acquisition and partnership strategy continued around the world. Twenty-nine new transactions were signed, representing total revenue of €432 million on an annual basis.

FGX International

Essilor finalized the acquisition of FGX International, the American leader in reading glasses, and a distributor of sun glasses, which in 2009 recorded revenue of $259.3 million. Since this acquisition, the Group has been referring specifically to this business as "Readers" in its business segment reporting.

Signet Armorlite

Essilor also finalized the acquisition of Signet Armorlite, one of the leading independent manufacturers of ophthalmic lenses, primarily operating in the United States and Europe. Signet Armorlite, which holds a production and exclusive distribution license for the Kodak brand, posted revenue of approximately $115 million in 2009.

The 27 partnerships and organic acquisitions represent additional revenue of €155 million.

United States

Essilor of America expanded its network of prescription laboratories throughout the country with the acquisition of:

- **Hawkins** (Annual revenue: $4.5 million), in the state of Kansas;
- **Custom Optical** (Annual revenue: $2.5 million), in Georgia;
- **Epic Labs** (Annual revenue: $3 million) in Minnesota;
- **Gulf States** (Annual revenue: $3 million) in Louisiana;
- **Reliable Optics** (Annual revenue: $4.3 million), in New York State;
- **Winchester Optical** (Annual revenue: $9.3 million), in New York State;
- **NEA Optical** (Annual revenue: $3.3 million), in Arkansas.

Nikon-Essilor increase its stake from 30% to 80% of **Encore** (Annual revenue: $4 million), a laboratory located in Connecticut and acquired a majority interest in **Pasch** (Annual revenue: $3.9 million) in Colorado.

Canada

Essilor Canada acquired majority stakes in two prescription laboratories:

- **Cascade** (Annual revenue: CAD 6 million) located in British Columbia;
- **Econo-Optic** (Annual revenue: CAD 0.7 million) in New Brunswick.

Brazil

Essilor established majority partnerships with four prescription laboratories:

- **Embrapol Sul** (Annual revenue: €9.4 million) in the Paraná region;
- **Tecnolens** (Annual revenue: €7.4 million) in the Bahia region;
- **Farol** (Annual revenue: €7.2 million) and **Ceditop** (Annual revenue: €3.5 million) located in the state of Rio Grande do Sul.

Europe

In France, Essilor acquired an interest in **Essor**, a lens distributor generating over €5 million in revenue, including a large percentage in the Antilles.

In the United Kingdom, Essilor acquired 80% of **Leicester Optical**, a prescription and edging-mounting laboratory in Rothley, which records annual sales of €1.8 million.

Asia

In China, Essilor acquired in a joint venture 50% of **Wanxin Optical**, one of the leading manufacturers of ophthalmic lenses in China, which records revenue of approximately €24 million and produces 35 million lenses for the domestic and export markets. Essilor also acquired a majority stake in **Danyang ILT Optics**, an optical lens manufacturer with revenue of €7 million.

In Taiwan, Essilor acquired a majority stake in **SMJ**, a prescription laboratory and distributor (Revenue: €1.6 million)

In Singapore, Essilor acquired **Visitech**, renamed Signet Armorlite (Asia) Pte Ltd, a distributer with 1.2 million in revenue.

India

Essilor acquired a majority interest in **GKB Optics Technologies**, a prescription laboratory based in New Delhi generating revenue of €0.8 million, and in **Prakash**, a prescription laboratory recording €0.3 million in annual sales.

Australia

Essilor purchased 70% of **Eyebiz Pty Limited**, a joint venture with Luxottica Group, the leader in the design, manufacture and distribution of high-end fashion, luxury and sports eyewear. Eyebiz is a finishing laboratory that serves all Luxottica points of sale in Australia and New Zealand.

Africa – Middle East

In the United Arab Emirates, Essilor became the majority shareholder of **Ghanada Opticals**, a prescription laboratory in Abu Dhabi serving the countries of the Gulf and the Emirates, with €2 million in revenue.

The Group expanded in South Africa by signing a partnership with **Easy Vision**, which distributes lenses to independent laboratories and records revenue of €1.5 million.

Laboratory equipment

In the “Equipment” division, Essilor acquired a 60% interest in **DAC Vision**, one of the world’s leading manufacturer of consumables for surfacing, coatings and mounting. Operating in Europe and the United States, DAC Vision posts revenue of about €30 million.

Shamir Optical

In addition, on October 15, 2010, Essilor announced that it had signed an agreement with Kibbutz Shamir under which Essilor proposes acquiring 50% of **Shamir Optical**, an independent manufacturer of ophthalmic lenses which recorded $142 million in 2009. The transaction, which requires approval from Shamir Optical shareholders and various regulatory authorizations, is expected to be finalized in mid-2011.

Asset disposal

On August 9, 2010, Essilor sold its historical interest in **Sperian Protection Group**, representing 15% of the capital, to Honeywell Group. The net liquidation value of this asset was €133 million, and resulted in a gain of €27.1 million in the 2010 consolidated accounts.

For more information refer to Section 12.3 of this Registration Document “Events after the year-end.”

6.1.2 NEW PRODUCTS AND / OR SERVICES

Excerpts from the Board management report of March 1, 2011.

In 2010, the Group introduced 240 new lens products. Some of the most important were:

Varilux Physio 2.0: High Resolution Vision

Since the launch of Varilux Physio in 2006, wearers have had access to High-Resolution Vision. In effect, this lens offers better precision, an expanded field of vision, and improved sensitivity to contrasts. In 2010, Essilor again improved the quality of vision by launching Varilux Physio 2.0, the latest generation progressive lens. On the technological side, Varilux Physio 2.0 fully advanced digital surfacing, which enhances the complexity of the optical surface on both side of the lens. The design method used and inspired by astronomy (WAVE 2.0) allows the integration of each possible pupil diameters in addition to control of the light beam. The combination of these two technologies thus offers better quality of vision under all lighting conditions. Available in all countries since January 2010, Varilux Physio 2.0 is now available in a version adapted to small frames.

Varilux Comfort

Seventeen years after it was launched, Varilux Comfort, the absolute standard in progressive lenses, was redesigned in 2010. Initially, in 1993, the Varilux Comfort design revolutionized the progressive lens market and it rapidly became the most widely sold lens in the world. In 17 years, more than 100 million pairs were distributed!

Although the success of this lens has never been in doubt, changing lifestyles and the visual environment of wearers, which has been changing significantly by the development of new technologies, justified an update of this market benchmark. The regular use of mobile phones, digital cameras or even GPS tools implies visual behavior different from 15 years ago. At the same time, optical R&D has made enormous progress and new manufacturing techniques, like digital surfacing, have appeared. Thus, the new Varilux Comfort New Edition offers an expanded field of vision and the transition between the zones has been softened to provide instantaneous visual comfort in all situations. Perfectly adapted to all daily activities, Varilux Comfort New Edition is available around the world.

Anateo Mio

Three years after the successful launch of its progressive Anateo lens, Essilor subsidiary BBGR is meeting the expectations of opticians for high-tech products. Anateo Mio, the new version of Anateo, offers the highest level of personalization thanks to two patented innovations: first, the lens integrates a new individualization parameter – natural reading distance, and thus for the first time takes into account the morphology of the wearer. Then, to measure this new parameter, the optician uses “EyeTab®”, a pioneering measurement tool, which establishes in a few seconds the distance between the wearer’s eyes and the reading test, using an ultrasound transmitter-receiver. Finally, a questionnaire allows opticians to evaluate the parameters for the wearer and his or her frame. The Anateo Mio lens was launched at the end of 2010 in most of Europe.

Varilux Kan

After the success of the Essilor Azio$^{360°}$ product line in Asia, and of the Varilux India lens in India, Essilor launched Varilux Kan for the Korean population in April 2010. This decision was made after behavioral and physiognomic studies on Asian visual strategies conducted by the Singapore Research and Development center. The measurement of the frame wrap, the pantoscopic angle, the lens-eye distance, the pupil distance and the reading distance showed that Koreans were different from other Asian populations with specific visual behaviors. The main difference is the reading distance, which is much greater than the distance measured for the production of the Essilor Azio^{360} product line. Varilux Kan is intended to replace the Varilux$^{360°}$ line in Korea, and develop Varilux brand recognition with wearers.

Myopilux Max

Myopia is a very widespread vision defect in the world, particularly in Asia. Children in particular are affected by this phenomenon and, in China for example, the number of near-sighted children is estimated at 90 million. In response to this situation, the Group decided to design a line of preventive lenses to slow the development of myopia in children. The Myopilux instrument developed by the Group allows optical professionals to determine the characteristics of the child’s visual system and prescribe the most appropriate lens. The lenses include Myopilux Pro, launched in 2008 in Asia, which is a progressive lens specialized for children. To complete the line and offer every child an adapted lens, Essilor launched Myopilux Max in 2010. This is a bifocal lens composed of an upper portion that offers visual correction adapted to the child’s prescription and a lower section that contains a prism which acts on the development of the eye. Myopilux Max reduces the development of myopia by 60%. With these two products, vision professionals can now select the response most adapted to the profile of each child to be fitted.

Crizal, a complete line of coatings

Ophthalmic lenses have 5 great enemies: flare, spotting, scratches, dust and water. These elements alter the vision of wearers, even with the highest quality lenses. Since 1993, Essilor has developed a line of coatings that fight these enemies. After the world launch of Crizal Forte in 2009, Essilor completed and optimized the family of Crizal coatings in 2010. A new high-end coating was introduced in the United States: Crizal Sapphire. The low and mid-point lines were also entirely redesigned with two new products: Crizal Alizé $^{+}$ and Crizal Easy. The entire line offers absolute clarity of vision to wearers.

6.2 Principal markets

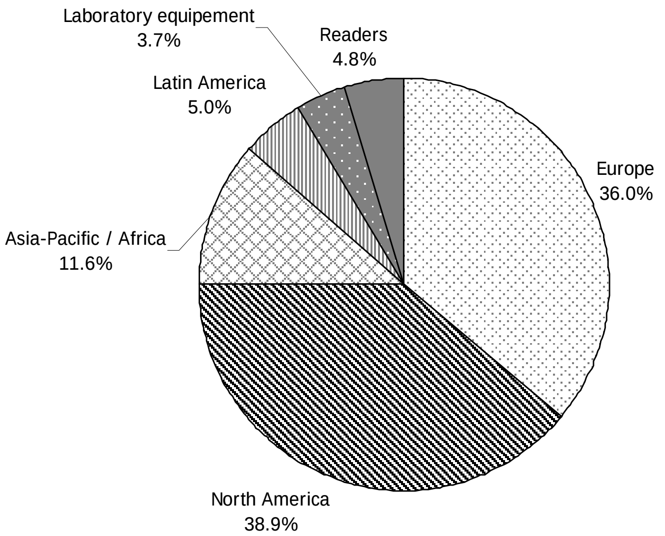
Excerpts from the management report, Board of Directors meeting of March 1, 2011.

6.2.1 SALES PERFORMANCE BY GEOGRAPHIC MARKET

Revenue growth by region

Revenue *€ millions*	2010	2009	Change (reported)	Change (like-for-like)
Europe	1,402.1	1,331.8	5.3%	0.4%
North America	1,515.6	1,354.0	11.9%	1.4%
Asia-Pacific / Africa	450.0	344.7	30.6%	8.4%
Latin America	193.9	134.0	44.7%	16.5%
LENSES AND OPTICAL INSTRUMENTS	**3,561.6**	**3,164.5**	**12.6%**	**2.4%**
Laboratory equipement	143.0	103.5	38.1%	21.3%
Readers	187.0			
TOTAL	**3,891.6**	**3,268.0**	**19.1%**	**3.0%**

Revenue by region



For more information about the 2010 total revenue, refer to Section 6.1.1.5 of this Registration Document.

6.2.2 LENS AND OPTICAL INSTRUMENT BUSINESS

EUROPE

Sales remained stable (+0.4%) in a context of slow economic recovery marked by sharp disparities among countries. The successful launches of the new generations of Physio 2.0 and Comfort New Edition progressive lenses gave new momentum to sale volumes of the Varilux product line. This positive trend was also reflected in the success of the Eyecode lenses and the Visioffice measurement instruments with opticians.

France generally performed very well thanks to the effectiveness of its multi-network organization, completed by two new partnerships with the Mont-Royal and Essor prescription laboratories. BBGR stood out for the success of its new Anateo Mio progressive lens, among other items. In the **Netherland,** in a dynamic market, Essilor successfully pursued its growth model with independent opticians.

In the **United Kingdom,** where the economic situation remained more tenuous, the Group stabilized its sales, taking advantage of the solid performance of WLC. The situation was also stable in **Germany**, **Belgium** and in **Switzerland**.

In Southern Europe, activity remained very difficult, particularly in **Spain**. In **Portugal**, Essilor gained market share however.

In Eastern Europe where performance by country was very unequal, the Group generally returned to growth, driven by the strong level of activity in **Poland** and strong growth in **Russia**.

NORTH AMERICA

This region recorded growth of +1.4% on a like-for-like basis, heavily penalized by the problems encountered in Canada.

In the **United States**, the signs of recovery progressively improved during the year. In the end, Essilor benefited from its improved product mix, both in coatings and designs, even instruments, with solid growth in polycarbonate lenses.

Essilor expanded its network of prescription laboratories with nine new partnerships to extend its sales coverage. Essilor Laboratories Of America relied on its franchise with independent optometrists to develop its flagship Crizal brands, assisted by the very promising launch of the Crizal Sapphire lens, and Varilux in particular, which was driven by the introduction of the Physio 2.0 progressive lenses and the Comfort lens. Sales to independent laboratories were stable.

Business with the chains was more difficult, despite successes with new accounts. On the other hand, activity was steady with the small chains (*integrated retailers*). Driven by the sharp increase in the Xperio polarized lenses, the sales of Kbco posted solid growth. And OOGP benefited from steady demand for contact lenses.

In **Canada**, Essilor suffered from service problems related to the modernization of the information systems of its laboratories. However, the Group did expand its distribution network by signing two new partnerships with laboratories.

ASIA - PACIFIC

In 2010, revenue for the Asia-Pacific-Africa region, which also includes the Middle East, grew +8.4% on a like-for-like basis, reflecting the contrast between the performance in high-growth countries and the difficulties in the developed nations.

In **India**, the Group benefited from the improved product mix, assisted by the success of the Varilux India lens, the strong increase in volumes and the effectiveness of all the distribution networks, which generated very strong growth in all market segments, including the mid-range. All the **Asian** countries recorded double-digit growth. In particular, the Group gained new market share in **Thailand** thanks to its effective multi-network strategy. In **Taiwan**, the success of the Nikon and Essilor lenses drove a strong increase in the product mix.

In **China**, the Group continued its dynamic performance in the high-end products, illustrated by the success of the Essilor Azio lenses. This performance was enhanced by the rapid development of the mid-line business driven by the new partnerships with leading local players. Finally, in **South Korea**, the brand products recorded steady growth.

In **Japan**, in a still depressed market, Nikon-Essilor achieved net growth in the progressive lens segment, with solid improvement for Varilux in the upscale chains. Finally, 2010 was a very difficult year in **Australia** and particularly in **New Zealand**, where consumption fell significantly.

Finally, in the **Middle East** and **South Africa**, Essilor continued to build its multi-network organization, achieving high growth rates.

LATIN AMERICA

The Latin American region which also includes the countries of Central America and Mexico recorded very sharp growth in revenue of +16.5% on a like-for-like basis.

In **Brazil**, sales were driven by volumes in all market segments and by the growth in the product mix. The accelerated penetration of the anti-glare lenses, particularly those in the Crizal product line, which benefited from the very favorable reception of Crizal Forte, led Essilor to increase its coating capacities in São Paulo. Sales of progressive lenses, including Varilux, also expanded. 2010 was also the year for accelerated partnerships. The four prescription laboratories that joined the Essilor network provided a much denser geographic coverage and increased local market share.

Argentina recorded the strongest growth in the region. The high demand for anti-glare lenses supported by clear improvement in the service quality contributed to strong gains in market share. The solid growth in instrument sales to opticians also contributed to the high level of the activity.

Strong growth was also recorded in **Mexico** thanks to dynamic sales of anti-glare lenses and the Varilux brand as well as development of business with a major chain.

In the other countries where Essilor does not have distribution subsidiaries, it recorded double-digit growth and enjoyed major successes in **Colombia** and **Chile**.

OPTICAL INSTRUMENTS

The Instruments division, which includes sales of grinders and measurement equipment and organizational solutions for optical stores, recorded rapid growth (+9.8%). The Mr. Blue high-end grinder launched in 2009 in Europe was successfully deployed in the rest of the world, including the high-growth countries like Brazil and China. The “M’eye touch” personalization software introduced last year allows an optician to design his own lens shapes.

Essilor also launched “Kappa Ultimate Edition”, a more ergonomic version that the old-generation grinder and intended to strengthen Essilor’s position in the mid-range.

Finally, the successful marketing of Visioffice everywhere in Europe contributed to the year’s strong performance. This instrument installed with an optician allows the additional measurements necessary to market lenses that integrate the Eyecode technology.

6.2.3 LABORATORY EQUIPMENT

Sales of equipment for prescription laboratories accelerated throughout 2010 to post like-for-like growth of +21.3%. This dynamic performance was tied to the strong demand for digital surfacing machines, both from independent laboratories and optical chains. The growth in this technology particularly benefited the production of Satisloh consumables as a result of a higher-end product line.

The Asian zone was particularly dynamic, benefiting from both a strong level of activity in its domestic markets for which Satisloh has a dedicated production plant in Zhongshan (China), and from the development of high capacity prescription laboratories serving the developed regions.

Finally, the acquisition of DAC Vision (see the section on "Acquisitions" under 6.1.1.5), one of the world leaders in consumables, gave the Group an expanded product portfolio to meet the different needs of its customers.

6.2.4 READERS

In the first quarter of 2010, Essilor finalized the acquisition of FGX International, the North American leader in reading "readers" glasses. FGXI is also a sunglass distributor and earns most of its revenue in the United States (90%) and is growing in Canada, Mexico and the United Kingdom. The large retail chains, pharmacies and food stores are its main customers.

In 2010, FGXI recorded revenue of $277.1 million, representing an increase of more than 6.9% in its sales.

In the readers segment, which accounts for half its revenue, FGXI won new clients and benefited from the launch of two highly successful products – Microvision and Lightspecs – which led sales in major brands like Barnes & Noble, Walgreens, CVS and Rite Aid.

Outside the United State, the activity was particularly strong in the United Kingdom, with commercial successes in airport and rail station boutiques.

6.3 Exceptional factors

No exceptional factors influenced the Group's main businesses or markets in 2010.

6.4 Dependence on patents, licenses, industrial, commercial or financial contracts or new manufacturing processes

The Group is not dependent on any contracts, patents or licenses or on any one or several customers that currently have a material impact on its operations or that could have a significant impact on expiration. Similarly, it is not dependent on any supply contracts, since purchases are spread among a number of suppliers. All contracts are on arm's length terms.

6.5 Competitive position

ESSILOR'S POSITION IN THE OPTICAL MARKETS

Optical lenses and instruments

Essilor is the world leader in ophthalmic optics. In an extremely fragmented world market, composed of small local players, its main rivals are Carl Zeiss Vision (Germany) and Hoya (Japan).

According to the data available to the Group, the world market for ophthalmic optics represents nearly 1 billion lenses per year with an estimated value of approximately €9 billion. Its long-term growth, traditionally around 2 to 3%, could accelerate between 3 and 4% under the impact of the high-growth countries. Essilor's world market share is about 28% in volume.

Essilor is present in all lens categories with international brands, the most representative of which are:

- Varilux and its different variants for progressive lenses;
- Crizal and its variants for lenses with anti-glare, anti-spot and anti-static surface coatings;
- Xperio for polarized lenses;
- Nikon, Transitions (photochromic lenses) and Kodak, brands used under agreements with Nikon Corporation, Transitions Optical Inc. and Kodak.

Essilor's strategy is based on a policy of product and service innovation, and on the quality of its processes and technologies. This is demonstrated by the introduction each year of a large number of new products which combine different materials, optical surfaces and coatings. This strategy enhances its product mix, ensures the development of greater segmentation and meets the demand of customers, optical professionals and consumers. With 580,000 product items, Essilor has the largest product offering in the market.

In 2010, the world ophthalmic optical market returned to growth and volumes were drawn primarily by a recovery in North America and the Asian countries (Essilor data). Essilor's sales by volume increased. They reflect gains in market share resulting from the introduction of new products and the policy to acquire independent laboratories and wholesale distributors.

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

- the replacement of mineral lenses with organic lenses, primarily in the emerging countries;
- the growth in new organic materials which 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-glare and anti-spot and photochromic lenses;
- the growth in the developing countries supported by the growth in their middle class.

In the different segments, the mineral lenses continued to decline, while the other materials recorded strong performances, particularly a high and very index lenses, the photochromic lenses and anti-glare lenses.

Refer to Section 6.2.2 of this Registration Document, "Lenses and optical instruments."

Laboratory equipment

The Equipment business is represented primarily by the Satisloh company.

In value, the Group estimates the market for equipment and consumables used by prescription laboratories at between €300 and 400 million.

Satisloh is the world leader in surfacing and anti-glare machines. Its global market share is between 35% and 40%; it has grown in the last two years, particularly in surfacing machines.

Satisloh's customers are prescription laboratories, integrated optical chains and lens manufacturers. The main rivals of Satisloh are Schneider (Germany) in surfacing and Leybold (Germany) in anti-glare coating machine. Satisloh and Dac Vision are also present in the consumables segment.

In 2010, the equipment market grew approximately 10% (Satisloh estimates) thanks to the growth in the number of lenses produced by the independent prescription laboratories.

Refer to Section 6.2.3, of this Registration Document, "Equipment."

Readers

The Readers segment consists of the American company FGX International, acquired by Essilor in 2010, the principal activity of which is the design and marketing of pre-mounted glasses (readers).

In volume, the Group estimates the world market for Readers at 200 million pairs a year and €1 billion in value.

FGX International is the North American leader in reading glasses with a market share of between 15 and 20% worldwide. FGX International also distributes sunglasses for the retail market. The competitors of FGX International internationally are small local players.

The customers of FGX International are the large retail companies (Wal-Mart, Target, etc.), pharmacies (Walgreens, CVS, etc.) and specialized retain outlets (Barnes and Noble, etc.). FGX International buys its products from outside manufacturers.

Refer to Section 6.2.4 of this Registration Document, "Readers."

7 ORGANIZATIONAL STRUCTURE

7.1 Description of the Group

Essilor International is the parent company of the Essilor Group and is listed in Paris (Euronext/FR0000121667). Essilor International combines the activities of holding company of the Group with the manufacturing operations in France, R&D activities in France, and the distribution activities of the Essilor network in France, along with the activities of a logistics platform serving its European subsidiaries.

The French and foreign subsidiaries are held directly by Essilor International or through regional entities.

The main subsidiaries not held directly by Essilor International are:

- Distribution subsidiaries of the BBGR network in Europe and of Pro-Optic in Canada, held indirectly through BBGR SAS;
- Finishing laboratories in Canada, held indirectly through Essilor Canada;
- Finishing laboratories in the United States and of Gentex Optics, held indirectly through Essilor of America Holding Inc.;
- Finishing laboratories in Australia, held indirectly through Essilor Australia;
- Finishing laboratories in Brazil, held indirectly through Brazilor;
- Satisloh group subsidiaries, held by Satisloh;
- FGX group subsidiaries, held by FGX;
- Signet Armorlite group subsidiaries held by Signet Armorlite.

7.2 List of subsidiaries and related party transactions

The list of subsidiaries and the related party transactions can be found in the notes to the consolidated financial statements (Section 20.3.1.5, Notes 32 to 35 and Note 30, respectively).

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Material property, plant and equipment

The carrying amount of property, plant and equipment – including assets under finance leases – held by consolidated companies was €876 million at the end of 2010 compared to €803 million at the end of 2009. These assets consist mainly of buildings and production plant and equipment:

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

The prescription laboratories also have machines and equipment for surfacing, coating, edging and mounting lenses. These assets are located at many different sites around the world, with a higher concentration in France and the United States.

The following information is presented in the notes to the consolidated financial statements under Section 20.3.1.5:

- Analysis of property, plant and equipment and related movements: Notes 13 and 14;
- Geographic location of property, plant and equipment and intangible assets (carrying amount) and additions for the period: Note 3;
- Finance lease liabilities of the Group by main maturity: Note 22.2;
- Commitments under non-cancelable operating leases by main maturity: Note 25.

Details of capital expenditure for 2010 are provided in Section 5.2 of this Registration Document.

Refer also to Section 6.1.1.3 of this Registration Document.

8.2 Environmental issues

Essilor is committed to participating in sustainable development initiatives, helping to protect the environment, reducing as much as possible its use of energy and natural resources, and promoting recyclable products, as well as to complying fully with all applicable environmental regulations in all host countries throughout the world.

Essilor operates in a light industry, classified in France's NAF industry classifications in category 33, which includes the manufacture and sale of eyeglasses, optical and precision instruments. Upstream production operations and downstream ophthalmic lens finishing operations generally have a limited impact on the environment. In addition, the use of our products and their disposal at the end of their life has virtually no environmental impact.

Nonetheless, Essilor has long been committed to implementing and maintaining environmental management systems that accurately measure even the slightest environmental impacts of its operations and that enable it to prevent and manage them effectively. The Group also encourages employees to apply eco-design principles.

The manufacture of ophthalmic lenses involves managing several hundred of thousand stock-keeping units while maintaining the highest standards of cleanliness at each stage in the production process. Implementing and maintaining environmental management systems helps to make the manufacturing plants more efficient, while at the same time improving their environmental stewardship and offering benefits that are often of major importance in keeping production sites clean and tidy.

In line with the eco-design approach adopted to enhance overall ecological efficiency, our product and process development teams take into account environmental issues from the outset. Designing these principles into a project helps to deliver better results in terms of both efficiency and cost.

Essilor's environmental reporting covers its companies worldwide and follows the guidelines and base indicators of the Global Reporting Initiative (GRI). Refer to Appendixes 3 and 4 of this Registration Document.

9 OPERATING AND FINANCIAL REVIEW

Excerpts from the management report of the Board of Directors of March 1, 2011

9.1 Financial position

BALANCE SHEET

Goodwill and other intangible fixed assets

Goodwill increased by €462 million to €1,522 million at the end of 2010. This increase, which includes a significant currency translation change, primarily reflects the acquisitions of FGX International and Signet Armorlite.

The €280 million increase under the Other intangible assets line item reflects the integration of the customer portfolio of FGX International and its various brands, including Foster Grant, into the accounts.

Inventories

At year end 2010, inventories totaled €645 million, an increase of €159 million over the end of 2009. Most of this increase is related to the acquisitions made, currency fluctuations and the sharp increase in Satisloh business.

Investments

Refer to Section 5.2 of this Registration Document.

Shareholders' equity

Consolidated shareholders' equity totaled €3,044 million at the 2010 year-end, up 11.3% compared to the 2009 year-end. The changes in shareholders' equity are presented in detail in Section 20.3.1.3 of this Registration Document.

Change in net debt

€ millions			
Cash flow from operating activities (before WCR)	676	Purchases of property, plant and equipment, net	140
Issue of share capital	77	Change in WCR	57
Other	64	Dividends	148
Deconsolidation	133	Financial investments net of the proceeds from disposals(a)	645
Change in net debt	389	Share buybacks	349

(a) Financial investments net of cash acquired plus debt at the consolidation of the companies acquired.

The Essilor model continued to demonstrate its strong cash generation in 2010. Cash flow from operating activities (excluding the change in working capital requirements) amounted to €676 million, which largely financed the growth of the Group, covering:

- the increase of €57 million in working capital requirements related to an increase in trade receivables;
- the increase in the amount of capital expenditure.

The result was free cash flow (*cash flow from operating activities less net capital expenditures*) up 23% to €480 million, which contributed to the financing of:

- net financial investments(a) of €645 million, including €338 million for the acquisition of FGX International;
- stock buybacks totaling €348.9 million to purchase 7.6 million shares on the market;
- a 6.5% increase in dividends paid to shareholders for a total of €148.3 million.

At the end of fiscal year 2010, the Group posted net debt of €295.8 million, representing less than 10% of shareholders' equity of €3,044 million.

Ratios

The Net income to equity ratio (ROE) was 15.5%, up over 2009 (14.7%). On the other hand, the Earnings before taxes and financial expense to non-current assets and working capital requirements ratio (ROA) fell from 20.3% to 18.2%, primarily because of the increase in the assets related to the acquisitions of FGX International and Signet Armorlite.

9.2 Operating results

9.2.1 SIGNIFICANT FACTORS AFFECTING OPERATING PROFIT

Revenue

For more information on revenue, refer to Section 6.1.1.5, "2010 business review" and Section 6.2, "Principal markets."

Gross margin

In 2010, gross margin (revenue – cost of products sold) was €2,159.6 million, down 0.6 point to 55.5% of revenue. This drop reflects the dilution of the organic acquisitions and the growing weight of other businesses (Equipment, Instrument and distribution of contact lenses) which have a gross margin less than the margin on the production and sale of ophthalmic lenses.

Operating expenses

Operating expenses in 2010 totaled €1,454.7 million. As a percentage of revenue, they were down 0.5 point from 2009 or 37.4%.

This decline is the result of the following:

an increase in selling and distribution costs (€859.7 million in 2010, up 21.6% compared to 2009);

- the control of structural costs and a constant research and development effort (€150.9 million before deduction of a research tax credit of €11.9 million);
- and the positive impact of the acquisitions which have a rate of operating expenses as a percentage of revenue less than the Group average.

Overall, the contribution of the business totaled €704.8 million, up 18.9% over 2009. The contribution margin remained stable at 18.1% of revenue.

Contribution from operations in euros and as a percentage of revenue

€ millions	2010	2010 excl FGX and Signet Armorlite	2009	Change
Contribution from operations[(a)]	704.8	662.9	593.0	18.9%
As a % of revenue	18.1	18.1%	18.1%	

(a) Operating income before share-based payments, restructuring costs, other income and expense, and before goodwill impairment.

€ millions	Reported	Like-for-like	Change in scope of consolidation	Currency effect
Change in contribution from operation[(a)] in 2010	111.8	27.5	42.5	41.8
In %	18.9%	4.6%	7.2%	7.1%

(a) Operating income before share-based payments, restructuring costs, other income and expense, and before goodwill impairment.

The procedures for calculating the changes in this aggregate are explained in Note 2.3 to the consolidated financial statements.

Other income / other expenses from operations

The Other operating income/other expenses line item totaled €86.4 million.

This increase of €43.6 million reflects:

- the recognition of €41.5 million following notification of a fine from the BundesKartellamt (BKA), the German competition authority. For information, the Group has filed two appeals in the Düsseldorf court, which stay the payment of the fine;
- restructuring expenses primarily related to the streamline of production sites for a total of €37.9 million;
- expenses related to share-based payments for 21.7 million, resulting from the addition of the expenses on the stock option plans and performance share plans (20.1 million) and from the expenses related to the discounts granted under the Company Savings Plan (1.6 million);
- the costs related to the acquisitions of FGX International, Signet Armorlite and Shamir Optical amounting to €6.5 million;
- and a gain on the sale of Essilor's interest in Sperian Protection for €27.1 million.

Operating profit

In 2010, operating profit (Contribution from business – Other income/other expenses and Income from asset disposals) totaled €618.5 million (15.9% of revenue) compared with €550.3 million (16.8% of revenue) in 2009, an increase of 12.4%.

Change in operating profit in 2010	Reported	Like-for-like	Change in scope of consolidation	Currency effect
€ millions	68.2	(36.9)	64.6	40.5
In %	12.4%[a]	(6.7%)	11.7%	7.4%

(a) Adjusted for the provision for the fine notified by the BKA and for the gain from a disposal realized from the sale of the stake in Sperian, operating profit totaled €632.8 million, up 15%.

The procedures for calculating the changes in this aggregate are explained in Note 2.3 to the consolidated financial statements.

9.2.2 SIGNIFICANT CHANGES TO NET SALES OR REVENUES

There were no significant changes to net sales or revenues.

9.2.3 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.

9.3 Net profit

Profit attributable to Group equity holders and earnings per share

Consolidated net profit totaled €472 million for the year, an increase of 18.4%. Profit attributable to equity holders rose 18.2% to end the year at €462 million, thereby holding net margin (net profit as a percentage of revenue) close to the 2009 rate, at 11.9%. Earnings per share grew 16.6% to €2.20.

Adjusted for the provision for the fine notified by the BKA and the gain from a disposal realized from the sale of the stake in Sperian Protection, net earnings per share was €2.27, an increase of 20%.

Net profit also reflects the following costs and expenses:

Financial income and expenses

Financial income and loss was stable at €(10.8) million (versus €(11.2) million in 2009) despite an increase in average annual debt.

Income tax expense

Between 2009 and 2010, the effective tax rate decreased from 30.9% to 27.5% of earnings before taxes (€167.4 million). Restated for the impacts of the non-deductible fine from the BKA, the non-taxable gain on the Sperian sale, and the tax rate of FGX International, which is higher than the Group rate, the 2010 average tax rate was 25.9%.

Share of profits of associates

For fiscal year 2010, the share of profits of associates was up 22.2% to €31.7 million. This amount includes the share of the Transitions result (49%-held) and the share of results over 7 months from Sperian Protection (Essilor sold its interest in Sperian Protection to the Honeywell group in August 2010).

10 LIQUIDITY AND CAPITAL RESOURCES

10.1 Information on capital resources

Capital resources are presented in detail in the consolidated financial statements under Section 20.3.1.3 of this Registration Document.

10.2 Cash flows

The statement of cash flows is presented in the financial statements under Section 20.3.1.4 of this Registration Document.

10.3 Information on borrowing requirements and funding structure

At December 31, 2010, the Group had €250 million in bilateral facilities with a remaining life of 3.1 years.

In addition, the Group has a €750-million commercial paper program, the issuing volume of which amounted to €80 million at the end of 2010.

Besides, the Group has two syndicated credit facilities for a total of €1,700 million with an average remaining life of 2.6 years. At December 31, 2010 these facilities were drawn down by €288 million.

	Amount in € millions	**Issue date**	**Maturity**
Bank loan	250	February 2007	February 2014
Commercial paper	750	May 2010	May 2011
Syndicated credit facility	700	May 2005	May 2012
Syndicated credit facility	1,000	June 2007	June 2014

At December 31, 2010, the net indebtedness of the Group was €296 million.

For more information, refer to Note 26 to the consolidated financial statements in Section 20.3.1.5.

10.4 Restrictions on the use of capital resources

The various facilities referred to above are not subject to any specific covenants.

10.5 Anticipated sources of funds

Current financing facilities are considered sufficient and appropriate for anticipated short and medium-term investments.

11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 Research and development

Excerpt from the management report of the Board of Directors of March 1, 2011

RESEARCH AND DEVELOPMENT

Innovation represents a core component of Essilor's strategy to grow the business and secure competitive advantage. Essilor's Research and Development teams leverage the best talent worldwide to develop technological solutions and innovative products and services to meet individual vision correction needs. The Group devotes a significant percentage of revenue to R&D, engineering and the development of new production processes, spending €150.9 million in 2010 and €151.2 million in 2009, before the research tax credit deduction.

Our R&D strategy focuses on driving technological breakthroughs, supported by extensive patent filings.

A total of 240 new products were launched in 2010, and Essilor's R&D teams continued to develop digital surfacing technologies to create new product lines that deliver a more customized lens solution for every wearer. We also expanded our range of anti-reflective, anti-smudge and anti-static varnishes and coatings. See Section 6.1.2, "New Products."

R&D ORGANIZATION

Essilor's Research and Development Department is organized into three branches: Optics, Physics-Chemicals and Breakthrough Technologies. Its mission is to maintain Essilor's position as the global leader in technologies and products.

PARTNERSHIP-DRIVEN INNOVATION

With the exception of the progressive lens, Essilor has been working since its formation with other industries to develop its products. Whether in materials, treatments, or even digital technologies, the research partnerships are a way to share innovations in all areas. One of the most recent partnerships is the joint research center with Nikon Corporation, which launched operations in 2008. Based in Japan, the teams from the two companies are focusing on breakthrough technologies. In France, Essilor's participation in the Vision Institute offers the possibility of working with the hospital market to improve understanding of the entire visual system.

A GLOBAL ORGANIZATION

In order to strengthen its innovation capacities and develop the complementary features of its various businesses, Essilor is setting up Innovation and Technology Centers. These three centers in France, the United States and Asia will eventually bring together all the Group's technological expertise in R&D and engineering. These new synergies will help Essilor to optimize the quality, performance, development time and the launch of its products in the global market. Finally, the location of the centers on three continents gives it the knowledge of local requirements and the assistance of local talent.

11.2 Patents and licenses

At the end of 2010, the Group, including the companies in which it owns all the capital (BNL, Gentex Optics, Satisloh and Signet Armorlite) held 740 patent families representing a total of over 5,700 patents and patent applications in France and abroad.

This portfolio of patents does not include those held by the joint ventures Transitions and Nikon-Essilor.

The Group's very active policy of innovation is supported and backed by an industrial property policy that is active in both upstream as a support for innovation to provide all assistance necessary to researchers by using the patents as a tool for innovation, and downstream as a means to optimize protection of all innovations in products, industrial and prescription processes and in services related to the manufacturing and delivery of the product by the prescription laboratories.

In practice, this results in the availability of guides, forms, training sessions and systematic follow-up with of all innovations with Group innovators, particularly through the Patent Committees organized with R&D, Engineering and the Instruments Division.

Since 2005, the average of basic filings on new inventions, annualized on a trailing monthly basis, has been six applications per month.

Nearly 95% of the basic filings are extended on average to eight countries, which is one of the highest extension rates in the French industry and the issue rate for patents in countries or regions with patentability examination systems (European patent, USA, China) is close to 100%.

The commitments given in the context of exclusive or non-exclusive use of patents through licenses are not material.

12 TREND INFORMATION

12.1 Recent trends

The Company is not aware of any trends affecting production, sales, inventory, costs or selling prices since the end of the last fiscal year.

12.2 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 population in the world still needs glasses, the world's population is aging and these lenses represent the least expensive option for correcting faulty vision. What's more, recent advances have made lenses even more attractive in relation to competing technologies.

12.3 Events after the year-end

Acquisitions

Acquisitions made at the start of the 2011 fiscal year

Since the start of 2011, we have continued our international reach by establishing new partnerships.

In India, Essilor signed a joint venture agreement with Enterprise Trading Company, one of the country's major lens distributors. The main objective of the new company, Enterprise Ophthalmics Private Ltd, is to speed up the transition to plastic lenses from glass lenses, which account for 60% of the lenses sold in India.

In Morocco, the Group signed an agreement to acquire a majority stake in one of its current distributors, N Optic. Based in Tangiers, N Optic is the country's leading prescription laboratory and generates revenue of €2 million. This joint venture, which represents Essilor's first operation in Morocco, will produce Varilux and Crizal lenses and support their development.

In Brazil, the Group increased its stake in Unilab, a prescription laboratory with annual revenue of approximately €5.5 million, from 30.5% to 51%.

The Equipment division enlarged its portfolio by acquiring a majority stake in Bazell Technologies, a company specializing in the treatment of rinse water used in lens production. Based in California, Bazell Technologies, whose products are distributed in the United States mainly through the Satisloh/National Optronics network, generates revenue of approximately $4 million.

In the Readers division, FGX International made its first acquisition since being acquired by the Essilor Group. Currently the UK industry leader, FGXI has acquired all outstanding shares in Sight Station, the industry's number two with annual revenue of approximately €2.5 million. This acquisition enables FGXI to establish a foothold among leader retailers.

Acquisitions in progress for 2011

On October 15, 2010 Essilor also announced the signing of an agreement with Kibbutz Shamir, under which Essilor offers to acquire a 50% stake in Shamir Optical, an independent manufacturer of ophthalmic lenses that generated $142 million in revenue in 2009. The transaction requires the approval of Shamir Optical shareholders and various regulatory authorities.

12.4 2011 outlook

Global economic activity is expected to continue to improve in 2011. The ophthalmic optical market continues to benefit from structural trends related to the aging population, a growing middle class and the under-penetrated market for value-added products. We intend to capitalize on our innovation and operating efficiency to speed up our development in high-growth countries as well as in developed markets while continuing to pursue the mid-range segment throughout the world. In all we plan to continue to improve our revenue gradually and maintain a high level of profitability outside of strategic acquisitions.

13 PROFIT FORECASTS OR ESTIMATES

It is not Company policy to disclose profit forecasts or estimates and no other Company publication provides forecasts for 2011.

14 MANAGEMENT, GOVERNANCE AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1 Members of the management, governance and supervisory bodies

14.1.1 THE BOARD OF DIRECTORS

Article 12 of Essilor's bylaws stipulates that the affairs of the Company are to be managed by a Board of Directors of not less than three or more than fifteen members, not including Board members representing employee shareholders (Article 24.4). As of December 31, 2010, Essilor's Board of Directors had 15 members, including three members representing employee shareholders. Board members are elected for a three-year term and may stand for re-election. The terms of one-third of the directors expire at an Ordinary Shareholders' Meeting, so that the entire Board is re-elected over a rolling three-year period. The average age of Board members in 2010 was 57. Each Board member is required to hold 1,000 Company shares.

The following changes occurred at the close of the Shareholders' Meeting of May 11, 2010: Xavier Fontanet, Yves Chevillote and Yves Gillet were re-appointed to the Board for a three-year term; Bridget Cosgrave, whose term in office also expired at that time, was not re-appointed. Mireille Faugère was appointed to the Board as a new member. Yi He who was co-opted to replace Alain Thomas as Board member representing employee shareholders was ratified.

Hubert Sagnières is Chief Executive Officer from January 1, 2010 until the 2011 Ordinary Shareholders' Meeting, corresponding to the end of his term as Board member. The Board also decided that Xavier Fontanet – former Chairman and Chief Executive Officer – would serve as Chairman as from that same date.

The criteria for determining the Board members' independence are set out in the Company's internal rules as adopted by the Board 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 that is such as to color his or her judgment.

In particular, a Board member does not qualify as an independent director if:

- the Board member is an employee or corporate officer of the Company or of a Group company (or has been one during the previous five years);
- the Board member is a corporate officer 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 officer of the Company;
- the Board member is a customer, supplier, investment banker or commercial banker – in each case – which is material for the Company or the Group, or for which the Company or the Group represents a material proportion of the entity's activity;
- the Board member has any close family ties with a corporate officer;
- the Board member has been an auditor of the company over the past five years;
- the Board member has been a director for more than twelve 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 a Board member is an independent director, based on the opinion of the Corporate Officers Committee issued in writing. Such opinion namely takes into account:

- the composition of the share capital of the company, and
- whether there exists potential for any conflicts of interest."

At its meeting on November 25, 2010, the Board reviewed the definition of independent director in relation to the criteria stipulated in the AFEP/MEDEF corporate governance report of 2003, which were incorporated in full in the AFEP/MEDEF corporate governance code of December 2008 and completed in April 2010.

At its meeting of November 25, 2010, the Board of Directors determined that nine of the fifteen members of Essilor's Board of Directors were independent based on the above criteria, representing more than the one-half minimum prescribed in the internal rules and in the AFEP/MEDEF code for companies with a broad shareholder base and no controlling shareholder.

MEMBERS OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2010

Xavier Fontanet, Chairman of the Board of Directors

Hubert Sagnières, Chief Executive Officer

Philippe Alfroid, Chief Operating Officer until June 30, 2009

Independent directors:

(The independence of each individual director was reviewed by the Board during 2010. For further information on this topic, see the section titled "Decisions and information to the Board of Directors" in the first part of the Chairman's Special Report, published in Appendix 1 of this Registration Document.)

Alain Aspect

Benoît Bazin

Antoine Bernard de Saint Affrique

Yves Chevillotte

Mireille Faugère

Bernard Hours

Maurice Marchand-Tonel

Olivier Pécoux

Michel Rose

Board members representing employee shareholders:

Aïcha Mokdahi

Yves Gillet

Yi He

LIST OF DIRECTORSHIPS AT DECEMBER 31, 2010

Name and additional information	First appointed to the Board	Current term ends	Other directorships
XAVIER FONTANET Age: 62 Number of shares: 287,495 Main position within the Company: **- CHAIRMAN OF THE BOARD OF DIRECTORS** (since January 1, 2010) Business address: ESSILOR INTERNATIONAL 147 rue de Paris 94227 CHARENTON Cedex - FRANCE	June 15, 1992	2013	**CHAIRMAN:** - EOA Holding Co., Inc. (USA)(b) - Nikon and Essilor Joint Research Center Co Ltd (Japan) **DIRECTOR:** **Essilor International and subsidiaries** - Nikon-Essilor Co. Ltd (Japan) - Nikon and Essilor Joint Research Center Co Ltd (Japan) - Essilor of America, Inc. (USA)(b) - Transitions Optical Inc. (USA)(b) - EOA Holding Co, Inc. (USA)(b) - Shanghai Essilor Optical Company Ltd (China)(b) - Transitions Optical Holdings B.V. (Netherlands)(b) - Essilor Manufacturing India Private Ltd (India)(b) - Essilor India PVT Ltd (India)(b) - Essilor Amico (L.L.C.) (United Arab Emirates) **External companies** - L'Oréal - Crédit Agricole SA - Fonds stratégique d'investissement (SA) **PERMANENT REPRESENTATIVE OF ESSILOR INTERNATIONAL ON THE BOARD OF DIRECTORS:** **External companies** - Association Nationale des Sociétés par Actions (Ansa)(a)

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

Name and additional information	First appointed to the Board	Current term ends	Other directorships
HUBERT SAGNIERES Age: 55 Number of shares: 11,073 Main position held within the Company: - **CHIEF EXECUTIVE OFFICER** (since January 1, 2010) Business address: ESSILOR INTERNATIONAL 147 rue de Paris 94227 CHARENTON Cedex - FRANCE	May 14, 2008	2011	**CHAIRMAN AND CHIEF EXECUTIVE OFFICER:** - Essilor of America, Inc. (USA) **DIRECTOR:** **Essilor International and subsidiaries** - Essilor of America, Inc. (USA) - Transitions Optical Inc. (USA) - Frames for America, Inc. (USA) - K&W Optical Limited (Canada)(b) - Essilor Canada Ltee/Ltd (Canada) - Transitions Optical Holdings B.V. (Netherlands) - Vision Web Inc. (USA)(b) - Omics Software Inc./Logiciels Omics, Inc (Canada)(a) - Cascade Optical Ltd (Canada)(a) - Reseau Essilor in Canada Inc. (Canada)(a) - Groupe Vision Optique Inc. (Canada)(a) - Optique de l'Estrie Inc. (Canada)(a) - Optique Lison Inc. (Canada)(a) - Vision Optique Inc. (Canada)(a) - Vision Optique Technologies Ltée (Canada)(a) - Visionware Inc. (Canada)(a) - Westlab Optical Ltd (Canada)(a) - Essilor Vision Foundation (USA)
PHILIPPE ALFROID Age: 65 Number of shares: 261,038 Main position held within the Company: - **DIRECTOR** Business address: not applicable Retired since June 30, 2009.	May 6, 1996	2011	**CHAIRMAN:** - Essilor of America, Inc. (USA)(b) **CHAIRMAN OF THE SUPERVISORY BOARD:** - Faiveley Transport (ex. Faiveley SA) **Essilor International and subsidiaries** **DIRECTOR:** - Sperian Protection(b) - Essilor of America, Inc. (USA) **External companies** **DIRECTOR:** - Eurogerm - Gemalto N.V. (Netherlands)(a)
ALAIN ASPECT Independent director Age: 63 Number of shares: 1,060 Main position held outside the Company: - Senior researcher at CNRS (Institut d'Optique in Orsay) - Professor at Ecole Polytechnique and Institut d'Optique - Supervises the atom optics group at Institut d'Optique Business address: INSTITUT D'OPTIQUE Campus polytechnique – RD 128 91127 PALAISEAU Cedex - FRANCE	June 16, 1997	2011	**MEMBER OF THE BOARD OF DIRECTORS:** - Agence Nationale de la Recherche(a) - Etablissement Public Paris Saclay(a)

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

Name and additional information	First appointed to the Board	Current term ends	Other directorships
BENOIT BAZIN Independant director Age: 42 Number of shares: 1,000 Main position held outside the Company: **DEPUTY CHIEF EXECUTIVE OFFICER** - Compagnie de Saint-Gobain[a] **CHAIRMAN** - Saint-Gobain Distribution Bâtiment, Building Distribution division Business address: SAINT-GOBAIN Les Miroirs – 18 avenue d'Alsace 92096 PARIS LA DEFENSE – FRANCE	May 15, 2009	2012	**Saint-Gobain Group** **CHAIRMAN:** - Partidis - Saint-Gobain Distribution Bâtiment Suisse AG (Switzerland) **CHAIRMAN OF THE SUPERVISORY BOARD:** - Point P S.A. - Lapeyre **CHAIRMAN OF THE BOARD OF DIRECTORS:** - Projeo - Saint-Gobain Distribution Nordic AB (Scandinavia) **DIRECTOR:** - Fondation Saint-Gobain Initiatives - Jewson Ltd (United Kingdom) - Saint-Gobain Building Distribution Ltd (United Kingdom) - Norandex Building Material Distribution Inc. (USA)
ANTOINE BERNARD DE SAINT-AFFRIQUE Independent director Age: 46 Number of shares: 1,000 Main position held outside the Company: **EXECUTIVE VICE PRESIDENT** - Unilever, in charge of "Skin Care and Skin Cleansing" Business address: UNILEVER 100 Victoria Embankment - Blackfriars EC4P 4BQ LONDRES - UK	May 15, 2009	2012	**DIRECTOR:** - Inmarko (Russian Federation)[b] - Icosmeticals SAS[a]
YVES CHEVILLOTTE Independent director Age: 67 Retired since January 2004. Number of shares: 1,855 Business address: not applicable	May 14, 2004	2013	**VICE CHAIRMAN OF THE BOARD OF DIRECTORS:** - SA Soredic **VICE CHAIRMAN OF THE SUPERVISORY BOARD:** - Finaref[b] **CHAIRMAN OF THE BOARD OF DIRECTORS:** - Arvige - G.A.S.F.O. **DIRECTOR:** - F.R.A.C. - Mission Possible
MIREILLE FAUGERE Independent director[a] Age: 54 Number of shares: 1,000 Main position held outside the Company: **CHIEF EXECUTIVE OFFICER** - Assistance Publique – Hôpitaux de Paris (AP-HP)[a] Business address: 3 avenue Victoria 75184 PARIS Cedex 04	May 11, 2010	2013	**DIRECTOR:** - EDF

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

Name and additional information	First appointed to the Board	Current term ends	Other directorships
YVES GILLET Director representing employee shareholders Age: 47 Number of shares: 14,143 Main position held within the Company: **CHIEF EXECUTIVE OFFICER** - Essilor España, SA Business address: ESSILOR ESPAÑA S.A. C/Labastida s/n 28034 MADRID – SPAIN	January 28, 2009 Appointed by the Board of Directors May 15, 2009 Ratified by the Shareholders' Meeting	2013	**MEMBER OF THE BOARD OF DIRECTORS:** - Valoptec Association **MEMBER OF THE SUPERVISORY BOARD:** - FCPE Valoptec International
YI HE Director representing employee shareholders[a] Age: 57 Number of shares: 11,973 Main position held within the Company: **CHAIRMAN** - Essilor (China) Holding Company (China)[a] Business address: Unit D2, 20th Floor - N° 398 Huai Hai Middle Road Luwan District Shanghai CHINA P.R.C. 200020	January 27, 2010 Appointed by the Board of Directors May 11, 2010 Ratified by the Shareholders' Meeting	2011	**CHIEF EXECUTIVE OFFICER AND DIRECTOR:** - Shanghai Essilor Optical Company Ltd (China) **DIRECTOR:** - Danyang Sales and Distribution Co. Ltd (China)[a] - Jiangsu Wanxin Optical Co. Ltd (China)[a] - Valoptec Association
BERNARD HOURS Independent director Age: 54 Number of shares: 1,000 Main position held outside the Company: **CHIEF OPERATING OFFICER** - Danone (S.A.) Business address: DANONE 17 boulevard Haussmann 75009 PARIS - FRANCE	May 15, 2009	2012	**Danone Group** **MEMBER OF THE SUPERVISORY BOARD:** - Ceprodi **DIRECTOR:** - Danone (S.A.) - Flam's - Fondation d'Entreprise Danone (Association) **PERMANENT REPRESENTATIVE OF DANONE (S.A.):** - Danone S.A. (Spain)

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

Name and additional information	First appointed to the Board	Current term ends	Other directorships
MAURICE MARCHAND-TONEL Independent director Age: 66 Number of shares: 1,000 Main position held outside the Company: - Senior Advisor, BearingPoint France SAS - Advisor Director, Invescorp. Bank B.S.C. Business address: not applicable	November 22, 2006 Appointed by the Board of Directors May 11, 2007 Ratified by the Shareholders' Meeting	2011	**CHAIRMAN:** - European American Chamber of Commerce (France) **MEMBER OF THE SUPERVISORY BOARD:** - Faiveley Transport **DIRECTOR:** - European American Chamber of Commerce (Cincinnati, USA) - European American Chamber of Commerce (New York, USA) - French American Chamber of Commerce (Chicago, USA)
AICHA MOKDAHI Director representing employee shareholders Age: 55 Number of shares: 8,067 Main position held within the Company: **- BBGR EXTERNAL GROWTH DIRECTOR** **- SUPPLY CHAIN DIRECTOR FOR ESSILOR EUROPE** Business address: ESSILOR INTERNATIONAL 147 rue de Paris 94227 CHARENTON Cedex - FRANCE	January 24, 2007 Appointed by the Board of Directors May 11, 2007 Ratified by the Shareholders' Meeting	2011	**CHAIRMAN OF THE BOARD OF DIRECTORS:** - Valoptec Association
OLIVIER PECOUX Independent director Age: 52 Number of shares: 1,000 Main position held outside the Company: **CHAIRMAN OF THE EXECUTIVE COMMITTEE** - Rothschild et Cie[(a)] **MANAGING PARTNER** - Rothschild et Cie Banque Business address: ROTHSCHILD & Cie 23bis avenue de Messine 75008 PARIS - FRANCE	January 31, 2001 Appointed by the Board of Directors May 3, 2001 Ratified by the Shareholders' Meeting	2012	**CHIEF EXECUTIVE OFFICER AND MEMBER OF THE MANAGEMENT BOARD:** - Paris-Orléans[(a)] **DIRECTOR:** - Rothschild España (Spain) - Rothschild Italia (Italy) **MEMBER OF THE SUPERVISORY BOARD:** - Financière Rabelais
MICHEL ROSE Independent director Age: 67 Retired since May 2008 Number of shares: 1,000 Business address: not applicable	May 13, 2005	2011	**DIRECTOR:** - Lafarge Maroc (Morocco) - Malayan Cement (Malaysia) - Unicem (Nigeria) - Neopost **CHAIRMAN:** - Fondation de l'Ecole des Mines de Nancy[(b)]

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

DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS WERE AS FOLLOWS:

For 2010, refer to sub-section "List of directorships at December 31, 2010".

Xavier FONTANET

2009

Chairman and Chief Executive Officer :
Essilor International (until January 1, 2010)
Chairman:
EOA Holding Co., Inc. (USA)
Nikon and Essilor International Joint Research Center Co. Ltd (Japan)[a]
Director:
Essilor of America, Inc. (USA)
Transitions Optical Inc. (USA)
EOA Holding Co, Inc. (USA)
Shanghai Essilor Optical Company Ltd (China)
Transitions Optical Holdings B.V. (Netherlands)
Nikon-Essilor Co. Ltd (Japan)
Nikon and Essilor International Joint Research Center Co. Ltd (Japan)[a]
Essilor Manufacturing India Private Ltd (India)
Essilor India PVT Ltd (India)
Essilor Amico (L.L.C.) (United Arab Emirates)[a]
L'Oréal
Crédit Agricole SA
Fonds stratégique d'investissement (SA)

(a) Term of office started in 2009.

2008

Chairman and Chief Executive Officer :
Essilor International
Chairman: EOA Holding Co., Inc. (USA)
Director:
L'Oréal
Crédit Agricole SA
Fonds stratégique d'investissement (SA)[a]
Essilor of America, Inc. (USA)
Transitions Optical Inc. (USA)
EOA Holding Co., Inc. (USA)
Shanghai Essilor Optical Company Ltd (China)
Transitions Optical Holdings B.V. (Netherlands)
Nikon-Essilor Co. Ltd (Japan)
Essilor Manufacturing India Private Ltd (India)
Essilor India PVT Ltd (India)

(a) Term of office started in 2008.

2007

Chairman and Chief Executive Officer :
Essilor International
Chairman: EOA Holding Co., Inc. (USA)[a]
Director:
L'Oréal
Crédit Agricole SA
Essilor of America, Inc. (USA)
Transitions Optical Inc. (USA)
EOA Holding Co., Inc. (USA)
Shanghai Essilor Optical Company Ltd (China)
Transitions Optical Holding B.V. (Netherlands)
Nikon-Essilor Co. Ltd (Japan)
Essilor Manufacturing India Private Ltd (India)
Essilor India PVT Ltd (India)[a]

(a) Term of office started in 2007.

2006

Chairman and Chief Executive Officer :
Essilor International
Director:
L'Oréal
Crédit Agricole SA
Essilor of America, Inc. (USA)
Transitions Optical Inc. (USA)
EOA Holding Co., Inc. (USA)
Shanghai Essilor Optical Company Ltd (China)
Transitions Optical Holdings B.V. (Netherlands)
Nikon-Essilor Co. Ltd (Japan)
Essilor Manufacturing India Private Ltd (India)[a]

(a) Term of office started in 2006.

Hubert SAGNIERES

2009

Chief Operating Officer : Essilor International[b]
Chairman and Chief Executive Officer:
Essilor of America, Inc. (USA)
Director:
Essilor of America, Inc. (USA)
Nassau Lens Co., Inc. (USA)[b]
Transitions Optical Inc. (USA)
Frames for America, Inc. (USA)[a]
K&W Optical Limited (Canada)
Essilor Canada Ltee/Ltd (Canada)
Transitions Optical Holdings B.V. (Netherlands)
Vision Web Inc. (USA)
Essilor Vision Foundation (USA)

(a) Term of office started in 2009.
(b) Term of office expired in 2009.

2008

Chairman and Chief Executive Officer:
Essilor of America, Inc. (USA)
Director:
Essilor of America Inc. (USA)
Nassau Lens Co. Inc. (USA)
Transitions Optical Inc. (USA)
K&W Optical Limited (Canada)
Essilor Canada Ltee/Ltd (Canada)
Transitions Optical Holdings BV (Netherlands)
Vision Web Inc. (USA) [a]
Essilor Vision Foundation (USA)[a]

(a) Term of office started in 2008.

2007

Chairman and Chief Executive Officer:
Essilor of America, Inc. (USA)
Director:
Essilor of America, Inc. (USA)
Shore Lens Co., Inc. (USA)[b]
Nassau Lens Co. Inc. (USA)
Transitions Optical Inc. (USA)
K&W Optical Limited (Canada)[a]
Essilor Canada Ltee/Ltd (Canada)[a]
Transitions Optical Holdings BV (Netherlands)

(a) Term of office started in 2007.
(b) Term of office expired in 2007.

2006

Chairman and Chief Executive Officer:
Essilor of America, Inc. (USA)
Director:
Essilor of America, Inc. (USA)
Shore Lens Co., Inc. (USA)
Nassau Lens Co. Inc. (USA)
Transitions Optical Inc. (USA)
Eagle Optical Co., Inc. (USA)[b]
Transitions Optical Holdings BV (Netherlands)

(b) Term of office expired in 2006.

Philippe ALFROID

2009

Chief Operating Officer : Essilor International[b]
Chairman:
Essilor of America, Inc. (USA)
Omega Optical Holdings, Inc. (USA)[b]
Vice Chairman of the Supervisory Board:
Faiveley Transport (formerly Faiveley SA)
Director:
Sperian Protection
Essilor of America, Inc. (USA)
Gentex Optics, Inc. (USA)[b]
EOA Holding Co, Inc. (USA)[b]
EOA Investment, Inc. (USA)[b])
Omega Optical Holdings, Inc. (USA)[b]
Essilor Canada Ltee/Ltd (Canada)[b]
Pro-Optic Canada, Inc. (Canada)[b]
Shanghai Essilor Optical Company Ltd (China)[b]
Faiveley Transport[b]
Eurogerm[a]

(a) Term of office started in 2009.
(b) Term of office expired in 2009.

2008

Chief Operating Officer : Essilor International
Chairman:
Essilor of America, Inc. (USA)
Omega Optical Holdings, Inc. (USA)
Vice Chairman of the Supervisory Board: Faiveley SA
Director:
Sperian Protection
Faiveley Transport
Essilor of America, Inc. (USA)
Gentex Optics, Inc. (USA)
EOA Holding Co., Inc. (USA)
EOA Investment Inc. (USA)
Omega Optical Holdings, Inc. (USA)
Essilor Canada Ltee/Ltd (Canada)
Pro-Optic Canada Inc. (Canada)
Shanghai Essilor Optical Company Ltd (China)

2007

Chief Operating Officer : Essilor International
Chairman:
Essilor of America, Inc. (USA)
Omega Optical Holdings, Inc. (USA)
Vice Chairman of the Supervisory Board: Faiveley SA
Director:
Sperian Protection (formerly Bacou-Dalloz)
Faiveley Transport
Essilor of America, Inc. (USA)
Gentex Optics, Inc. (USA)
EOA Holding Co., Inc. (USA)
EOA Investment Inc. (USA)
Omega Optical Holdings, Inc. (USA)
Essilor Canada Ltee/Ltd (Canada)
Pro-Optic Canada Inc. (Canada)
Shanghai Essilor Optical Company Ltd (China)

2006

Chief Operating Officer : Essilor International
Chairman:
Essilor of America, Inc. (USA)
Omega Optical Holdings, Inc. (USA)
Vice Chairman of the Supervisory Board: Faiveley SA
Director:
Bacou-Dalloz
Faiveley Transport
Essilor of America Inc. (USA)
Gentex Optics, Inc. (USA)
EOA Holding Co., Inc. (USA)
EOA Investment Inc. (USA)
Omega Optical Holdings, Inc. (USA)
Essilor Canada Ltee/Ltd (Canada)
Pro-Optic Canada Inc. (Canada)
Shanghai Essilor Optical Company Ltd (China)

Alain ASPECT

2009-2006

No directorship held outside Essilor International.

Benoît BAZIN

2009

Chairman:
Partidis[(a)]
Saint-Gobain Distribution Bâtiment Suisse AG (Switzerland) [(a)]
Chairman of the Supervisory Board:
Point P S.A[(a)]
Lapeyre[(a)]
Chairman of the Board of Directors:
Projeo[(a)]
Saint-Gobain Distribution Nordic AB (Scandinavia)[(a)]
Director:
Jewson Ltd (United Kingdom)[(a)]
Saint-Gobain Building Distribution Ltd (United Kingdom)[(a)]
Norandex Building Material Distribution Inc. (USA)[(a)]
Fondation Saint-Gobain Initiatives

(a) Term of office started in 2009.

2008

Director:
Fondation Saint-Gobain Initiatives[(a)]

(a) Term of office started in 2008.

2007-2006

Not applicable.

Antoine BERNARD de SAINT-AFFRIQUE

2009

Executive Vice-President : Unilever, Skin care and Skin cleansing Activity[(a)]
Unilever, (Central & Earstern Europe)[(b)]

Director: INMARKO (Russian Federation)

(a) Term of office started in 2009.
(b) Term of office expired in 2009.

2008

Executive Vice-President: Unilever (Central & Earstern Europe)

Director: INMARKO (Russian Federation)[(a)]

(a) Term of office started in 2008.

2007

Executive Vice-President: Unilever (Central & Earstern Europe)

Chairman: Eglise Wallone de la Haye (Association)[(b)]

(b) Term of office expired in 2007.

2006

Executive Vice-President: Unilever (Central & Earstern Europe)

Chairman: Eglise Wallone de la Haye (Association)

Yves CHEVILLOTTE

2009

Chairman of the Board of Directors:
Arvige
G.A.S.F.O.
Vice Chairman of the Board of Directors: SA Soredic
Vice Chairman of the Supervisory Board: Finaref
Director:
F.R.A.C.
Mission Possible

2008

Chairman of the Board of Directors:
Arvige
G.A.S.F.O.
Vice Chairman of the Board of Directors: SA Soredic
Vice Chairman of the Supervisory Board: Finaref
Director and member of the Audit Committee:
Crédit Lyonnais[(b)]
Director:
F.R.A.C.
Mission Possible

(b) Term of office expired in 2008.

2007

Chairman of the Board of Directors:
Arvige
G.A.S.F.O.
Vice Chairman of the Board of Directors: SA Soredic
Vice Chairman of the Supervisory Board: Finaref
Director and member of the Audit Committee:
Crédit Lyonnais
Director:
F.R.A.C.
Mission Possible

2006

Chairman of the Board of Directors:
Arvige
G.A.S.F.O.
Vice Chairman of the Board of Directors: SA Soredic
Vice Chairman of the Supervisory Board: Finaref
Director and member of the Audit Committee:
Crédit Lyonnais
Director:
F.R.A.C.
Mission Possible

Mireille FAUGERE

2009

Chief Executive Officer: Sncf Voyages[(b)]
Chairman: Voyage-sncf.com[(b)]
Director:
EDF[(a)]
Sncf Voyages Développement[(b)]

(a) Term of office started in 2009.
(b) Term of office expired in 2009.

2008

Chief Executive Officer: Sncf Voyages
Chairman: Voyage-sncf.com
Director:
Sncf Voyages Développement
Sncf Participations

2007

Chief Executive Officer: Sncf Voyages
Chairman: Voyage-sncf.com
Director:
Sncf Voyages Développement
Sncf Participations

2006

Chief Executive Officer: Sncf Voyages
Chairman: Voyage-sncf.com
Director:
Sncf Voyages Développement
Sncf Participations

Yves GILLET

2009

Member of the Board of Directors: Valoptec Association
Member of the Supervisory Board:
FCPE Valoptec International

2008

Member of the Board of Directors: Valoptec Association
Member of the Supervisory Board:
FCPE Valoptec International

2007

Member of the Board of Directors: Valoptec Association
Member of the Supervisory Board:
FCPE Valoptec International[(a)]

(a) Term of office started in 2007.

2006

Member of the Board of Directors: Valoptec Association[(a)]

(a) Term of office started in 2006.

Yi HE

2009

Chief Executive Officer and Director: Shanghaï Essilor Optical Company Ltd (China)
Member of the Board of Directors: Valoptec Association

2008

Chief Executive Officer and Director: Shanghaï Essilor Optical Company Ltd (China)
Member of the Board of Directors: Valoptec Association[(a)]

(a) Term of office started in 2008.

2007-2006

Chief Executive Officer and Director: Shanghaï Essilor Optical Company Ltd (China)

Bernard HOURS

2009

Chief Operating Officer: Danone (S.A.)
Chairman of the Supervisory Board:
Danone Baby and Medical Nutrition B.V. (Netherlands)[(b)]
Danone Baby and Medical Nutrition Netherland (Netherlands)[(b)]
Member of the Supervisory Board: Ceprodi
Director:
Danone (S.A.)
Flam's
Stoneyfield Farm, Inc. (USA)[(b)]
Fondation d'Entreprise Danone (Association)
Permanent representative of Danone (S.A.) :
Danone S.A. (Spain)

(b) Term of office expired in 2009.

2008

Chief Operating Officer: Danone (S.A.)[(a)]
Chairman of the Supervisory Board:
Danone Baby and Medical Nutrition B.V. (Netherlands)[(a)]
Danone Baby and Medical Nutrition Nederland (Netherlands)[(a)]
Danone GmbH (Germany)[(b)]
Danone Holding AG (Germany)[(b)]
Member of the Supervisory Board: Ceprodi[(a)]
Director:
Danone (S.A.)
Flam's
Stonyfield Farm, Inc. (USA)
Fondation d'Entreprise Danone (Association)[(a)]
Colombus Café[(b)]
Grupo Landon (Spain)[(b)]
The Dannon Company (USA)[(b)]
Permanent representative of Danone (S.A.) : Danone S.A. (Spain)

(a) Term of office started in 2008.
(b) Term of office expired in 2008.

2007

Chairman of the Supervisory Board:
Danone GmbH (Germany)
Danone Holding AG (Germany)
Vice Chairman and Director: Danonesa Tikvesli süt Ürünleri Sanayi Ve Ticaret A.S. (Turkey)(b)
Director:
Danone (S.A.)
Flam's
Stonyfield Farm, Inc. (USA)
Colombus Café
Grupo Landon (Spain)(a)
The Dannon Company (USA)(a)
Permanent representative of Danone (S.A.) : Danone S.A. (Spain)

(a) Term of office started in 2007.
(b) Term of office expired in 2007.

2006

Chairman of the Supervisory Board:
Danone GmbH (Germany)
Danone Holding AG (Germany)
Vice Chairman and Director: Danonesa Tikvesli süt Ürünleri Sanayi Ve Ticaret A.S. (Turkey)
Director:
Danone (S.A.)
Flam's
Stonyfield Farm, Inc. (USA)
Colombus Café
Permanent representative of Danone (S.A.) : Danone S.A. (Spain)

Maurice MARCHAND-TONEL

2009

Chairman of the Supervisory Board:
Du Pareil au Même(b)
Member of the Supervisory Board:
Faiveley Transport(a)
Chairman:
European American Chamber of Commerce (France)
Director:
European American Chamber of Commerce (Cincinnati, USA)
European American Chamber of Commerce (New York, USA)
French American Chamber of Commerce (Chicago, USA)

(a) Term of office started in 2009.
(b) Term of office expired 2009.

2008

Chairman of the Supervisory Board:
Du Pareil au Même
Chairman:
European American Chamber of Commerce (France)
Director:
Faiveley Transport
Groupe Souchier(b)
DT 2000(b)
Financière Huysmans(b)
European American Chamber of Commerce (Cincinnati, USA)
European American Chamber of Commerce (New York, USA)(a)
French American Chamber of Commerce (Chicago, USA)

(a) Term of office started in 2008.
(b) Term of office expired in 2008.

2007

Chairman of the Supervisory Board:
Du Pareil au Même (a)
Chairman:
European American Chamber of Commerce (France)
Director:
Faiveley Transport
Groupe Souchier
Laurene (b)
DT 2000
Financière Huysmans
European American Chamber of Commerce (Cincinnati, USA)
French American Chamber of Commerce (Chicago, USA)

(a) Term of office started in 2007.
(b) Term of office expired 2007.

2006

Chairman:
European American Chamber of Commerce (France)
Director:
Faiveley Transport
Groupe Souchier
Laurene
DT 2000
Financière Huysmans
European American Chamber of Commerce (Cincinnati, USA)
French American Chamber of Commerce (Chicago, USA)

Aïcha MOKDAHI

2009

Chairman of the Board of Directors:
Valoptec Association

2008

Chairman of the Board of Directors:
Valoptec Association

2007

Chairman of the Board of Directors:
Valoptec Association

2006

Chairman of the Board of Directors:
Valoptec Association[(a)]

(a) Term of office started in 2006.

Olivier PECOUX

2009

Managing Partner:
Rothschild et Cie
Rothschild et Cie Banque
Director:
Rothschild España (Spain)
Rothschild Italia (Italy)
Member of the Supervisory Board:
Financière Rabelais

2008

Managing Partner:
Rothschild et Cie
Rothschild et Cie Banque
Director:
Rothschild España (Spain)
Rothschild Italia (Italy)
Member of the Supervisory Board:
Financière Rabelais

2007

Managing Partner:
Rothschild et Cie
Rothschild et Cie Banque
Director:
Rothschild España (Spain)
Rothschild Italia (Italy)
Member of the Supervisory Board:
Financière Rabelais
Rothschild GmbH (Germany)[(b)]

(b) Term of office expired in 2007.

2006

Managing Partner:
Rothschild et Cie
Rothschild et Cie Banque
Director:
Rothschild España (Spain)
Rothschild Italia (Italy)
Member of the Supervisory Board:
Financière Rabelais
Rothschild GmbH (Germany)

Michel ROSE

2009

Director:
Lafarge Maroc (Morocco)
Malayan Cement (Malaysia)
Unicem (Niger)
Neopost
Chairman: Fondation de l'Ecole des Mines de Nancy

2008

Chief Operating Officer (not a Director):
Lafarge[(b)]
Director:
Lafarge North America (USA)[(b)]
Lafarge Maroc (Morocco)
Malayan Cement (Malaysia)
Unicem (Niger)[(a)]
Neopost
Chairman: Fondation de l'Ecole des Mines de Nancy

(a) Term of office started in 2008.
(b) Term of office expired in 2008.

2007	2006
Chief Operating Officer (not a Director):	**Chief Operating Officer (not a Director):**
Lafarge	Lafarge
Director:	**Director:**
Lafarge North America (USA)	Lafarge North America (USA)
Lafarge Maroc (Morocco)	Lafarge Maroc (Morocco)
Malayan Cement (Malaysia)	Malayan Cement (Malaysia)
Neopost	Neopost
Chairman: Fondation de l'Ecole des Mines de Nancy	**Chairman:** Fondation de l'Ecole des Mines de Nancy

Directors' management expertise and experience

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 of experience in managing international companies.

DIRECTOR'S BIOGRAPHIES AS OF DECEMBER 31, 2010

Xavier Fontanet is Chairman of the Board of Directors of Essilor. 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, when he joined Essilor as Chief Executive Officer. He was Chairman and Chief Executive Officer from 1996 until 2009.

Hubert Sagnières has been Chief Executive Officer of Essilor since January 1, 2010. 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, Essilor Europe and North America before being named Chief Operating Officer in August 2008.

Philippe Alfroid was Chief Operating Officer of Essilor until his retirement in June 2009. He began his career with PSDI in Boston before joining the Essilor Group in 1972. He has held executive positions in different 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 Operating Officer in 1996.

Alain Aspect is head of research at France's National Scientific Research Center (CNRS) and a professor at the Ecole Polytechnique engineering school and at the Institut d'Optique. Since 1993, he has managed the Atom Optics group in the Laboratoire Charles Fabry at the Institut d'Optique. Before then, he conducted experiments on the quantum properties of light (1974-1984) then on the laser cooling of atoms (1985-1993). A member of the Académie des Sciences, the Académie des Technologies and several foreign science academies (in the United States and Austria), Alain Aspect was awarded a gold medal by the CNRS in 2005 and the Wolf Prize in Physics in 2010. He is also a member of France's Haut Conseil pour la Science et la Technologie.

Benoît Bazin is Senior Vice President Director, Building Distribution Sector at Saint-Gobain and Executive Vice President at Compagnie de Saint-Gobain. He began his career with Saint-Gobain in 1993 as project manager. He was subsequently Corporate Planning Director from 2000 to 2002, President of the Abrasives – North America division from 2002 to 2005 and Chief Financial Officer from 2005 until 2009.

Antoine Bernard de Saint-Affrique is Executive Vice President, in charge of Skin Care and Skin Cleansing at the Unilever Group. 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.

Yves Chevillotte was Executive Vice President of Crédit Agricole S.A. from 2002 until his retirement in 2004. He joined Crédit Agricole in 1969 and was appointed head of the bank's regional branches in 1985. In 1999, he joined the national office as Executive Vice President for Market Development.

Mireille Faugère, is Chief Executive Officer of Assistance Publique Hôpitaux de Paris (AP-HP). A graduate of the École des Hautes Études Commerciales de Paris, she joined SNCF in the early 1980s, working in operations before being named to lead the TGV Méditerranée network, the SNCF's flagship project. From 1996 she headed the sales and marketing division and in 2000 created the website voyages-sncf.com. Mireille Faugère is also an independent director of EDF and chairs the Ethics Committee of the EDF Board of Directors.

Yves Gillet is President of Essilor Spain. He joined Essilor in 1995 as Director of the Manaus plant in Brazil, becoming Director of the Chihuahua plant in 1999. He was subsequently President of Essilor Brazil from 2000 until 2004.

Bernard Hours has been Chief Operating Officer of Danone since 2008. He joined Danone in 1985 as Sales and Marketing manager, becoming Marketing Director of Danone France in 1990. After that, he became successively President of Danone Hungary (1994), Danone Germany (1996) and LU France (1998). Between 2002 and 2007 he was President of the Dairy Division and General Manager, Danone Research and Development.

Maurice Marchand-Tonel is an independent consultant. He began his career in 1970 with Boston Consulting Group, then served successively as Chairman of Compagnie Olivier (1979), Chief Executive Officer of Sommer (1984) and Chairman of Givenchy (1987). Next, he headed Ciments Français International and Transalliance. In 2000, he was appointed as Partner at Arthur Andersen/BearingPoint, and in 2004 became a Senior Advisor. He is President of the European American Chamber of Commerce, Advisory Director of Investcorp and Director of Faiveley Transport.

Aïcha Mokdahi is Director of Essilor's Supply Chain for Europe and Chairman of Valoptec Association. She began her career in 1976 in the frames division, where she successively held the positions of product manager, logistics manager and sales development manager. In 1990, she joined the lens division, holding various managerial positions in the Global Operations Department, in particular Logistics Director Europe until year-end 2003. From 2004 to 2008, she was head of acquisitions at Essilor subsidiary BBGR. She is currently Chairman of Valoptec Association.

Olivier Pécoux joined Rothschild & Cie in 1991. Today, he is a Managing Partner and Chief Executive of the Group's investment banking business. He is also Chief Executive and member of the Management Board of Paris-Orléans. He began his career at Peat Marwick and then served as a financial advisor at Schlumberger 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.

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 1995, and was named to manage the company's operations in high-growth markets in 1996. In 2003 he was appointed Chief Operating Officer of Lafarge, in charge of the Cement Division.

Yi He has served as Chairman of Essilor Holding Company (China) since September 2010. After obtaining a doctorate in Management and Strategy from École des Hautes Études Commerciales, he joined Danone in 1991 as Chief Executive of the group's Shanghai subsidiary. He joined the Essilor Group in 1996 as Chief Executive Officer of Shanghai Essilor Optical Company Ltd (China).

No convictions for fraudulent offences, involvement in bankruptcies, public incrimination and/or sanctions

To the best of the Company's knowledge:

- none of the executive or non-executive directors has been convicted of a fraudulent offence in the last five years;
- in the last five years, none of the executive or non-executive directors has been involved in a case of bankruptcy, sequestration or liquidation as a member of a board, a management or supervisory body or as a Chief Executive Officer; and
- none of the executive or non-executive directors has been publicly incriminated or sanctioned by statutory or regulatory authorities (including designated professional bodies).

No family ties between directors

To the best of the Company's knowledge, there are no family ties between directors.

14.1.2 COMMITTEES OF THE BOARD

In 1997, Essilor set up various Committees of the Board in accordance with corporate governance rules (Audit Committee, Remunerations and Appointments Committee and Strategy Committee). Each Committee reports to the Board on its work and the resulting proposals. The Board also decided to set up an Appointments Committee whose members were appointed in 2010.

14.1.2.1 Audit Committee: members and role

The Board's internal rules stipulate that the Audit Committee is to have at least three members, appointed by the Board from among the directors. At least two-thirds of the Committee members must be independent directors. The members of the Audit Committee cannot hold senior management positions or be corporate officers. At least one of the independent directors must be an expert in financial and accounting matters.

The Audit Committee is chaired by Yves Chevillotte. As of December 31, 2010, the other members were Philippe Alfroid (since July 1, 2009), Alain Aspect, Benoît Bazin, Olivier Pécoux and Aïcha Mokdahi. Two-thirds of the Committee members are independent directors.

Under the Board of Directors' internal rules, as amended by the Board at its meeting on November 25, 2010, and in accordance with Article L.823-19 of the French Commercial Code, the Audit Committee examines issues related to the preparation and control of accounting and financial information. The Committee acts at all times under the responsibility of the Board of Directors.

Without encroaching upon the responsibilities of senior management, the Audit Committee is tasked with overseeing:

- processes for the preparation of financial information;
- internal control and risk management procedures;
- the audit of the parent company and consolidated financial statements by the Statutory Auditors;
- the Statutory Auditors' independence;

as well as reviewing all financial statements presented during the year.

The Audit Committee makes recommendations concerning the choice of Statutory Auditors to be appointed by the Shareholders' Meeting.

It reports regularly to the Board of Directors on its activities and notifies the Board immediately of any problems that it encounters.

In line with its remit, the Audit Committee analyzes the procedures in place within the Company to ensure that:

- accounting regulations are complied with and the Company's accounting principles and policies are properly applied;
- securities regulations and the strict insider dealing rules in force within the Company are fully complied with;
- the business, financial and legal risks facing the Company and its subsidiaries in France and abroad are identified, assessed, anticipated and managed.

Based on these analyses, the Committee makes recommendations as required concerning improvements to existing procedures and the introduction of new ones.

The Audit Committee may be consulted by the Board or by management about any issues concerning procedures to control non-recurring risks.

The Audit Committee includes in its report advice deemed useful in respect of:

- the ability of procedures and overall strategy to achieve information literacy and control risk;
- the effective implementation of existing procedures and, if necessary, how this is achieved;
- the Company's financial position, cash position and liabilities.

The Company's Chief Financial Officer makes regular presentations regarding the Company's financial statements, debt position and any changes in share price and capital. At Board meetings called to approve the Company's accounts, the Joint Statutory Auditors comment on their report on the accounts and define their duties.

The Joint Statutory Auditors also make recommendations aimed at improving the efficiency of procedures and overall strategy or at adapting them to new circumstances.

If, in the course of the performance of its duties, the Committee identifies a more urgent risk that does not appear to have been addressed appropriately, it informs the Chairman of the Board.

Every year the Audit Committee reviews the way it operates. It takes account of any comments made by the Board and General Management and, as part of its duties, makes recommendations to improve the quality of the work performed.

For work performed during 2010, refer to Appendix 1 of this Registration Document in the "Chairman's Special Report", under "1. Preparation and organization of meetings of the Board of Directors", sub-section "Audit Committee".

14.1.2.2 Remunerations and Appointments Committee: members and role

The Board's internal rules stipulate that the Remunerations Committee is to have at least three members, who must all be independent non-executive directors.

The Appointments Committee is made up of Michel Rose (Chairman), Bernard Hours and Maurice Marchand-Tonel. All members of the Committee are independent directors.

The role of the Appointments Committee, as described in the Board's internal rules, is to:

- make recommendations concerning executive directors' compensation;
- make recommendations concerning the allocation of stock options and/or so-called "performance" shares for executive directors;
- review the Company's general compensation policies;
- make recommendations concerning the choice of candidates for election as executive directors;
- assist the Chairman and the Board in the Group's senior management succession planning.

For work performed during 2010, refer to Appendix 1 of this Registration Document in the "Chairman's Special Report", under "1. Preparation and organization of meetings of the Board of Directors", sub-section "Appointments Committee."

14.1.2.3 Strategy Committee: members and role

The Board's internal rules stipulate that the Strategy Committee is to have at least five members, selected from among Essilor's Board members.

The Committee is chaired by Xavier Fontanet and, at December 31, 2010, comprised all the members of the Essilor Board of Directors.

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

The Committee's annual work plan is drawn up by its Chairman after discussions with senior management and the Board of Directors.

For work performed during 2010, refer to Appendix 1 of this Registration Document in the "Chairman's Special Report", under "1. Preparation and organization of meetings of the Board of Directors", sub-section "Strategy Committee".

14.1.3 EXECUTIVE COMMITTEE

14.1.3.1 Members of the Executive Committee

Members of the Executive Committee as of December, 31, 2010:

Hubert Sagnières	Chief Executive Officer
Paul du Saillant	Chief Operating Officer
Laurent Vacherot	Chief Operating Officer
Thomas Bayer	President, Latin America
Carl Bracy	Executive Vice President Marketing & Business development EOA
Jayanth Bhuvaraghan	President, South Asia, Middle East, South and East Africa, ASEAN
Claude Brignon	Corporate Senior Vice President, Worldwide Operations
Jean Carrier-Guillomet	President of Essilor of America
Patrick Cherrier	President, Asia Region
Bernard Duverneuil	Chief Information Officer
Marc François-Brazier	Corporate Senior Vice President, Human Resources
Réal Goulet	President of Essilor Laboratories of America
Eric Léonard	President, Europe Region
Patrick Poncin	Corporate Senior Vice President, Global Engineering
Thierry Robin	Senior Vice President, Central Europe
Bertrand Roy	Corporate Senior Vice President of Strategic Partnerships
Kevin Rupp	Chief Financial Officer and Executive Vice President, Finance & Administration of EOA
Jean-Luc Schuppiser	Corporate Senior Vice President, Research and Development
Beat Siegrist	Chief Executive Officer, Satisloh
Eric Thoreux	Corporate Senior Vice President, Strategic Marketing
Henri Vidal	Corporate Senior Vice President, Equipment and Instruments
Carol Xueref	Corporate Senior Vice President, Legal Affairs and Development

14.1.3.2 **Role of the Executive Committee**

The Executive Committee holds around nine two-day meetings each year to review the Company's business performance and all of its activities. It plays a unifying role by liaising with the Company's other cross-functional boards 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 transformation projects as well as the Company's outlook and medium and long-term objectives, and decides the strategies to be implemented to meet these objectives.

Chaired by Hubert Sagnières, the Committee is made up of the Company's top corporate and business executives, with either global responsibilities – for example lens manufacturing – or regional responsibilities (Europe, North America, Latin America, Asia).

14.2 No potential conflicts of interest

To the best of the Company's knowledge, there are no potential conflicts of interest between Board members' duties to the Company and their private interests or other duties.

Information about any restrictions accepted by directors on the sale of their Company shares is provided in Section 16.1.2.

14.3 Related party agreements

Suspension of Hubert Sagnières' employment contract:

At its meeting on November 26, 2009 and in light of Hubert Sagnières more than 20 years' service with the Company up to his appointment as Chief Executive Officer, the Board suspended his employment contract with effect from January 1, 2010.

If the contract subsequently comes back into effect, Hubert Sagnières' compensation will be based on his 2008 compensation as President, Essilor Europe and North America, plus an amount corresponding to the annual average compensation increases awarded to category IIIC executives in the period to the date when the contract is reactivated.

His gross compensation for 2008 amounted to €932,000, based on an average euro/ Canadian dollar exchange rate of €1=CAD 1,4861.

Supplementary defined benefit loyalty-based retirement plan for Hubert Sagnières:

At its meeting on November 27, 2008, under the procedure concerning related party agreements, the Board of Directors authorized extending the "Article 39" supplementary retirement plan to Hubert Sagnières, Chief Operating Officer, both in respect of his expatriation contract, which remained in force, and in his capacity as executive director. Such pension benefits are qualified as a form of additional compensation under Article L.225-42-1 of the French Commercial Code. The Board authorized maintaining the supplementary pension benefits for Hubert Sagnières after January 1, 2010, but in his capacity as Chief Executive officer, in line with the agreement incorporated in addendum No. 5 to "Article 39" supplementary pension plan contract RK120438983.

Termination benefit

Hubert Sagnières, former Chief Operating Officer and Chief Executive Officer as of January 1, 2010, continues to benefit from a clause in his employment contract – a contract that is currently suspended – signed with the Company before he became a corporate officer, entitling him to an amount equivalent to two years' contractual compensation in the event his contract is terminated by the Company other than for serious or gross misconduct or when he reaches normal retirement age.

At its meeting on March 3, 2010, the Board of Directors reiterated the performance conditions set by the Board at its meeting on March 4, 2009 and upon which the potential payment of this benefit was contingent, namely:

Performance measure:

Performance to be measured by the achievement rate of the annual goals set by the Board of Directors for the Chief Operating Officer and used to calculate the variable portion of his compensation. It is equivalent to the average performance achieved by the corporate officer during the three-year period prior to his departure.

Should he leave during the three-year period following his appointment as corporate officer, his performance shall be measured on the basis of the achievement rate of the annual goals used to calculate the variable portion of his compensation as Executive Director. It is equivalent to the average performance achieved by the Executive Director during the three-year period preceding his departure.

Performance conditions:

For an average performance rate of between 50% and 100% and over, the benefit paid is strictly proportional to the benefit amount (e.g., for a performance rate of 90%, the benefit paid would be 90% of the benefit amount).

For a performance rate below 50%, no benefit shall be paid.

The Shareholders' Meeting of May 11, 2010 approved the agreement as set forth in a specific resolution.

The Statutory Auditors of the Company have been informed of any authorizations granted and agreements signed within a month after such agreements were signed. In accordance with Article R.225-30 of the French Commercial Code, the Statutory Auditors have been informed of any agreements authorized in previous years which have remained in the first quarter of 2010 (for details see Section 20.4.1.4 Special report of the Statutory Auditors on third-party agreements and commitments for the year ended December 31, 2010).

15 COMPENSATION AND BENEFITS

15.1 Compensation of the members of the management, governance and supervisory bodies

Compensation of key management personnel, as defined in IAS 24, is presented in Note 30 to the Financial Statements.

15.1.1 COMPENSATION OF CORPORATE OFFICERS

The compensation for corporate officers is set by the Board of Directors on the recommendation of the Remunerations Committee, which used a comparative study conducted by an outside firm on the practices of major French companies.

Summary of changes since January 1, 2010

A change in governance has occurred since January 1, 2010 with the establishment of:

- the non-executive position of Chairman of the Board of Directors held by Xavier Fontanet; and
- the position of Chief Executive Officer held by Hubert Sagnières, who was previously Chief Operating Officer.

Situation of Xavier Fontanet

Xavier Fontanet invoked his rights to retirement as Chairman-Chief Executive Officer as of January 1, 2010. He is now responsible for leading the Board of Directors, the Strategic Committee and the Appointments Committee.

The Board approved a fixed annual compensation €500,000 for the Chairman of the Board. Xavier Fontanet's compensation no longer includes a variable component.

Situation of Hubert Sagnières

As Chief Executive Officer, Hubert Sagnières assumes responsibility for all operations; he is responsible for proposing the strategy and implementing it. Based on the seniority earned by Hubert Sagnières within the Company at the time of his appointment as Chief Executive Officer (more than 20 years), his employment contract was suspended as of January 1, 2010, pursuant to the recommendations of the AMF on the application of the AFEP/MEDEF code on governance.

Since January 1, 2010, the compensation of Hubert Sagnières has been entirely paid by Essilor International in France and in euros, even though Hubert Sagnières continues to be subject to Canadian tax rules until the end of 2011.

For Hubert Sagnières, the Board of Directors approved a compensation package composed of:

- a fixed component that includes:
  - a base salary of €650,000 per year;
  - an exceptional and temporary annual double residence allowance set at €250,000 for 2010;
- a target-based variable component (if objectives are 100% achieved) equal to the base salary and which may vary from 0% to 150% of this amount based on the achievement of the objectives.

2010 rules for payment of the annual variable component (bonus)

The bonus of Chief Executive Officer Hubert Sagnières was calculated on the basis of four criteria proposed by the Remunerations Committee and set by the Board of Directors on March 3, 2010: net earnings per share (Net EPS), organic growth, growth by acquisition, and the personal factor. Each of the criteria indicated was evaluated by the Remunerations Committee on March 1, 2011:

- an objective for growth in adjusted net earnings per share (Net EPS)[1]: the performance measurement was 145%;
- an objective for organic growth in revenue: the performance measurement was 153%;
- an objective for growth by acquisition measured using a proforma revenue as an annual base for acquisitions in which only companies corresponding to the notion of "organic acquisitions" were used: the performance measurement was 100%;
- a personal factor based on three objectives related to the strategy of the company; it is understood that these objectives are the most explicit and measurable possible, in accordance with the AFEP/MEDEF recommendations. The performance measurement was 100%.

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1 The measurement of Net EPS is adjusted:

- for the effect of foreign-exchange rates;
- the total effect of acquisitions for the year which are not used in the "growth by acquisition" criterion, whether in terms of additional margin, additional costs such as the allocation of the acquisition price, financial expense, etc.;
- the impact of exceptional expenses and income which it is not possible to budget;
- the impact of the equity-accounted portion of Sperian's results on which Essilor's management has no influence on an annual basis.

On the other hand, the impact of the restructuring costs and the total effect on income from the companies acquired during the year and used in the calculation of "growth by acquisition" are included in the calculation.

The weighting of the objectives was changed from 2009 as follows:

- 40% for Net EPS[1];
- 30% for organic growth;
- 15% for growth by acquisition;
- 15% for the personal factor.

The Chief Executive Officer's bonus may vary from 0 to 150% of the target amount: the "growth by acquisition" and "personal factor" criteria are valued between 0 and 100%; the "Net EPS" and "organic growth" criteria range from 0 to 170%.

As a result, the weighted average for 2010 of the performances achieved in each of the criteria was 134% to be applied to the corporate officer's target bonus (compared with 118% for 2009 and 65% in 2008).

For 2011, the Remunerations Committee recommended to the Board of Directors on March 1, 2011 to maintain the criteria and weighting of the objectives defined for 2010. Given the specific situation of the company in relation to its rivals in financial communication, we believe it would be prejudicial to the successful implementation of strategy, to communicate the measurements used as criteria for the evaluation of the company's performance.

15.1.2 BREAKDOWN OF CORPORATE OFFICERS' COMPENSATION

The amounts provided in the tables below are gross amounts before social security and income tax withholding.

Table 1 - Summary of compensation and options and stock granted

Xavier Fontanet *In €*	**2010** Chairman of the Board of Directors from January 1, 2010	**2009** Chairman and Chief Executive Officer until December 31, 2009
Compensation for the year *(see table 2 for details)*	862,639	1,610,242
Value of options granted during the year		532,000[(a)]
Value of performance share rights granted during the year *(see table 5 for details)*		

Hubert Sagnières *In €*	**2010** Chief Executive Officer from January 1, 2010	**2009** Chief Operating Officer until December 31, 2009
Compensation for the year *(see table 2 for details)*	1,809,993	1,377,914
Value of options granted during the year		997,500[(a)]
Value of performance share rights granted during the year *(see table 5 for details)*	1,001,700[(a)]	

(a) The amounts indicated are the fair-value accounting amounts of the options and stocks in accordance with IFRS. Therefore, these are not real amounts which may be realized when and if the options are exercised or at the time of acquisition of the stock, if vested. It should also be noted that awards of options and shares are subject to employment and performance conditions.

1 The measurement of Net EPS is adjusted:

- for the effect of foreign-exchange rates;
- the total effect of acquisitions for the year which are not used in the "growth by acquisition" criterion, whether in terms of additional margin, additional costs such as the allocation of the acquisition price, financial expense, etc.;
- the impact of exceptional expenses and income which it is not possible to budget;
- the impact of the equity-accounted portion of Sperian's results on which Essilor's management has no influence on an annual basis.

On the other hand, the impact of the restructuring costs and the total effect on income from the companies acquired during the year and used in the calculation of "growth by acquisition" are included in the calculation.

Table 2 - Summary of compensation

Xavier Fontanet	**2010** Chairman of the Board of Directors from January 1, 2010		**2009** Chairman and Chief Executive Officer until December 31, 2009	
In €	Amount due	Amount paid	Amount due	Amount paid
Fixed component	500,000	500,000	721,013	721,013
Variable component		850,796	850,796	455,011
Exceptional component[(a)]	338,169	338,169		
Directors' fees	21,800	21,800	19,200	19,200
Benefits in kind:				
- Car	2,670	2,670	2,195	2,195
- Unemployment insurance			17,038	17,038
- Other				
TOTAL	**862,639**	**1,713,435**	**1,610,242**	**1,214,458**

(a) Length-of-service award payable on retirement as provided for in the employment contract.

Hubert Sagnières	**2010** Chief Executive Officer from January 1, 2010		**2009** Chief Operating Officer until December 31, 2009	
In €	Amount due	Amount paid	Amount due	Amount paid
Fixed component	650,000	650,000	729,053	729,053
Variable component	871,000[(a)]	629,661	629,661	273,068
Exceptional component	250,000[(b)]	250,000[(b)]		
Directors' fees	21,800	21,800	19,200	19,200
Benefits in kind:				
- Car				
- Unemployment insurance	17,193	17,193		
- Other				
TOTAL	**1,809,993**	**1,568,654**	**1,377,914**	**1,021,321**

(a) For performance for 2010, the variable compensation component for Hubert Sagnières was determined on the basis of a rate of achievement of objectives of 134%.
(b) Temporary exceptional annual double residence allowance.

15.1.3 DIRECTORS' FEES

The Ordinary Shareholders' Meeting of May 11, 2010 voted to award directors' fees of €525,000. At its meeting of July 13, 2010, the Board of Directors decided to allocate this sum as shown in the table below.

Directors' fees	**Fixed component**	**Variable component based on attendance record**
All Board Members	€3,800	€2,000 per meeting
Chairman of the Audit Committee	€22,000	€2,200 per meeting
Chairman of the Remunerations Committee	€11,000	€2,200 per meeting
Only for independent Directors, members of the Audit, Remunerations or Appointments Committees	Not applicable	€2,200 per meeting
For the members of the Strategic Committee	Non applicable	€1,000 per meeting

Table 4 - Directors' fees and other compensation received by non-executive corporate officers[a]

In €	2010	2009
Philippe Alfroid[b]	49,440	34,640
Alain Aspect	26,600	23,600
Benoît Bazin	32,800	15,600
Antoine Bernard de Saint-Affrique	21,800	11,200
Michel Besson		12,400
Jean Burelle		15,700
Yves Chevillotte	61,400	50,000
Bridget Cosgrave	7,400	17,000
Mireille Faugère	14,400	
Philippe Germond		5,800
Yves Gillet	21,800	19,200
Yi He	17,800	
Bernard Hours	28,600	20,000
Maurice Marchand-Tonel	37,200	32,400
Aïcha Mokdahi	21,800	19,200
Olivier Pécoux	22,200	19,200
Michel Rose	45,200	37,900
Alain Thomas		19,200
TOTAL	**408,440**	**353,040**

(a) No non-executive corporate officer received any compensation other than directors' fees.
(b) Including €16,640 in directors' fees from Sperian Protection received in 2010.

15.2 Awards of stock options and performance shares

As part of its compensation policy, Essilor International awards performance-based shares and capped stock options to a number of Group employees. On November 25, 2010, the Board of Directors decided to award stock options tied to performance and performance shares to 9,435 employees, which represents a maximum of 1,602,573 shares (634,760 options and 967,813 performance shares), i.e. 0.76% of the capital stock on the award date. In the context of this award, the Board of Directors decided to:

- award to members of the executive committee only performance shares subject to employment conditions and market-related performance conditions (see below);
- award 45,000 performance shares to Hubert Sagnières within a non-resident plan, which equals 2.8% of the total number of shares awarded in the form of stock options and performance shares.

Rules on limits for the award of performance shares to corporate officers

The Board of Directors renewed the limit rules in effect:

- valued under IFRS, an award may not represent, for each of the interested parties, an amount greater than such parties' annual contractual compensation (fixed+bonus);
- the total of the awards to all corporate officers may not exceed 20% of the total of the awards granted (options+performance shares).

General conditions

The performance conditions are collective and apply to all beneficiaries of performance shares. Additional conditions specifically apply to corporate officiers.

Performance conditions

The percentage of performance shares definitively awarded is based on the annualized change in the market price of the share during the 3 months preceding the dates for verification of performance. Performance is verified every 3 months after the end of the 2-year legal vesting period until the end of the sixth year. If, during the performance verification period, the annualized average growth rate between the initial reference price of the share and the average price of 3 months is equal to or greater than 2%, performance is considered to have been achieved.

In this case, if the annualized growth rate:

- has reached or exceeded 7%, all performance shares are awarded;
- was between 2 and 7%, a reduction in the percentage of shares awarded is stipulated between these two limits.

On the other hand if, at the end of six years, the rate has still been less than 2%, no performance share is awarded.

The use of these performance conditions based on the increase in the stock price aligns the interests of the beneficiaries with those of the shareholders. In addition, the primary use of performance shares in lieu and in place of performance options generates less dilution for shareholders.

Employment conditions

For French residents, the award of shares is subject to the beneficiary'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 (see performance conditions detailed above).

For non-residents of France, the achievement of the performance condition may be between the second year and the sixth year from the date of award, but in any event, the shares are not vested before the fourth anniversary of the award. The employment condition is then verified when the shares are vested.

Availability date

For French residents, all shares must be retained for a period of six years from the date of award if the date of achievement of the performance occurs before and including the fourth anniversary date of the award date, or for a period of two years from the date of achievement of the performance if this date occurs after the fourth anniversary (excluded) of the award date. Therefore, vested shares become transferable no earlier than six years after the award date or no later than eight years after the award date based on the date of achievement of the performance condition.

For non-residents of France, half of the shares vested must be retained for 2 years from the vesting date and may, therefore, be sold no earlier than the end of the sixth year from the award date or no later than the end of the eighth year from the award date based on the date of achievement of the performance condition.

Specific conditions for corporate officers

In addition to the general conditions described above which apply to all beneficiaries, the number of performance shares awarded to corporate officers is weighted by a coefficient equal to the average of the rates of achievement of the quantitative objectives for bonuses between the year of award and the year preceding the verification of achievement of the performance condition. This coefficient is capped at 1 and can therefore only reduce the percentage of shares awarded to corporate officers compared to the shares awarded to beneficiaries who are not corporate officers.

Corporate officers are also required to retain for their entire tenure in office one-third of fully vested shares, up to a limit of a total amount (as awards are made) equal to two years of monetary compensation.

Table 5 - Performance shares award to corporate officers

Rights to performance shares awarded to corporate officers in 2010	Total number	Price *In €*	Value (method applied in the consolidated financial statements) *In €*	Vesting date	Plan
Xavier Fontanet					
Hubert Sagnières	45,000	48.01	22.26	between Nov. 25, 2014 and Nov. 25, 2016	Nov. 25, 2010

Table 6 - Performance shares that became available in 2010

No performance share became available during the year.

Table 7 - Stock options for new or existing shares awarded to corporate officers

No stock options were awarded during the year.

Table 8 - Stock options exercised in 2010

Options exercised in 2010 by each corporate officer	Total number	Price *In €*	Value (method applied in the consolidated financial statements) *In €*	Expiration date	Plan
Xavier Fontanet	54,024	26.50	5.06	Nov. 17, 2011	Nov. 17, 2004
Hubert Sagnières	28,000	20.37	4.74	Nov. 18, 2010	Nov. 18, 2003

15.3 Supplementary defined benefit loyalty-based retirement plan

Corporate officers are eligible for the collective defined-benefit pension plan provided by Essilor under Article 39 of the General Tax Code, instituted for senior managers of a Category IIIC company under the Collective Bargaining Agreement of the Metallurgy Sector.

This plan can provide an annuity in addition to the legal plans which is equal to 10% of the reference compensation after 10 years of employment, plus:

- first, an amount equivalent to 1% of the reference compensation per additional year of employment, with a maximum replacement rate of 20%;
- second, an amount equivalent to 1.5% of the compensation above Social Security Bracket C per year of employment after 10 years, and capped at 20 years seniority and 5% of the reference compensation defined in the retirement regulations.

The collective supplemental pension plan provides corporate officers with 20 years of seniority in the company a supplemental pension equivalent to 25% of their reference compensation.

The Board of Directors authorized the continuation of this benefit for Hubert Sagnières, in his position as Chief Executive Officer, previously Chief Operating Officer.

15.4 Termination benefits

No termination benefits are provided for Hubert Sagnières' term of office. However, the employment contract between Hubert Sagnières and the Company prior to his current term of office, could provide termination benefits in the event the employment contract is terminated at the Company's initiative (excluding dismissal for misconduct or gross negligence) which is equivalent to two years of contractual compensation.

At its meeting of March 3, 2010, the Board of Directors reiterated the performance conditions upon which, at its meeting of March 4, 2009, the Board had made contingent any payment of such benefits.

Performance is measured by the rate of achievement of the annual objectives set by the Board of Directors for the corporate officer and used to calculate the variable portion of such corporate officer's compensation. If a corporate officer's departure occurs within three years after his/her appointment as corporate officer, performance would be measured by the rate of achievement of the annual objectives used to calculate the variable component of his/her compensation as Executive Director. It would equal the average performance achieved by the Executive Director over the three years prior to his/her departure.

For a performance rate between 50% and 100% and higher, the termination benefits are paid in strict proportion to the amount (e.g., if the performance rate is 90%, the termination benefits are equal 90% of the amount). For a performance rate lower than 50%, no termination benefits will be paid. No payment may be made before the Board has verified these conditions.

Table 9 - Senior corporate officers – Detailed table

	XAVIER FONTANET	HUBERT SAGNIERES
	Chairman and Chief Executive Officer until December 31, 2009 then Chairman of the Board of Directors from January 1, 2010 Term of office start date: 1996 Term of office end date: 2013	Chief Operating Officer until December 31, 2009 then Chief Executive Officer from January 1, 2010 Term of office start date: 2008 Term of office end date: 2011
Employment contract	No - Retired	Yes - Suspended as from January 1, 2010
Non-compete clause compensation	No	No
Supplementary pension plan	Not applicable (retired)	Yes
Compensation or benefits due or that may become due as a result of termination or change of position	No	No[(a)] Termination benefit (except in the case of serious or gross misconduct) 2 years' salary subject to performance conditions.
Restrictions on the sale of shares acquired on exercise of stock options or performance shares	As from 2007 grants: 1/3rd of vested performance shares or 1/3rd of the shares acquired on exercise of stock options (excluding those shares sold immediately to finance the acquisition of the shares and the payment of tax due on the capital gain) may not be sold.	
Hedging instruments	No hedging instruments may be used for stock option or performance share.	
Length-of-service award payable on retirement (actuarial value)		381,153
Supplementary retirement benefit obligations (actuarial value)		5,031,123

(a) No termination benefits are provided for the term of office. The termination benefits provided for the suspended employment contract are detailed under 15.4.

16 MANAGEMENT AND GOVERNANCE PRACTICES

16.1 Expiration dates of terms of office, tenure in office and management and governance practices

16.1.1 EXPIRATION DATES OF TERMS OF OFFICE AND PERIODS SERVED

The expiration dates of the terms of office and tenure in office are presented in Section 14.1.1.

There are no appointments of co-opted board members to be approved by the Shareholders' Meeting of May 5, 2011 (see AMF Interpretation No. 3 of January 2006).

16.1.2 OPERATIONS OF THE BOARD OF DIRECTORS AND THE COMMITTEES OF THE BOARD

The operations of the Board of Directors and the Committees of the Board are governed by internal rules adopted by the Board at its meeting of November 18, 2003, as subsequently amended from time to time and most recently on November 25, 2010. The main provisions of the internal rules concerning the Board's operations are as follows:

Purview of the Board of Directors

The Company's Board members contribute their experience and expertise. They have a duty of vigilance and exercise their judgment freely and independently when participating in the decisions or work of the Board and, where applicable, the Committees of the Board.

The Board of Directors is a collegial body whose role 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 and, if appropriate, approve acquisitions and disposals representing 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;
- Approve material restructuring and investment projects that do not form part of the stated strategy;
- Monitor 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 Essilor's tradition of managerial excellence is maintained;
- Discuss and, if appropriate, approve the choice of candidates for election as corporate officers recommended by the Appointments and Remunerations Committee;
- Discuss and, if appropriate, approve senior management succession plans and major organizational changes.

Information provided to Board members

All necessary documents to inform the Board members about the agenda and matters to be discussed at Board meetings are enclosed with the notice of meeting or sent or handed to directors 5 days in advance of the meeting.

Each Board member is required to ensure that he or she has all the information such member deems essential to the proper operation of the Board or the Committees of the Board. If any information is not made available, or if a Board member believes that such information was not provided, he or she must request it. Board members' requests are made to the Chairman of the Board (or the Chief Executive Officer if the two positions are separated), who is under the obligation 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.

Board meetings

The Board meets as often as necessary in the Company's interest and at least five times per year. The dates of the following year's meetings are set no later than one month before the end of the year, except for special meetings.

Committees of the Board

On the recommendation of the Chairman, the Board may set up committees, deciding on their terms of reference and membership. These Committees act on the authority delegated to them by the Board and make recommendations and proposals to the Board (for the 2010 reports, see the Chairman's Report in Appendix 1).

Annual self-assessment of the operations of the Board

Once a year, the Board performs a formal assessment of its operations and takes any appropriate measures to improve them. The results of the self-assessment are presented in the Annual Report. The assessment covers the three objectives listed in Article 9.2 of the AFEP/MEDEF corporate governance code.

Amendments to the internal rules

These internal rules may be amended by decision of the Board.

At its meeting on January 27, 2005, the Board also amended the board members' charter adopted on November 18, 2003, which sets out the rights and obligations of Essilor directors, to take into account:

The provisions of the Market Abuse Directive (framework directive 2003/6/EC of January 28, 2003) on insider trading and market manipulation. In relation to this, the charter states that:

Each Board member who has access to inside information may not trade in the Company's shares, directly or through a third party, or cause any other person to trade in the Company's shares on the strength of that information for as long as it has not been made public. In addition, in the same way as for Company employees who may have access to privileged information, according to the charter Board members may not trade in the Company's shares during the period preceding the publication of privileged information of which they are aware and also during the 21-day period that precedes the:

- annual earnings release;
- half-year earnings release; and
- the releases of quarterly sales.

The new requirement for corporate officers to disclose any trading in the Company's shares by themselves or their close relations. The charter states that:

In accordance with Article 621-18-2 of the Monetary and Financial Code, introduced in Act 2003-706 of August 1, 2003 (the Financial Security Act), Articles 222-14 and 222-15 of the General Regulations of the Autorité des Marchés Financiers (AMF), the AMF's press release of December 27, 2004 and the AMF note of April 16, 2008, Board members undertake to report immediately to Essilor, through the Company's registrar, any and all transactions in the Company's shares or financial instruments carried out by him or her or by any close relation, in order to enable the Company to report these transactions to the AMF and to announce them in a press release, within the required timeframe.

The charter was amended on November 26, 2009 *inter alia* to reflect the change in the Company's bylaws following the two-for-one stock split, as a result of which each Board member is now required to hold 1,000 Company shares compared with 500 previously.

To take into account the AMF's recommendation of November 3, 2010 on preventing insider trading by senior managers of listed companies, new requirements building on the stock market code of ethics already in place at Essilor were added to the Charter on November 25, 2010. Thus the black-out period has been extended from 21 to 30 days prior to the publication of privileged information and financial statements (annual, half-year and, if applicable, quarterly); the day of publication of such information is part of the black-out period.

16.2 Information about the service contracts of members of the management and governance bodies: no service contracts

No member of the Board of Directors or any Chief Executive officer has a service contract with Essilor or any of its subsidiaries providing for the award of benefits at the end of such contract.

16.3 Information about the Audit Committee and the Remunerations Committee

This information is provided under 14.1.2.1 and in Appendix 1 of this Registration Document in the "Chairman's Special Report", under "1. Preparation and organization of meetings of the Board of Directors", sub-sections "Audit Committee" and "Remunerations Committee".

16.4 Compliance by Essilor with France's corporate governance system

The Company generally complies with the corporate governance system set out in the 2008 AFEP/MEDEF corporate governance code. Information about the corporate governance system is presented in Appendix 1 of the Registration Document "Chairman's Special Report".

17 EMPLOYEES

17.1 Human resources: number of employees, by location and type of activity

For more information on the Group's workforce, refer to the notes to the consolidated financial statements (Section 20.3.1.5, Note 29) in this Registration Document.

17.1.1 AVERAGE AND PERIOD-END WORKFORCE

As of December 31, 2010, Essilor had 42,704 employees worldwide (including 100% of the workforce of proportionately consolidated companies). The average workforce for the year was 38,112 (employees corresponding to the amount reported for consolidated employee benefits expense for the period).

The number of employees at December 31, 2009 was 34,759 and the average for the year was 32,835. The increase in the workforce between 2009 and 2010 was mainly due to the acquisition of FGX.

As encouraged by European Union Regulation 809/2004/EC, the Group does not employ a large number of temporary workers.

17.1.2 BREAKDOWN OF WORKFORCE

17.1.2.1 Breakdown by geographic area

	2010		2009	
North America	13,612	35.7%	10,881	33.1%
Europe	11,136	29.2%	10,968	33.4%
Latin America / Asia-Pacific / Africa	13,364	35.1%	10,986	33.5%

17.1.2.2 Breakdown of workforce by category

	2010		2009	
Production	22,716	59.6%	18,153	55.3%
Supervisory and administrative	10,748	28.2%	10,261	31.3%
Management	4,648	12.2%	4,421	13.4%

17.2 Ownership interest and stock options

17.2.1 SHARES AND STOCK OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AS OF DECEMBER 31, 2010

Essilor stock options held

	Employees and Corporate Officers – Members of the Board of Directors				
	Xavier Fontanet	Hubert Sagnières	Yi He	Yves Gillet	Aïcha Mokdahi
Essilor shares held	287,495	11,073	11,973	14,143	8,067
Stock purchase options					
- November 14, 2001		24,000	4,000		
Stock subscription options					
- November 20, 2002		36,000	4,000	4,000	
- November 17, 2004	24,842	34,000	4,000	4,000	
- November 23, 2005	120,000	100,000	4,000	7,000	
- November 22, 2006		44,000	4,000	7,000	
- November 14, 2007		50,000	5,500	7,000	
- November 27, 2008	120,000	100,000	6,000	7,000	
- November 26, 2009	80,000	150,000	6,000	7,000	
- November 25, 2010				7,000	

Independent Directors

At December 31, 2010, independent Directors held 9,915 Essilor shares but did not hold any stock options or performance share rights.

Rights – As of December 31, 2010

	Employees and Corporate Officers – Members of the Board of Directors				
	Xavier Fontanet	Hubert Sagnières	Yi He	Yves Gillet	Aïcha Mokdahi
Performance shares					
- November 26, 2009					1,785
- December 18, 2009	15	15			15
- November 25, 2010		45,000	1,980		2,505
- December 20, 2010					15

For more information about performance shares, refer to Section 21.1.4.3, “Performance shares.”

17.2.2 INFORMATION ON STOCK PURCHASE OPTIONS, STOCK SUBSCRIPTION OPTIONS AND PERFORMANCE SHARE RIGHTS

17.2.2.1 Grant and exercise of stock options and performance share rights during the year

Grant and exercise of: **- Stock subscription options;** **- Stock purchase options;** **- Performance share rights;** **granted to employees other than corporate officers.**	**Total number**	**Weighted average exercise price** *In €*	**Expiration date**	**Plan**
Stock options granted in 2010 by the issuer and by any company included in the scope of option grants to the ten employees of the issuer and any company included in that scope thus holding the greatest number of stock options granted (comprehensive data)	75,000	48.01	Nov. 25, 2017	Nov. 25, 2010
Performance share rights granted in 2010 by the issuer and by any company included in the scope of option grants to the ten employees of the issuer or any company included in that scope thus holding greatest number of rights granted (comprehensive data)	200,120	48.01	Nov. 25, 2018	Nov. 25, 2010
Stock options of the issuer and the aforementionned companies exercised in 2010 by the ten employees of the issuer and those companies thus having exercised the greatest number of stock options (comprehenisve data)	347,400	29.35		Nov. 14, 2001 Nov. 20, 2002 Nov. 18, 2003 Nov. 17, 2004 Nov. 27, 2005 Nov. 23, 2005 Nov. 22, 2006 Nov. 14, 2007 Nov. 27, 2008

For more information about performance shares, refer to Section 21.1.4.3, “Performance shares.”

17.2.2.2 History of stock option and performance share right grants

Information is provided only for those plans for which options or rights are currently outstanding.

For more information about performance shares, refer to Section 21.1.4.3, "Performance shares."

Plan	Nov. 14, 2001	Nov. 20, 2002	Nov. 18, 2003	Nov. 17, 2004	Jan. 27, 2005
Date of Shareholders' Meeting	Jan. 18, 2001	Jan. 18, 2001	May 16, 2003	May 16, 2003	May 16, 2003
Date of Board Meeting	Nov. 14, 2001	Nov. 20, 2002	Nov. 18, 2003	Nov. 17, 2004	Jan. 27, 2005
Type of plan	Stock purchase options	Stock subscription options	Stock subscription options	Capped stock subscription options(a)	Capped stock subscription options(a)
Total number of shares available for subscription or purchase	1,340,500	1,625,160	1,609,140	1,787,800	31,500
Held by corporate officers	160,000	202,000	160,000	196,000	0
- Philippe Alfroid	70,000	88,000	70,000	86,000	
- Xavier Fontanet	90,000	114,000	90,000	110,000	
- Hubert Sagnières					
Held by the top ten employee grantees	230,000	292,000	255,500	312,000	31,500
Start date of exercise period	Nov. 14, 2002	Nov. 20, 2003	Nov. 18, 2004	Nov. 17, 2005	Jan. 27, 2006
Expiration date	Nov. 14, 2011	Nov. 20, 2012	Nov. 18, 2010	Nov. 17, 2011	Jan. 27, 2012
Exercise price (in €)	15.620	20.340	20.370	26.500	27.290
Number of grantees	646	1,348	1,436	1,585	2
Exercise conditions	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents exercisable as from Nov. 14, 2005.	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable as from Nov. 20, 2006.	Non-residents: exercisable at the rate of 1/3 per year maximum as from the 2nd year. Residents: exercisable from Nov. 18, 2007.	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable as from Nov. 17, 2008.	Non-residents: exercisable at the rate of 1/3 per year maximum as from the 2nd year. Residents: exercisable as from Nov. 22, 2009.
Shares subscribed as of December 31, 2010	1,191,179	1,292,809	1,569,062	1,112,936	14,000
Cancelled stock subscription or purchase options and performance shares	38,026	42,264	40,078	45,793	0
Outstanding stock subscription or purchase options and performance shares	111,295	290,087	0	629,071	17,500

(a) Capped plans. Under capped plans, the maximum profit that can be made by each grantee is capped at 100% of the amount of the option grants.

Plan	**Nov. 23, 2005**	**Nov. 22, 2006**	**Nov. 22, 2006**	**Jan. 24, 2007**	**Nov. 14, 2007**
Date of Shareholders' Meeting	May 13, 2005	May 13, 2005	May 13, 2005	May 13, 2005	May 11, 2007
Date of Board Meeting	Nov. 23, 2005	Nov. 22, 2006	Nov. 22, 2006	Jan. 24, 2007	Nov. 14, 2007
Type of plan	Capped stock subscription option plan(a)	Capped stock subscription option plan(b)	Performance share rights	Performance share rights	Capped performance stock subscription option plan(b)
Total number of shares available for subscription or purchase	1,996,880	930,740	Maximum 527,112	Maximum 49,152	1,117,770
Held by corporate officers	214,000	0	103,500	0	0
- Philippe Alfroid	94,000		45,000		
- Xavier Fontanet	120,000		58,500		
- Hubert Sagnières					
Held by the top ten employee grantees	374,000	195,000	127,800	160	206,000
Start date of exercise period	Nov. 23, 2006	Nov. 22, 2008(d)	Nov. 22, 2008(e)	Jan. 24, 2009(f)	Nov. 14, 2009(g)
Expiration date	Nov. 23, 2012	Nov. 22, 2013	Nov. 22, 2013	Jan. 24, 2014	Nov. 14, 2014
Exercise price (in €)	34.700	41.460	NS(c)	NS(c)	43.650
Number of grantees	1,953	1,148	1,134	2,981	1,800
Exercise conditions	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable as from Nov. 23, 2009.	Non-residents: Not exercisable until performance target met, then 1/2 maximum the third year and the balance in subsequent years. Cancellation possible. Residents: none.	Non-residents: none. Residents: grant subject to performance. Cancellation possible. May be sold from Nov. 22, 2013.	Non-residents: none. Residents: grant subject to performance. Cancellation possible. May be sold from Jan. 24, 2014.	Non-residents: Not exercisable until performance target met, then 1/2 maximum the third year and the balance in subsequent years. Cancellation possible. Residents: none.
Shares subscribed as of December 31, 2010	575,012	164,400	233,177	19,970	127,840
Cancelled stock subscription or purchase options and performance shares	70,526	81,360	293,935	29,182	94,450
Outstanding stock subscription or purchase options and performance shares	1,351,342	684,980	0	0	895,480

(a) Capped plans. Under capped plans, the maximum profit that can be made by each grantee is capped at 100% of the amount of the option grants.
(b) Capped performance plan. 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 21.1.4.3) and can be cancelled if the target is not met.
(c) If performance shares are granted, they will be allocated out of the Company's treasury stock.
(d) The options will be exercisable if the average opening price of the shares exceeds €41.46 over a 3-month period between November 22, 2008 and November 22, 2010 (see Section 21.1.4.3).
(e) The shares will be granted if the average opening price of the shares exceeds €41.46 over a 3-month period between November 22, 2008 and November 22, 2010 (see Section 21.1.4.3).
(f) The shares will be granted if the average opening price of the shares exceeds €41.46 over a 3-month period between January 24, 2009 and January 24, 2011 (see Section 21.1.4.3).
(g) The options will be exercisable if the average opening price of the shares exceeds €43.65 over a 3-month period between November 14, 2009 and November 14, 2011 (see Section 21.1.4.3).

Plan	Nov. 14, 2007	Jan. 30, 2008	Nov. 27, 2008	Nov. 27, 2008	Dec. 18, 2008
Date of Shareholders' Meeting	May 11, 2007	May 11, 2007	May 11, 2007	May 11, 2007	May 11, 2007
Date of Board Meeting	Nov. 14, 2007	Jan. 23, 2008	Nov. 27, 2008	Nov. 27, 2008	Nov. 27, 2008
Type of plan	Performance share rights	Performance share rights (group plan in France)	Capped performance stock options[(a)]	Performance share rights	Performance share rights (group plan in France)
Total number of shares available for subscription or purchase	Maximum 552,491	Maximum 90,860	1,568,080	Maximum 513,775	Maximum 45,350
Held by corporate officers	103,500	40	320,000	0	0
- Philippe Alfroid	45,000	20	100,000		
- Xavier Fontanet	58,500	20	120,000		
- Hubert Sagnières			100,000		
Held by the top ten employee grantees	145,300	200	170,000	166,000	100
Start date of exercise period	Nov. 14, 2009[(c)]	Jan. 30, 2010[(d)]	Nov. 27, 2010[(e)]	Nov. 27, 2010[(f)]	Dec. 18, 2010[(g)]
Expiration date	Nov. 14, 2014	Jan. 30, 2015	Nov. 27, 2015	Nov.27, 2015 or 2016	Dec.18, 2015 or 2016
Exercise price (in €)	NS[(b)]	NS[(b)]	33.170	NS[(b)]	NS[(b)]
Number of grantees	1,410	4,543	2,286	1,619	4,535
Exercise conditions	Non-residents: none. Residents: grant subject to performance Cancellation possible. May be sold from Nov. 14, 2014.	Non-residents: none. Residents: grant subject to performance. Cancellation possible. May be sold from Jan. 30, 2015	Non-residents and residents: not exercisable until the performance conditions are met. When conditions are met, up to 50% in the third year and the balance in subsequent years. Cancellation possible.	Non-residents: none Residents: grant subject to performance. Cancellation possible. Shares may be sold from November 27, 2015 or 2016 depending on the vesting date.	Non-residents: none Residents: grant subject to performance. Cancellation possible. Shares may be sold from December 18, 2015 or 2016 depending on the vesting date.
Shares subscribed as of December 31, 2010	245,640	42,400	127,195	503,224	41,960
Cancelled stock options and performance shares	306,851	48,460	92,920	10,551	3,390
Outstanding stock options and performance shares	0	0	1,347,965	0	0

(a) Capped performance plan. 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 21.1.4.3) and can be cancelled if the target is not met.
(b) If performance shares are granted, they will be allocated out of the Company's treasury stock.
(c) The shares will be exercisable if the average opening price of the shares exceeds €43.65 over a 3-month period between November 14, 2009 and November 14, 2011 (see Section 21.1.4.3).
(d) The shares will be granted if the average price of the shares exceeds €41.57 over a 3-month period between January 30, 2010 and January 30, 2012 (see Section 21.1.4.3).
(e) The options will be exercisable if the average price of the shares exceeds €33.17 over a 3-month period between November 27, 2010 and November 27, 2014 (see Section 21.1.4.3).
(f) The shares will be granted if the average price of the shares exceeds €33.17 over a 3-month period between November 27, 2010 and November 27, 2014 (see Section 21.1.4.3).
(g) The shares will be granted if the average price of the shares exceeds €33.17 over a 3-month period between December 18, 2010 and December 18, 2014 (see Section 21.1.4.3).

Plan	Nov. 26, 2009	Nov. 26, 2009	Dec. 18, 2009	Nov. 25, 2010	Nov. 25, 2010
Date of Shareholders' Meeting	May 11, 2007	May 11, 2007	May 11, 2007	May 11, 2010	May 11, 2010
Date of Board Meeting	Nov. 26, 2009	Nov. 26, 2009	Nov. 26, 2009	Nov. 25, 2010	Nov. 25, 2010
Type of plan	Capped performance stock options(a)	Performance share rights	Performance share rights (group plan in France)	Capped performance stock options(a)	Performance share rights
Total number of shares available for subscription or purchase	Maximum 1,579,120	Maximum 536,116	Maximum 65,640	Maximum 634,760	Maximum 893,458
Held by corporate officers	230,000	0	30	0	45,000
- Philippe Alfroid					
- Xavier Fontanet	80,000		15	0	
- Hubert Sagnières	150,000		15	0	45,000
Held by the top ten employee grantees	194,000	155,850	150	75,000	200,000
Start date of exercise period	Nov. 26, 2011(h)	Nov. 26, 2011(i)	Dec. 18, 2011(j)	Nov. 25, 2012(k)	Nov. 25, 2012 or 2014(l)
Expiration date	Nov. 26, 2016 or 2017	Nov.26, 2016 or 2017	Dec.18, 2016 or 2017	Nov. 25, 2017	Nov. 25, 2016 or 2018
Exercise price (in €)	NS(b)	NS(b)	NS(b)	NS(b)	NS(b)
Number of grantees	2,412	1,684	4,376	1,362	3,116
Exercise conditions	Non-residents and residents: not exercisable until the performance conditions are met. When conditions are met, up to 50% in the third year and the balance in subsequent years. Cancellation possible.	Non-residents: none Residents: grant subject to performance. Cancellation possible. Shares may be sold from November 26, 2016 or 2017 depending on the vesting date.	Non-residents: none Residents: grant subject to performance. Cancellation possible. Shares may be sold from December 18, 2016 or 2017 depending on the vesting date.	Non-residents and residents: not exercisable until the performance conditions are met. When conditions are met, up to 50% in the third year and the balance in subsequent years. Cancellation possible.	Non-residents: grant subject to performance. Cancellation possible. 50% of shares may be sold upon grant, 50% are locked until November 25, 2016 or 2018 depending on the vesting date. Residents: grant subject to performance. Cancellation possible. Shares may be sold from November 25, 2016 or 2018 depending on the vesting date.
Number of shares subscribed as of December 31, 2010	160	381	690	0	0
Cancelled stock options and performance shares	57,800	7,317	2,715	0	0
Outstanding stock options and performance shares	1,521,160	528,418	62,235	634,760	893,458

(a) Capped performance plan. 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 21.1.4.3) and can be cancelled if the target is not met.
(b) If performance shares are granted, they will be allocated out of the Company's treasury stock and valued at the opening price on the day of the grant.
(h) The options will be exercisable if the average price of the shares exceeds €38.96 over a 3-month period between November 26, 2011 and November 26, 2015 (see Section 21.1.4.3).
(i) The shares will be granted if the average price of the shares exceeds €38.96 over a 3-month period between November 26, 2011 and November 26, 2015 (see Section 21.1.4.3).
(j) The shares will be granted if the average price of the shares exceeds €38.96 over a 3-month period between December 18, 2011 and December 18, 2015 (see Section 21.1.4.3).).
(k) The options will be granted provided that the estimated annualized average price is 2% higher than €48.01 (see Section 21.1.4.3).
(l) The shares will be granted to residents provided that the estimated annualized average price is 2% higher than €48.01. Shares may be granted to non-residents on November 25, 2014 at the earliest (see Section 21.1.4.3).

Plan	Dec. 20, 2010
Date of Shareholders' Meeting	May 11, 2010
Date of Board Meeting	Nov. 25, 2010
Type of plan	Performance share rights (group plan in France)
Total number of shares available for subscription or purchase	Maximum 74,355
Held by corporate officers	0
- Philippe Alfroid	
- Xavier Fontanet	0
- Hubert Sagnières	0
Held by the top ten grantees (other than executive directors)	150
Start date of exercise period	Dec. 20, 2012[m]
Expiration date	Dec. 20, 2016 or 2018
Exercise price (in €)	NS[b]
Number of grantees	4,957
Exercise conditions	Non-residents: not exercisable until the performance conditions are met. Cancellation possible. 50% of shares may be sold upon grant, and 50% are locked until December 20, 2016 or 2018 depending on the vesting date. Residents: not exercisable until the performance conditions are met. Cancellation possible. Shares may be sold from December 20, 2016 or 2018 depending on the vesting date.
Number of shares subscribed as of December 31, 2010	0
Cancelled stock options and performance shares	0
Outstanding stock options and performance shares	74,355

(b) If performance shares are granted, they will be allocated out of the Company's treasury stock.
(m) The shares will be granted to residents provided that the estimated annualized average price is 2% higher than €48.01. Shares may be granted to non-residents on December 20, 2014 at the earliest (see Section 21.1.4.3).

For more information about stock subscription options, stock purchase options and performance shares, refer to Section 21.1.4.

17.3 Discretionary and non-discretionary profit-sharing agreements

17.3.1 Employee profit-sharing plans discretionary and non-discretionary profit-sharing agreements

Special provisions for employees of the French parent Company

Discretionary profit-sharing plan

A new three-year discretionary profit-sharing plan, governed by Articles L.3 311-1 et seq. of the Labor Code, was signed on April 26, 2010, covering the period from January 1, 2010 to the end of 2012.

Designed to improve employee information and awareness of the Company's financial results, the agreement represents a means of mobilizing employees in a concerted drive to meet the Company's performance targets.

Discretionary profit-sharing bonuses are calculated according to three criteria:

- Criterion 1: the Group's consolidated revenue growth;
- Criterion 2: growth in contribution margin with respect to Group activity;
- Criterion 3: Ratio between the parent company's actual operating profit and its budgeted operating profit.

All three criteria have the same weighting.

The calculation formula used is geared towards providing employees with an incentive to help improve the Company's results and meet budget objectives.

Under French law, these profit shares are not treated as salary. As a result, they are exempt from payroll taxes but are subject to personal income tax and the CSG-CRDS taxes.

The discretionary profit-sharing system allows the Company to offer additional variable compensation to Essilor employees.

Individual profit-shares are calculated as follows:

- 40% prorated to the period of presence in the Company during the year;
- 60% prorated to the reference salary.

The amount of the discretionary profit-sharing bonus is capped.

The total amount of profit shares distributed is capped at 20% of the aggregate gross salaries and, if applicable, the annual salary or business income of grantees referred to in Article L.3312-3 of the Labor Code, paid to eligible employees during the calculation year.

Independently of the overall ceiling, there is an individual ceiling according to which the discretionary profit-sharing bonus is capped for each employee at half the annual Social Security ceiling.

Discretionary profit shares paid over the last five years were as follows:

- 2010: €4,304,000 for 2009;
- 2009: €3,681,000 for 2008;
- 2008: €3,667,000 for 2007;
- 2007: €4,318,000 for 2006;
- 2006: €3,440,000 for 2005.

Statutory profit-sharing plan

The profit-sharing reserve for eligible employees is calculated according to a legally-prescribed formula based on profit for the year, equity at the year-end, gross salaries and the value-added generated by the Company. Under the terms of an agreement signed with employee representatives, the amount determined according to the legally-prescribed formula is increased by 50%.

In view of the level of the parent company's equity, no amounts have been credited to the profit-sharing reserve for eligible employees.

17.3.2 Employee stock ownership agreement

Employee stock ownership

Employees of the Essilor Group may become shareholders in different 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 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. The shares are either issued through a capital increase or bought directly on the market. They are subject to a lock-up period of two to seven years, depending on the country.

- The FCPE mutual funds include Valoptec International FCPE, the Essilor Group 5-year FCPE, the Essilor Group 7-year FCPE and the Essilor International FCPE;
- Shareholdings outside of France include the Essilor Shareholding Plan in the United States, the Australian Shareholding Plan, the Share Incentive Plan in the United Kingdom, the Irish Shareholding Plan and Korean ESPP;
- Direct shareholding is possible with the Spanish Ahorro Plan, the Brazilian Share Purchase Plan, the Essilor Germany employee stock ownership plan, the Chinese share purchase plan, the Taiwanese share purchase plan and the South African share purchase plan.

For more information about employee share ownership, refer to Appendix 2, "Social and Environmental Policies (France's New Economic Regulations Act)" in this Registration Document, "Responsible shareholders and employee share ownership" at the end of the first section titled "Social policy".

Stock options

Employees can also acquire shares by exercising stock options. For French employees, the exercise price may be paid by funds released from the PEE Corporate Savings Plan; in which case the shares are registered in the employee's name and locked for 5 more years within the PEE.

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.

For more information about performance shares, refer to Section 21.1.4.3, "Performance shares."

18 MAJOR SHAREHOLDERS

18.1 Ownership structure and voting rights

To the best of the Company's knowledge, no shareholder other than the Valoptec International FCPE (see Section 17.3 of this Registration Document regarding this matter) holds 5% or more of the voting rights directly, indirectly or in concert with a third party.

18.1.1 ESSILOR'S OWNERSHIP STRUCTURE AT DECEMBER 31, 2010

At December 31, 2010, the total number of voting rights was 226,999,731 attached to 211,655,342 shares.

At December 31, 2010	Number of shares	%	Number of voting rights	%
Employee Shareholders (French and non-French)				
- Valoptec International FCPE	6,774,463	3.20	13,548,926	5.97
- Essilor Group 5 and 7-year FCPE	5,285,249	2.50	10,172,236	4.48
- Funds for employees outside France	719,323	0.34	719,323	0.32
- Registered shares held directly by employees	4,585,883	2.17	7,614,419	3.35
SUB-TOTAL	**17,364,918**	**8.20**	**32,054,904**	**14.12**
Treasury stock				
- Own shares	2,833,112	1.34		
- Liquidity contract	61,000	0.03		
SUB-TOTAL	**2,894,112**	**1.37**		
PUBLIC	**191,396,312**	**90.43**	**194,944,827**	**85.88**
TOTAL	**211,655,342**	**100.00**	**226,999,731**	**100.00**

Shareholders' identifying information

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 identity of holders of shares and securities convertible, redeemable, exchangeable or otherwise exercisable for shares carrying rights to vote at Shareholders' Meetings, as well as details of the number of securities held.

18.1.2 ESSILOR'S OWNERSHIP STRUCTURE AT DECEMBER 31, 2009

The table showing Essilor's ownership structure at December 31, 2010 is presented in Section 18.1.1.

The Company's ownership structure at December 31, 2009 was as follows:

At December 31, 2009	Number of shares	%	Number of voting rights	%
Employee Shareholders (French and non-French)				
- Valoptec International FCPE	7,290,663	3.38	14,581,326	6.36
- Essilor Group 5 and 7-year FCPE	5,402,970	2.51	9,932,092	4.33
- Funds for employees outside France	719,573	0.33	719,573	0.31
- Registered shares held directly by employees	3,318,311	1.54	6,378,678	2.78
SUB-TOTAL	**16,731,517**	**7.76**	**31,611,669**	**13.78**
Treasury stock				
- Own shares	4,630,653	2.15		
- Liquidity contract	0	-		
SUB-TOTAL	**4,630,653**	**2.15**		
PUBLIC	**194,147,802**	**90.09**	**197,732,779**	**86.22**
TOTAL	**215,509,972**	**100.00**	**229,344,448**	**100.00**

18.2 Different voting rights

Exercise of voting rights

As from June 22, 1974, double voting rights were 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 bonus share issue paid-up by capitalizing reserves, profit or additional paid-in capital, the registered bonus shares allotted in respect of 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 surviving 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 a Shareholders' Meeting unless this decision is first approved by a special Meeting of holders of shares with double voting rights.

Restrictions on voting rights

As of December 31, 2010, the Company's bylaws did not contain any restrictions on the exercise of voting rights.

Concerning the extraordinary resolutions tabled at the Extraordinary Shareholders' Meeting of May 5, 2011, refer to Section 21.2.4.2, sub-section "Amendments to the bylaws".

18.3 No external control of the company

To the best of the Company's knowledge, no other individuals or legal entities own or control the Company either directly or indirectly.

18.4 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 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 Commercial Code

- Employees hold 8.2% of the Company's capital and 14.12% of the voting rights. They may exercise these voting rights directly or give proxy to the representatives of the Essilor 7-year FCPE and the Valoptec Association.
- The resolutions tabled at the Extraordinary Shareholders' Meeting of May 5, 2011 that could have an impact in the event of a public offering are presented in Section 21.2.4.2.

To the best of the Company's knowledge, there are no shareholder pacts, pre-emptive rights agreements or other agreements that may at a subsequent date result in a change in control of the Company.

19 RELATED PARTY TRANSACTIONS

19.1 Nature and extent of major transactions

Related parties include the following:

Proportionately consolidated companies

- Nikon-Essilor, a 50/50 joint venture in Japan with the Nikon Group. Nikon-Essilor distributes certain Essilor products in Japan, while Essilor distributes certain Nikon brand products made by Nikon-Essilor, mainly in Europe;
- Essilor Korea, a 50/50 joint venture with the South Korean Group Samyung Trading. Essilor Korea distributes certain Essilor products in the South Korean market, while Essilor distributes certain products manufactured by Essilor Korea's Chemiglas subsidiary in European markets.

Companies accounted for by the equity method

- Vision Web, 44%-owned by Essilor. Essilor of America laboratories and other laboratories of the Group use the Vision Web ordering system;
- The Transitions subgroup, 49%-owned by Essilor. Essilor sells stock lenses to the Transitions group, for transformation into variable-tint lenses. Essilor also distributes Transitions products across its networks.

The Sperian Protection Group, in which Essilor held a 15% interest corresponding to 24% of the voting rights, was sold on August 9, 2010. Essilor did not retain any shareholding in that company.

Transactions between Essilor and Sperian Protection were not material.

19.2 Amount of percentage to which related party transactions form part of the Company's revenue

Refer to Note 30 to the consolidated financial statements (Section 20.3.1.5).

20 FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 Historical financial information

Refer to Section 20.3, "Financial Statements."

20.2 Pro-forma financial information

Not applicable.

20.3 2010 consolidated financial statements and notes. 2010 annual financial statements and notes

20.3.1 2010 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

The notes to the financial statements are an integral part of the consolidated financial statements.

The Auditors' report on the consolidated financial statements is presented in Section 20.4.1.1 of this Registration Document.

20.3.1.1 Consolidated income statement

€ thousands, except for per share data	Note	2010	2009[(a)]
Revenue	3	3,891,559	3,267,978
Cost of goods sold		(1,732,007)	(1,435,333)
GROSS PROFIT		**2,159,552**	**1,832,645**
Research and development costs		(150,879)	(151,221)
Selling and distribution costs		(859,708)	(706,619)
Other operating expenses		(444,126)	(381,773)
CONTRIBUTION FROM OPERATIONS		**704,839**	**593,032**
Restructuring costs, net	5	(37,869)	(11,383)
Impairment losses	11	0	0
Compensation costs on share-based payments	5	(21,717)	(21,865)
Other income from operations	5	1,848	2,456
Other expenses from operations	5	(54,594)	(10,669)
Gains and losses on asset disposals	5	25,965	(1,303)
OPERATING PROFIT	3	**618,472**	**550,268**
Cost of gross debt		(11,956)	(21,657)
Income from cash and cash equivalents		9,289	11,275
Foreign exchange income	6	(3,793)	(1,714)
Other financial income and expenses	7	(4,327)	942
Share of profits of associates	15	31,746	25,974
PROFIT BEFORE TAX		**639,431**	**565,088**
Income tax expense	8	(167,404)	(166,573)
PROFIT FOR THE PERIOD		**472,027**	**398,515**
Attributable to Group equity holders		**461,969**	**390,685**
Attributable to minority interests		10,058	7,830
Basic earnings per share *(€)*		2.20	1.89
Weighted average number of shares *(thousands)*	9	209,574	206,691
Diluted earnings per share *(€)*	10	2.18	1.88
Diluted weighted average number of shares *(thousands)*	10	212,652	210,557

(a) Adjusted to reflect the fact that acquisition-related costs are now expensed in accordance with the revised IFRS 3 (see Note 1).

STATEMENT OF INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY

€ thousands	2010 Attributable to Group equity holders	2010 Minority interests	2010 Total	2009[(a)] Attributable to Group equity holders	2009[(a)] Minority interests	2009[(a)] Total
PROFIT FOR THE PERIOD (A)	**461,969**	**10,058**	**472,027**	**390,685**	**7,830**	**398,515**
Increase (decrease) in fair value of financial instruments, net of tax						
- Cash flow hedges, effective portion	(3,120)		(3,120)	(4,885)		(4,885)
- Tax	133		133	1,097		1,097
- Net of tax	(2,987)		(2,987)	(3,788)		(3,788)
- Hedges of net investments in foreign operations, effective portion	(4,356)		(4,356)	391		391
- Tax	1,501		1,501	(135)		(135)
- Net of tax	(2,855)		(2,855)	256		256
Transfers to profit for the period, net of tax						
- Cash flow hedges, effective portion	2,986		2,986	(6,378)		(6,378)
- Tax	(1,008)		(1,008)	1,639		1,639
- Net of tax	1,978		1,978	(4,739)		(4,739)
- Hedges of net investments in foreign operations, effective portion	3,806		3,806	(195)		(195)
- Tax	(1,310)		(1,310)	67		67
- Net of tax	2,496		2,496	(128)		(128)
Increase (decrease) in fair value of long-term financial investments	(279)		(279)	2,962		2,962
- Tax	(2)		(2)	(200)		(200)
- Net of tax	(281)		(281)	2,762		2,762
Actuarial gains and losses on defined benefit obligations	(21,383)		(21,383)	(10,170)		(10,170)
- Tax	6,559		6,559	3,096		3,096
- Net of tax	(14,824)		(14,824)	(7,074)		(7,074)
Translation difference related to hedging and revaluation reserves	(1,486)		(1,486)	166		166
Translation difference and other related to other reserves and profit	171,661	3,493	175,154	19,376	853	20,229
Total income (expense) for the period recognized directly in equity, net of tax (B)	**153,702**	**3,493**	**157,195**	**6,831**	**853**	**7,684**
TOTAL RECOGNIZED INCOME AND EXPENSE (A) + (B)	**615,671**	**13,551**	**629,222**	**397,516**	**8,683**	**406,199**

(a) Adjusted to reflect the fact that acquisition-related costs are now expensed in accordance with the revised IFRS 3 (see Note 1).

20.3.1.2 **Consolidated balance sheet**

ASSETS

€ thousands	Note	December 31, 2010	December 31, 2009[(a)]
Goodwill	11	1,521,951	1,059,941
Other intangible assets	12	501,400	221,688
Property, plant and equipment	13	876,227	803,022
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, NET		**2,899,578**	**2,084,651**
Investments in associates	15	104,047	180,034
Other long-term financial investments	16	65,488	68,820
Deferred tax assets	8	93,205	57,229
Long-term receivables		7,849	10,570
Other non-current assets	20	1,214	854
Other non-current assets, net		**271,803**	**317,507**
TOTAL NON-CURRENT ASSETS, NET		**3,171,381**	**2,402,158**
Inventories	17	645,453	485,606
Prepayments to suppliers		12,865	12,373
Short-term receivables	18	915,868	746,266
Current income tax-assets		25,720	17,039
Other receivables		17,636	18,434
Derivative financial instruments	23	26,993	40,485
Prepaid expenses		26,068	20,765
Marketable securities	22		33,965
Cash and cash equivalents	19	371,055	385,548
Current assets		**2,041,658**	**1,760,481**
Non-current assets held for-sale		0	0
TOTAL ASSETS		**5,213,039**	**4,162,639**

(a) Adjusted to reflect the fact that acquisition-related costs are now expensed in accordance with the revised IFRS 3 (see Note 1).

EQUITY AND LIABILITIES

€ thousands	Note	December 31, 2010	December 31, 2009[(a)]
Share capital		38,098	38,792
Additional paid-in capital		224,697	415,321
Retained earnings		2,331,494	2,107,571
Treasury stock		(136,258)	(174,580)
OCEANE conversion option		0	6,854
Revaluation and other reserves		(40,872)	(21,653)
Translation difference		121,865	(50,238)
Profit attributable to equity holders of Essilor Int.		461,969	390,685
Equity attributable to Group equity holders		**3,000,993**	**2,712,752**
Minority interests		43,186	21,786
TOTAL EQUITY		**3,044,179**	**2,734,538**
Provisions for pensions and other post-employment benefit obligations	20	162,897	131,316
Long-term borrowings	22	285,558	282,222
Deferred tax liabilities	8	124,406	22,973
Other non-current liabilities	24	117,914	49,792
Non-current liabilities		**690,775**	**486,303**
Provisions	21	144,155	68,887
Short-term borrowings	22	402,832	82,929
Customer prepayments		12,506	2,866
Short-term payables	18	759,613	624,184
Taxes payable		38,331	46,507
Other current liabilities	24	97,939	96,890
Derivative financial instruments	23	12,644	10,897
Deferred income		10,065	8,638
Current liabilities		**1,478,085**	**941,798**
TOTAL EQUITY AND LIABILITIES		**5,213,039**	**4,162,639**

(a) Adjusted to reflect the fact that acquisition-related costs are now expensed in accordance with the revised IFRS 3 (see Note 1).

20.3.1.3 **Statement of changes in consolidated equity**

€ thousands	Share capital	Additional paid-in capital	Revaluation reserves	OCEANE purchase option	Retained earnings	Translation difference	Treasury stock	Profit attributable to Group equity holders	Equity attributable to Group equity holders	Minority interests	Total equity
EQUITY AT JANUARY 1, 2010	**38,792**	**415,321**	**(21,654)**	**6,854**	**2,107,572**	**(50,238)**	**(174,580)**	**390,685**	**2,712,752**	**21,786**	**2,734,538**
Capital increase:									-		
- FCP mutual fund	98	20,192							20,290		20,290
- Stock subscription options options	344	56,201							56,545		56,545
- OCEANE conversion bonds	1	98							99		99
- Capitalization of reserves									-		-
Cancellation of treasury stock	(1,137)	(267,115)		(13)	12		268,253		-		-
OCEANE exchange				(6,841)	6,841		71,398		71,398		71,398
Share-based payments					20,527				20,527		20,527
Purchases of treasury stock (net of sales)					(47,532)		(301,329)		(348,861)		(348,861)
Appropriation of profit					390,685			(390,685)	-		-
Effect of changes in scope of consolidation			(1,259)		(341)	643			(957)	9,893	8,936
Distributed dividends					(146,471)				(146,471)	(2,044)	(148,515)
TRANSACTIONS WITH SHAREHOLDERS	**(694)**	**(190,624)**	**(1,259)**	**(6,854)**	**223,721**	**643**	**38,322**	**(390,685)**	**(327,430)**	**7,849**	**(319,581)**
Total income (expense) recognized directly in equity			(16,473)						(16,473)		(16,473)
Profit for the period								461,969	461,969	10,058	472,027
Translation differences and other			(1,486)		201	171,460			170,175	3,493	173,668
TOTAL RECOGNIZED INCOME AND EXPENSE	**0**	**0**	**(17,959)**	**0**	**201**	**171,460**	**0**	**461,969**	**615,671**	**13,551**	**629,222**
EQUITY AT DECEMBER 31, 2010	**38,098**	**224,697**	**(40,872)**	**0**	**2,331,494**	**121,865**	**(136,258)**	**461,969**	**3,000,993**	**43,186**	**3,044,179**

€ thousands	Share capital	Additional paid-in capital	Revaluation reserves	OCEANE purchase option	Retained earnings	Translation difference	Treasury stock	Profit attributable to Group equity holders International	Equity attributable to Group equity holders	Minority interests	Total equity
EQUITY AT JANUARY 1, 2009	**37,984**	**311,765**	**(9,109)**	**22,206**	**1,829,870**	**(70,235)**	**(153,407)**	**382,356**	**2,351,430**	**14,544**	**2,365,974**
Capital increase:									-		
- FCP mutual fund	119	18,329							18,448		18,448
- Stock subscription options options	140	18,497							18,637		18,637
- OCEANE CONVERSION bonds	819	120,909		(15,352)	12,325				118,701		118,701
- Capitalization of reserves reserves									-		-
Cancellation of treasury stock	(270)	(54,179)					54,449		-		-
OCEANE exchange									-		-
Share-based payments					20,305				20,305		20,305
Purchases treasury stock (net of sales)					(474)		(75,622)		(76,096)		(76,096)
Appropriation of profit					382,356			(382,356)	-		-
Effect of changes in scope of consolidation									-	1,481	1,481
Distributed dividends					(136,189)				(136,189)	(2,922)	(139,111)
TRANSACTIONS WITH SHAREHOLDERS	**808**	**103,556**	**0**	**(15,352)**	**278,323**	**0**	**(21,173)**	**(382,356)**	**(36,194)**	**(1,441)**	**(37,635)**
Total income (expense) recognized directly in equity			(12,711)						(12,711)		(12,711)
Profit for the period								390,685	390,685	7,830	398,515
Translation difference and other			166		(621)	19,997			19,542	853	20,395
TOTAL RECOGNIZED INCOME AND EXPENSE	**0**	**0**	**(12,545)**	**0**	**(621)**	**19,997**	**0**	**390,685**	**397,516**	**8,683**	**406,199**
EQUITY AT DECEMBER 31, 2009	**38,792**	**415,321**	**(21,654)**	**6,854**	**2,107,572**	**(50,238)**	**(174,580)**	**390,685**	**2,712,752**	**21,786**	**2,734,538**

(a) Adjusted to reflect the fact that acquisition-related costs are now expensed in accordance with the revised IFRS 3 (see Note 1).

20.3.1.4 Consolidated cash flow statement

€ thousands	Note	December 31, 2010	December 31, 2009[(a)]
NET PROFIT	(i)	**472,027**	**398,515**
Share of profits of associates, net of dividends received		24,096	19,504
Depreciation, amortization and other non-cash items		179,712	143,400
Profit before non-cash items and share of profits of associates, net of dividends received		**675,835**	**561,419**
Provision charges (reversals)		67,327	19,724
(Gains) losses on asset disposals, net	(i)	(25,955)	1,303
Cash flow after income tax and finance costs, net		**717,207**	**582,446**
Finance costs, net		5,948	13,027
Income tax expense (current and deferred taxes)	(i)	167,404	166,573
Cash flow before income tax and finance costs, net		**890,559**	**762,046**
Income taxes paid		(210,711)	(172,226)
Interest (paid) and received, net		(3,546)	(8,773)
Change in working capital		(56,849)	(70,656)
NET CASH FROM OPERATING ACTIVITIES		**619,453**	**510,391**
Purchases of property, plant and equipment and intangible assets		(139,971)	(125,275)
Acquisitions of subsidiaries, net of the cash acquired		(531,455)	(128,634)
Purchases of available-for-sale financial assets		(7,726)	(24,263)
Other long-term financial investments		(5,341)	(3,124)
Proceeds from the sale of subsidiaries, net of the cash sold		132,523	
Proceeds from the sale of other non-current assets		15,791	8,889
NET CASH USED IN INVESTING ACTIVITIES		**(536,179)**	**(272,407)**
Proceeds from the issue of share-capital	(ii)	76,834	37,085
(Purchases) sales of treasury stock, net	(ii)	(348,861)	(76,096)
Dividends paid to:			
- Equity holders of Essilor International	(ii)	(146,471)	(136,189)
- Minority shareholders of subsidiaries	(ii)	(2,044)	(2,922)
Increase/(Decrease) in borrowings other than finance lease liabilities		276,108	(185,931)
Purchases of marketable securities[(b)]	19	33,965	(1,427)
Repayment of finance lease liabilities		(2,306)	(2,521)
Other movements		(987)	(536)
NET CASH USED IN FINANCING ACTIVITIES		**(113,762)**	**(368,537)**
NET (DECREASE) INCREASED IN CASH AND CASH EQUIVALENTS		**(30,488)**	**(130,553)**
Cash and cash equivalents at January 1	19	363,902	486,765
Effect of changes in exchange rates		12,474	7,690
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31		**345,888**	**363,902**
Cash and cash equivalents reported in the balance sheet	19	371,055	385,548
Bank credit facilities	22	(25,167)	(21,646)

(a) Adjusted to reflect the fact that acquisition-related costs are now expensed in accordance with the revised IFRS 3 (see Note 1).
(b) Units in money market funds not qualified as cash equivalents under IAS 7.
(i) See income statement.
(ii) See statement of changes in consolidated equity.

20.3.1.5 **Notes to the consolidated financial statements**

NOTE 1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

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

The consolidated financial statements are approved by the Board of Directors for presentation to the Shareholders' Meeting for approval.

The 2010 consolidated financial statements were approved by the Board of Directors on March 2, 2011.

The financial statements are prepared on a going concern basis.

The Group's functional and presentation currency is the euro. All amounts are presented in thousands of euros, unless otherwise specified.

1.2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with European Council regulation 1606/2002/EC of July 19, 2002, effective from January 1, 2005 the Essilor Group has adopted as its primary basis of accounting the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and related interpretations adopted by the European Union and applicable at December 31, 2010. These standards and interpretations are available for consultation on the European Commission's website1.

1.3 CHANGE IN ACCOUNTING METHODS AND PRESENTATION

Adoption of new mandatory IFRS

Effective January 1, 2010, the Group has applied IFRS3R and IAS27R for all acquisitions carried out after January 1, 2010. (The standards are described under accounting policies/Goodwill, Section 1.21.)

The standards are applicable on a prospective basis and therefore have no impact on acquisitions relating to prior periods.

Any changes concerning subsidiaries acquired prior to January 1, 2010 (particularly in relation to the exercise of minority put options) are accounted for in accordance with the previous version of IFRS 3.

Acquisition-related costs must be recognized as expenses in accordance with the revised IFRS 3 and no longer as a component of the combination cost.

Costs related to major strategic acquisitions (i.e., that represent highly significant amounts or correspond to a new area of business) are included in operating profit, under "Other expenses from operations." Costs related to non-strategic acquisitions are included in "Other operating expenses" as part of "Contribution from operations."

As a result, costs attributable to acquisitions that were not completed at December 31, 2009 were capitalized in the consolidated financial statements at December 31, 2009. The consolidated financial statements for 2009 and 2010 have been restated to reflect the fact that these costs are now expensed (rather than classified as long-term financial investments as was previously the case), with the ensuing deferred tax impact taken into account.

The impacts of the change in method are presented in the table below.

(€ thousands)	**2009**
Non-strategic acquisition costs	1,406
Strategic acquisition costs	3,541
Deferred taxes	(1,596)
Total impact on profit attributable to Group equity holders	3,351

Change in balance sheet presentation

Liabilities related to put options granted to minority shareholders beyond one year are now presented in "Other non-current liabilities."

Liabilities related to put options granted to minority shareholders beyond one year were previously presented under "Other liabilities" and totaled €47.4 million at December 31, 2009.

The balance sheet at December 31, 2009 has been adjusted to reflect this change in presentation.

Liabilities related to put options granted to minority shareholders within one year are still recorded under "Other liabilities" which was renamed "Other current liabilities".

Change in income statement presentation

Interest on liabilities related to put options granted to minority shareholders, representing €2,645 thousand for 2009, is now presented under other financial income and expenses, rather than finance costs, which only includes costs related to borrowings.

The income from a cross currency swap, representing €7,196 thousand for 2009 and intended to cover financing costs, is now allocated to finance costs rather than income from cash.

Gains and losses are offset to increase the readability of foreign exchange income. Details are appended.

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

€ *thousands*	2009 before change in presentation	Change in presentation	2010 after change in presentation
Finance costs	(31,498)	9,841	(21,657)
Income from cash and cash equivalents	18,739	(7,464)	11,275
Exchange gains, net	0	(1,714)	(1,714)
Other financial income and expenses	1,605	(663)	942

1.4 IFRS, AMENDMENTS TO IFRS AND INTERPRETATIONS APPLICABLE FROM JANUARY 1, 2010

- IFRS 3 (revised) – Business combinations;
- IFRS 1 (revised) – Restructured IFRS 1;
- Amendments to IFRS 2 – Group Cash-Settled Share-Based Payment Transactions;
- Amendments to IFRS 5 – Sales of subsidiaries incur loss of control;
- Revised IAS 27 – revised Consolidated and Separate Financial Statements;
- Amendment to IAS 39 – Eligible Hedged Items;
- IFRIC 12 – Service Concession Arrangements;
- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 – Distribution of Non-Cash Assets to Owners (non-cash dividends);
- IFRIC 18 – Transfers of Assets from Customers.

These texts have no material impact on the Group's consolidated financial statements with the exception of the IFRS 3 (revised) and IAS 27 (revised) (see Note 1.3.1).

1.5 IFRS, AMENDMENTS TO IFRS AND INTERPRETATIONS APPLICABLE IN FUTURE PERIODS

The Group has decided not to early-adopt the following standards, amendments or interpretations, applicable from January 1, 2011 or later:

- Amendment to IAS 32 – Classification of Rights Issues
- IAS 24 (revised) – Related Party Disclosures;
- Amendment to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures;
- Amendment to IFRS 7 – Disclosures Related to Transfers of Financial Assets;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement;
- IFRS 9 – Financial Instruments Part 1: Classification and Measurement.

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

1.6 USE OF ESTIMATES

The preparation of financial statements involves the 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. These estimates and assumptions, which were determined based on the information available when the financial statements were drawn up, mainly concern provisions for returned goods and trade receivables, product life cycles, pension and other post-employment benefit obligations, restructuring provisions, provisions for tax and environmental liabilities, claims and litigation, the measurement of goodwill, the measurement of purchased intangible assets and their estimated useful life, put options granted to minority shareholders, the fair value of derivative financial instruments, deferred tax assets and share-based payments. The final amounts may be different from these estimates. The estimates used by the Group are described in the corresponding notes to these consolidated financial statements.

1.7 BASIS OF CONSOLIDATION

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

Jointly-controlled companies are consolidated by the proportionate method.

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

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

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

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

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

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

If the Group does not take up its share of a capital increase by a subsidiary, leading to a dilution of its percent interest, the operation is treated as a sale and the change in the share of the subsidiary's equity is recorded in equity in accordance with the revised IAS 27 if there has been no loss of control, and in profit if there has been a loss of control.

All intragroup profits and transactions are eliminated in consolidation.

1.8 OPERATING SEGMENTS

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, making decisions and analyzing operational performance.

The information provided to management for internal management purposes is prepared in accordance with the IFRS used by the Group in its consolidated financial statements.

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

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

The business is managed by region. The regions are as follows:

- Europe;
- North America;
- Rest of World.

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

Since its acquisition of FGX on March 12, 2010, Essilor has had a new operating segment called Readers, comprising the production, distribution and sale of non-prescription reading glasses. The end customers for this segment are retailers that sell non-prescription reading glasses to consumers.

Indicators per operating segment are presented in Note 3 – Information per operating segment appended to these financial statements.

The subsidiaries of the Nikon Essilor and Chemiglass subgroups are presented in the Lenses – Rest of World segment rather than in the geographical segment corresponding to their location. Equipment subsidiaries are presented in the Equipment segment rather than in the appropriate geographical segment. The Puerto Rican plant, which is a branch of Essilor International, has been moved from the Lenses – Europe segment to the Lenses – North America segment.

1.9 CONSOLIDATED CASH FLOW STATEMENT

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

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

Working capital comprises inventories, receivables and payables, current tax assets, taxes payable, other receivables and payables, deferred income and prepaid expenses. Changes in working capital are stated before the effect of changes in scope of consolidation and exchange rates.

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

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

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

Cash and cash equivalents in the cash flow statement correspond to cash and marketable securities qualifying as cash equivalents less short-term bank loans and overdrafts:

- Marketable securities, consisting mainly of units in money market funds, make up the bulk of the Group's cash investments and are qualified as cash equivalents when the fund's management objectives fulfill the criteria specified in IAS 7;
- Marketable securities that do not fulfill these criteria are not classified as cash equivalents. Purchases and sales of these securities are treated as cash flows from financing activities.

1.10 FOREIGN CURRENCY TRANSLATION

The financial statements of foreign subsidiaries are drawn up in the subsidiary's functional currency, defined as the currency of the primary economic environment in which the subsidiary operates.

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

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

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

1.11 REVENUE

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

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

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

1.12 COST OF SALES

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

1.13 CONTRIBUTION FROM OPERATIONS AND OPERATING PROFIT

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

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

1.14 SHARE-BASED PAYMENTS

Stock subscription and purchase options and performance-based bonus share grants

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

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

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

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

For the November 2010 performance share plan, a lock-up discount was applied to the portion of shares that will be granted after the plan's performance conditions have been fulfilled. This portion will be unavailable to grantees for an estimated five years.

The model parameters, as determined at the grant date, are as follows:

- share price volatility is determined by reference to historical volatilities;
- the risk-free interest rate corresponds to the government bond rate;
- the impact of dividends is taken into account in the model by applying a yield assumption determined by reference to the dividend paid in the previous year;
- the options' expected life is determined based on the vesting period and the exercise period;
- in line with CNC guidelines dated December 21, 2004, the lock-up discount applied to the November 2010 performance share plan was determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan.

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

Employee share issues

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

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

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

1.15 FINANCIAL INCOME

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

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

Cost of gross debt consist of interest on financing, realized gains or accrued interest on interest rate derivatives, and non-use fees on lines of credit.

Income from cash and cash equivalents include 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 "Other financial income and expenses."

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

1.17 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS

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

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

- Cash flow hedges: the effective portion of the gain or loss from re-measurement at fair value is recognized directly in equity under "Hedging reserves" and is reclassified to the income statement when the hedged transaction affects profit, as an adjustment to the income or expense on that transaction. The ineffective portion of the gain or loss is recognized in "Other financial income and expenses."
- Hedge of the net investment in a foreign operation: the effective portion of the gain or loss from remeasurement at fair value is recognized directly in equity under "Hedging reserves" and transferred to the "Translation difference" when the hedging instrument expires. The amount transferred to the "Translation difference" is reclassified to profit when the investment in the foreign operation is sold or the entity is wound up. The ineffective portion of the gain or loss is recognized in "Other financial income and expenses."
- Fair value hedges: the gain or loss from remeasurement at fair value is recognized in profit on a symmetrical basis with the gain or loss from remeasurement at fair value of the hedged asset or liability.
- Financial instruments that do not form part of a hedging relationship: certain derivative instruments that in substance form part of a hedging relationship do not qualify for hedge accounting under IAS 39. Gains and losses from remeasurement at fair value of these derivative instruments are recognized directly in profit, under "Other financial income and expenses."

In accordance with IFRS 7, financial instruments at fair value are classified according to the following hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs for the asset or liability that are not based on observable market data.

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

				Fair value measurement methods			
					Market data		
Type of instrument	**Method for balance sheet recognition**	**Fair value hierarchy level under IFRS 7**	**Note**	**Measurement model**	**Exchange rate**	**Interest Rate**	**Volatility**
Available for sale financial asset (active market)	Fair value	1	16	Stock market price		N/A	
Long-term loan or advance	Amortized cost	N/A	16		N/A		
Forward exchange contract	Fair value	2	23	Discounted cash flows	ECB rate	< 1 year: Money Market > 1 year: Zero Coupon	N/A
Currency option	Fair value	2	23	Black and Scholes	ECB rate	< 1 year: Money Market > 1 year: Zero Coupon	At the money
Interest rate swap	Fair value	2	23	Discounted cash flows	N/A	< 1 year: Money Market > 1 year: Zero Coupon	N/A
Cross-currency swap	Fair value	2	23	Discounted cash flows	ECB rate	< 1 year: Money Market > 1 year: Zero Coupon	N/A
Money market fund unit	Fair value	1	22	Market price (net asset value)		N/A	
Debt	Amortized cost	N/A	22		N/A		

1.18 INCOME TAX EXPENSE

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

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

Adjustments to deferred taxes resulting from changes in tax rates are recognized in profit; 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.

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, actuarial gains and losses on defined benefit plan obligations and the value of convertible bond conversion options.

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

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

The Group is subject to income tax in many jurisdictions with different tax rules and the determination of global income tax expense is based to a significant extent on estimates and assumptions that reflect the information available when the financial statements are drawn up.

1.19 EARNINGS PER SHARE

Basic earnings per share

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

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

Diluted earnings per share

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

- Stock subscription and purchase options: The dilution arising from stock subscription and purchase options is calculated based on the weighted average number of shares plus the number of shares that would be issued or sold if the options were issued at market price instead of at the adjusted exercise price. The adjusted exercise price corresponds to the exercise price as adjusted for the cost to be recognized in future periods for options that have not yet vested at the period-end.
- Convertible or exchangeable bonds: for convertible bonds, the profit used for the calculation is adjusted for the net-of-tax finance cost recognized during the period in respect of the convertible bonds and the weighted average number of shares is adjusted to include the shares to be issued or allocated on conversion (or exchange) of the bonds.
- Performance-base allotment of bonus shares: the number of shares used for the calculation is determined based on the number of shares that would have been granted if the performance criterion had been applied at the balance sheet date.

1.20 RESEARCH AND DEVELOPMENT COSTS

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

Research and development costs recognized in operating expense include the operating costs of the Group’s research centers and engineering costs for the development of new production processes. They are stated net of research tax credits.

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 adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the Group’s ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

1.21 GOODWILL

Recognition of acquisitions made after January 1, 2010

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

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

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

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

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

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

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

Subsequent changes in the liability's fair value are recognized in exchange for equity.

Recognition of acquisitions made before January 1, 2010

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

Goodwill is the excess of:

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

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

When the initial accounting for a business combination is determined provisionally, due to the unavailability of independent valuations or because additional analyses are required, any adjustments to those provisional values made within twelve months of the acquisition date are recorded as a retrospective adjustment to goodwill. Any adjustments made more than twelve months after the acquisition date will be recognized directly in profit, unless they correspond to corrections of errors.

Goodwill arising on acquisition of associates is included in the carrying amount of the investment. When put options have been granted to minority shareholders of subsidiaries, their interest in the equity of the subsidiaries concerned is reclassified from "Minority interests" to "Other non-current liabilities" or "Other current liabilities" in the consolidated balance sheet.

The amount recognized in liabilities is measured at the present value of the option exercise price. Subsequent discounting adjustments to reflect the passage of time are recorded in the income statement under "Financial income and expense, net."

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

Impairment of goodwill

Goodwill subject to impairment tests is grouped into cash-generating units (CGUs) that correspond to the analytical focus of senior management. The Group has defined 13 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 a pretax discount rate.

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

Future cash flows are estimated as follows:

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

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

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

1.22 OTHER INTANGIBLE ASSETS

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

Other intangible assets are recognized at cost or fair value at the date of the business combination, net of accumulated amortization and impairment losses. They are amortized on a straight-line basis over the assets' useful lives, as follows:

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

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

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

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

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

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

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

1.23 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Depreciation

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

The main useful lives are as follows:

Buildings	20 to 33 years
Fixtures and fittings	7 to 10 years
Machinery, equipment and tooling	3 to 10 years
Other	3 to 10 years

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

Useful lives and residual values are reviewed at each period-end, and any adjustments are accounted for prospectively as a change in accounting estimates.

When 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 CGU to which it belongs is calculated. If the recoverable amount is less than the CGU's carrying amount, a provision for impairment is recorded. A review is carried out at each period-end to determine whether any such indications exist.

1.24 OTHER LONG-TERM FINANCIAL INVESTMENTS

Available-for-sale financial assets

In accordance with IAS 39, investments in non-consolidated companies and other long-term financial investments qualifying as "available-for-sale financial assets" under IAS 39 are measured at fair value, with changes in fair value recognized directly in equity. The unrealized gains and losses recognized directly in equity are reclassified to profit when the asset is sold or when there is objective evidence of an other-than-temporary impairment in the asset's value and the amount of the impairment is material.

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

Other assets measured using the cost model.

Loans and receivables are measured at amortized cost.

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

1.25 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets that the Group intends to sell are classified as "held-for-sale" and measured at the lower of their carrying amount and their fair value less costs to sell. Assets classified as held-for-sale are not depreciated or amortized.

1.26 INVENTORIES

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

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

1.27 TRADE RECEIVABLES

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

Provisions are recorded to cover any collection risk.

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

In accordance with IAS 39, marketable securities are measured at fair value, with changes in fair value recognized in profit under "Other financial income and expenses."

1.29 EQUITY

Additional paid-in capital

Additional paid-in capital corresponds to the excess of the issue price of shares over their par value.

Treasury stock

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

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

Hedging and revaluation reserves

Hedging and revaluation reserves comprise:

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

Dividends

Dividends are deducted from equity when they are approved by shareholders.

Negative equity

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

Minority interests

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

When minority shareholders of consolidated companies acquired before or after January 1, 2010 have been granted put options, their amount is valued at the fair value of the put option. That amount is reclassified in the consolidated balance sheet from "Minority interests" to "Other non-current liabilities" 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 over the life of the debt by the effective interest method.

In accordance with IAS 32, the conversion option embedded in convertible bonds is separated from the host contract and recognized in equity, net of deferred taxes. The conversion option is initially recognized at an amount corresponding to the difference between the convertible bond issue proceeds net of directly attributable transaction costs and the present value of vanilla bonds with the same characteristics.

Any difference between the carrying amount of convertible bonds, excluding the conversion option, and the redemption price is recognized in profit over the life of the debt using the effective interest method.

The purchase cost of any OCEANE bonds bought back by the Company is allocated between the debt instrument and the equity instrument based on market interest rates at the buyback date for bonds with a maturity corresponding to the remaining life of the OCEANE bonds, using the same method as that applied at the issue date.

- The difference between the carrying amount of the debt at the buyback date (amortized cost) and the portion of the purchase price corresponding to the debt instrument is recognized in profit.
- The portion of the purchase price corresponding to the equity instrument is recognized directly in equity, net of deferred taxes.

1.31 PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

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

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

- The projected benefit obligation, corresponding to the vested rights of active and retired employees, is determined by the projected unit credit method, based on estimated final salaries. The actuarial assumptions used differ depending on the country (discount rate, inflation rate) and the company (staff turnover rates, rate of future salary increases);
- The discount rate corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation. Discounting adjustments are recognized in operating expense;
- In cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets;
- Actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in equity, under "Hedging and revaluation reserves";

- When 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 ("past service cost") is recognized in profit on a straight-line basis over the expected average remaining service lives of the plan participants. When rights under the new or modified plan vest immediately, the resulting change in the company's obligation is recognized in profit immediately;
- Provisions recorded in the balance sheet correspond to the projected benefit obligation less the fair value of any plan assets and unrecognized past service cost.

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 remote.

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

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

No provision is recognized for future operating losses.

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

1.33 OTHER NON-CURRENT AND CURRENT LIABILITIES

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

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

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

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

Contingent consideration must be recognized at its acquisition-date fair value as part of the consideration transferred in exchange for the acquiree, whether or not its payment is considered probable. For companies acquired before January 1, 2010, future changes in the additional price are recognized in goodwill. Following the application of the revised IFRS 3, future changes in the additional price are recorded in equity 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	**2010**	**2009**	**2010**	**2009**
Canadian dollar	1.33	1.51	1.37	1.58
Pound sterling	0.86	0.89	0.86	0.89
Yen	108.65	133.16	115.26	130.63
Swiss franc	1.25	1.48	1.37	1.51
U.S. dollar	1.34	1.44	1.32	1.40

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 €3 million, or
- tangible assets in excess of €9 million.

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

Newly-consolidated companies

The following companies were consolidated for the first time in 2010:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Vision & Value[(a)]	South Africa	January 1, 2010	Full	51.00	100.00
Eyebiz	Australia	February 1, 2010	Full	70.00	100.00
Prescription Safety Glasses Pty Ltd[(a)]	Australia	January 1, 2010	Full	51.00	100.00
Sunix Computer Consultants Pty Ltd[(a)]	Australia	January 1, 2010	Full	50.00	100.00
Ceditop	Brazil	April 1, 2010	Full	76.00	100.00
Embrapol Sul	Brazil	October 1, 2010	Full	73.00	100.00
Farol	Brazil	December 1, 2010	Full	70.00	100.00
GBO[(a)]	Brazil	January 1, 2010	Full	51.00	100.00
Tecnolens	Brazil	November 1, 2010	Full	70.00	100.00
Cascade	Canada	April 1, 2010	Full	60.00	100.00
Econo Optics	Canada	June 1, 2010	Full	60.00	100.00
Danyang	China	January 15, 2010	Full	80.00	100.00
Essilor China Holding Co Ltd	China	September 17, 2010	Full	100.00	100.00
Wanxin	China	November 9, 2010	Full	50.00	100.00
Ghanada Optical Co, LLC	United Arab Emirates	January 1, 2010	Full	40.00	100.00
Custom Optical	United States	April 1, 2010	Full	100.00	100.00
DAC Vision INC	United States	April 1, 2010	Full	60.00	100.00
Encore Optics LLC[(a)]	United States	March 1, 2010	Proportionate	40.00	50.00
Epics Labs Inc	United States	June 1, 2010	Full	80.00	100.00
Groupe FGX	United States	March 12, 2010	Full	100.00	100.00
Gulfstates Optical Laboratories Inc	United States	August 2, 2010	Full	80.00	100.00
Hawkins Optical Laboratories Inc	United States	April 1, 2010	Full	100.00	100.00
Nikon Optical US[(a)]	United States	January 1, 2010	Proportionate	50.00	50.00
Optical Dimension	United States	January 1, 2010	Full	80.00	100.00
Optical Venture Inc,	United States	September 1, 2010	Full	80.00	100.00
NEA Optical LLC	United States	December 1, 2010	Full	80.00	100.00
Pasch Optical Laboratories Inc,	United States	August 1, 2010	Proportionate	40.00	50.00
Reliable Optics	United States	September 1, 2010	Full	100.00	100.00
Groupe Signet Armorlite	United States	April 1, 2010	Full	100.00	100.00
Ultimate Optical Lab	United States	January 1, 2010	Full	100.00	100.00
Winchester Optical Company	United States	November 1, 2010	Full	80.00	100.00
DAC Vision SAS	France	April 1, 2010	Full	60.00	100.00
Domlens	France	October 1, 2010	Full	65.00	100.00
Essor	France	October 1, 2010	Full	65.00	100.00
Mont-Royal[(a)]	France	January 1, 2010	Full	64.00	100.00
GKB Optic Tech Private Ltd	India	September 1, 2010	Full	51.00	100.00
ILT To Latin America Pte Ltd	Singapore	September 1, 2010	Full	51.00	100.00
OSA Investments Holding Pte Ltd	Singapore	February 1, 2010	Full	100.00	100.00
Signet Armolite Asia (ex Visitech)	Singapore	June 1, 210	Full	100.00	100.00
SMJ Holding Pte Ltd	Singapore	April 21, 2010	Full	70.00	100.00
SMJ Holding Pte Ltd Taiwan Branch	Taiwan	April 1, 2010	Full	70.00	100.00
Eyebiz Laboratory Co Ltd	Thailand	November 1, 2010	Full	70.00	100.00

(a) Companies acquired or set up in prior years, consolidated for the first time in 2010.

The 2010 income statement also includes the contribution over the full year of the following companies that were consolidated for the first time in 2009:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
De Ceunynck	Belgium	July 1, 2009	Full	100.00	100.00
Technopark	Brazil	April 30, 2009	Full	51.00	100.00
Amico	United Arab Emirates	August 1, 2009	Full	50.00	100.00
Essilor Middle East	United Arab Emirates	August 1, 2009	Full	100.00	100.00
FZ Co	United Arab Emirates	August 1, 2009	Full	50.00	100.00
Abba Optical, Inc	United States	May 1, 2009	Business acquisition		
Barnett & Ramel Co. Of Nebr	United States	June 1, 2009	Full	80.00	100.00
Mc Leodd Optical Company Inc	United States	June 1, 2009	Full	80.00	100.00
Apex Optical	United States	July 1, 2009	Full	100.00	100.00
Optisource	United States	July 1, 2009	Full	80.00	100.00
Vision Pointe	United States	July 1, 2009	Full	80.00	100.00
Orion Progressive Lab	United States	September 1, 2009	Business acquisition		
Truckee Meadows	United States	October 1, 2009	Full	80.00	100.00
Frames For America	United States	November 2, 2009	Full	70.00	100.00
AG Opticals Inc	United States	December 1, 2009	Full	100.00	100.00
Wholesale Lens Corporation Ltd	United Kingdom	August 3, 2009	Full	70.00	100.00
Horizon Optical Company Ltd	United Kingdom	November 1, 2009	Full	95.00	100.00
NERC	Japan	February 5, 2009	Proportionate	50.00	50.00
JZO	Poland	March 25, 2009	Full	51.00	100.00

Other movements

Plactic Plus and ILT Singapore were absorbed by Kaleido Vision Ptd (formerly Unique Ophthalmic) Ltd on March 18, 2010.

ATR Mec Optical was absorbed by Oftalmica Galileo on April 1, 2010.

Dependable Optics Inc was absorbed by 21st Century Optics on July 1, 2010.

In addition, Essilor increased its ownership interest in the following companies:

- O'Max Instruments BV, to 75% from 51% on April 29, 2010;
- Lenscom, to 100% from 51% on January 1, 2010;
- ILT Malaysia, to 80.5% from 40.8% on January 1, 2010;
- Integrated Lens Technology Pte Ltd, to 100% from 51% on January 1, 2010;
- Westlab Optical Ltd, to 100% from 85% on April 30, 2010;
- JZO, to 98.25% from 51.17% on November 26, 2010;
- Sentralslip, to 100% from 98% on September 10, 2010;
- Omega Opticx SRO Czech Republic and Omega Opticx SRO Slovakia, to 100% from 80% on December 27, 2010.

Disposals for the fiscal year

On August 9, 2010, Essilor sold its long-standing 15% interest in the Sperian Protection group to the Honeywell group.

The carrying amount of this interest represented around €105 million, while the net realizable value of the shares concerned amounted to nearly €132 million.

The Essilor Group's share of Sperian Protection's profits up until August 9, 2010 was recorded under "Share of profit of associates" in the 2010 consolidated income statement. The profit on the sale of around €27 million was recorded on the line "Gains and losses on asset disposals" in the 2010 consolidated income statement.

2.3 IMPACT OF CHANGES IN EXCHANGE RATES AND SCOPE OF CONSOLIDATION

Impact of changes in exchange rates and scope of consolidation on the consolidated balance sheet

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

€ thousands	FGX	SIGNET	Others acquisitions	Newly-consolidated companies 2010
Intangible assets	240,222	16,009	27,842	284,073
Property, plant and equipment	16,302	19,056	24,885	60,242
Investments in associates			171	171
Non-current financial assets	5,466		52,591	58,056
Other non-current assets	2,546	4,453	997	7,997
Current assets	45,678	35,561	58,818	140,057
Cash and cash equivalents	14,443	3,884	12,310	30,637
Total assets acquired at fair value	**324,658**	**78,963**	**177,614**	**581,233**
Minority interests in equity	4,083	242	5,420	9,745
Long-term borrowings	85,297	7,496	5,563	98,356
Other non-current liabilities	79,472	8,661	9,097	97,230
Short-term borrowings	1,189	3,423	1,692	6,304
Other current liabilities	39,958	18,107	46,045	104,109
Total liabilities assumed at fair value	**209,999**	**37,929**	**67,817**	**315,744**
NET ASSETS ACQUIRED	**114,659**	**41,034**	**109,797**	**265,489**
Acquisition cost				610,718
Fair value of net assets acquired				265,489
Liabilities arising from put options granted to minority shareholders				(63,715)
Post-acquisition retained earnings				0
Recognized goodwill				**408,944**

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

Impact of changes in scope of consolidation and exchange rates on the consolidated income statement

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

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

Impact of changes in scope of consolidation:

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

For fiscal 2010, the impact of the organic scope of consolidation includes the consolidated capital gain from the sale of Sperian Protection, consolidated using the equity method until August 9, 2010.

Impact of changes in exchange rates:

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

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

The overall effect of changes in scope of consolidation and exchange rates on 2010 revenue, contribution from operations and operating profit was as follows:

			Impact of changes in consolidation scope		
In %	**Reported growth**	Impact of changes in exchange rates	o/w organic acquisitions	o/w strategic acquisitions	**Like-for-like growth**
Revenue	**19.1**	5.7	3.1	7.3	**3.0**
Contribution from operations	**18.9**	7.1	0.1	7.1	**4.6**
Operating profit	**12.4**	7.4	4.7	7.0	**(6.7)**

Strategic acquisitions consist of FGX, acquired on March 12, 2010, and Signet, acquired on April 1, 2010.

The disposal of Essilor's interest in Sperian Protection is presented under "Organic scope" and accounts for most of the 4.7% impact on operating income.

Like-for-like growth in operating income was negative due to the substantial provisions reported in respect of the dispute with Germany's competition authorities, the "Bundeskarellamt" in Germany (see Note 28, "Litigation") and restructuring costs (see Note 5.1, "Restructuring costs and other income and expenses from operations").

If the companies included in the scope of consolidation during the year had been consolidated from January 1, 2010, consolidated revenue and profit attributable to Group equity holders would have represented the following amounts:

€ thousands	**2010 pro-forma**
Revenue	4,032
Profit attributable to Group equity holders	471

NOTE 3. INFORMATION BY OPERATING SEGMENT

€ millions	**Lenses Europe**	**Lenses North America**	**Lenses Rest of World**	**Equipe-ment**	**Readers**	**Eliminations**	**GROUP TOTAL**
2010							
External revenue	1,402	1,516	644	143	187		**3,892**
Intra-segment revenue	83	62	228	29		(402)	**0**
TOTAL REVENUE	**1,485**	**1,578**	**872**	**172**	**187**	**(402)**	**3,892**
Operating profit	154	208	197	17	43		**618**
Depreciation, amortization and other non-cash items	(22)	0	0	0	0		**(22)**
Interest income	2	2	5	0	0		**9**
Interest expense	1	(13)	(4)	(0)	(0)		**(15)**
Income tax expense	(48)	(57)	(41)	(5)	(17)		**(167)**
Share of profit of associates	12	13	7	0	0		**32**
Depreciation and amortization of intangible and tangible assets	(63)	(71)	(44)	(8)	(9)		**(195)**
Purchases of property, plant and equipment and intangible assets	44	32	54	4	6		**140**
Non-current assets	615	951	515	333	487		**2,900**
Total assets	1,575	1,421	1,218	432	568		**5,213**
Provisions	231	36	14	19	8		**307**
Borrowings and payables	903	505	285	51	118		**1,862**

€ millions	Lenses Europe	Lenses North America	Lenses Rest of World	Equip-ment	Readers	Eliminations	GROUP TOTAL
2009[(a)]							
External revenue	1,332	1,353	480	103			**3,268**
Intra-segment revenue	81	51	169	31		(332)	**-**
TOTAL REVENUE	**1,413**	**1,404**	**649**	**134**		**(332)**	**3,268**
Operating profit	146	253	147	4			**550**
Depreciation, amortization and other non-cash items	(22)						**(22)**
Interest income	14	2	3	0			**19**
Interest expense	(18)	(13)	(1)	0			**(32)**
Income tax expense	(57)	(77)	(31)	(2)			**(167)**
Share of profit of associates	9	11	6				**26**
Depreciation and amortization of intangible and tangible assets	(63)	(54)	(37)	(7)			**(161)**
Purchases of property, plant and equipment and intangible assets	44	39	42	3			**128**
Non-current assets	608	848	314	315			**2,085**
Total assets	1,667	1,276	839	381			**4,163**
Provisions	148	26	9	17			**200**
Borrowings and payables	547	495	161	26			**1,228**

(a) Accounts adjusted following the expensing of stock acquisition costs in accordance with the revised IFRS 3 (see Note 1).

The Group's top 20 customers accounted for 22.1% of revenue in 2010, 22.3% in 2009.

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

NOTE 4. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

Employee benefits expense totaled €1,202 million in 2010 compared to €1,070 million in 2009 (see Note 29, "Employees and personnel expenses").

Depreciation, amortization and provision expense amounted to €184 million in 2010 compared to €161 million in 2009.

NOTE 5. OTHER INCOME (EXPENSES), NET

5.1 RESTRUCTURING COSTS AND OTHER INCOME AND EXPENSES FROM OPERATIONS

Restructuring costs for 2010, in the amount of €37.9 million, concerned rationalization costs for plants and research and development in the United States, and plants in Europe, and were accounted for either as charges to provisions for contingencies or as impairment losses.

Net restructuring costs for 2009, in the amount of €11.4 million, mainly related to plant rationalization costs in the United States and Europe.

In 2010, other income and operating expenses, representing a net expense of €52.7 million, included an additional contingency provision of €41.5 million relating to the dispute with the German competition authorities, Bundeskartellamt (see Note 28, "Litigation"), and the costs of strategic acquisitions for €6.5 million. Other charges concerned provisions or charges related to litigation.

In 2009, other income and operating expenses, representing a net expense of €8.2 million, included strategic acquisition costs amounting to €3.5 million and an additional provision for contingencies of €3.9 million relating to the dispute with the Bundeskartellamt in Germany. Other charges concerned provisions or charges related to litigation.

In 2010, the income from assets disposals was mainly related to the sale of Essilor's long-standing interest in the Sperian Protection group, a sale that generated a consolidated capital gain of €27.1 million. Without this disposal, the income from assets disposals would have represented a loss of about €1 million, similar to that of 2009.

5.2 SHARE-BASED PAYMENTS

Compensation costs on share-based payments are measured by the method described in Note 1.14. They break down as follows:

€ thousands	2010	2009
Stock subscription and purchase options[(a)]	8,002	8,649
Performance shares[(a)]	12,082	11,856
Employee share issues	1,633	1,360
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**21,717**	**21,865**

(a) Including the 10% employer contribution.

Stock subscription and purchase options

The exercise price of stock subscription or purchase options corresponds to the average of the prices quoted for Essilor International shares 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 share price on the option exercise date and the exercise price) are capped at 100% of the exercise price.

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

The November 2008, November 2009 and November 2010 stock subscription options are subject to vesting conditions based on the share performance over a period of 2 to 6 years, as well as to the 100% cap on gains.

The main assumptions used to measure compensation costs on stock options granted in 2010 are as follows:

- Share price volatility: 20% (options granted in 2009: 24%).
- Risk-free interest rate: 2.2% (options granted in 2009: 2.47%).
- Dividend yield: 1.91% (options granted in 2009: 1.68%).

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

	Number of options	Weighted average exercise price *(in €)*
STOCK SUBSCRIPTION AND PURCHASE OPTIONS AT JANUARY 1, 2010	**8,978,079**	**34.17**
Options exercised	(1,965,881)	29.18
Options cancelled and forfeited	(163,318)	38.30
Options granted	634,760	48.01
STOCK SUBSCRIPTION AND PURCHASE OPTIONS AT DECEMBER 31, 2010	**7,483,640**	**36.56**
Stock subscription and purchase options at January 1, 2009	**8,342,762**	**32.24**
Options exercised	(831,438)	23.40
Options cancelled and forfeited	(112,365)	37.84
Options granted	1,579,120	38.96
Stock subscription and purchase options at December 31, 2009	**8,978,079**	**34.17**

The average remaining life of outstanding options at December 31, 2010 was 3.9 years (2009: 4.2 years). The weighted average price of the Essilor share in 2010 was €47 (2009: €34).

Performance shares

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

The number of shares vested at the end of a period of 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 maximum number of performance shares that would vest assuming that the vesting conditions were met is as follows:

- 2009 grants: 590,653 shares.
- 2010 grants: 967,813 shares.

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

	Quantity
PERFORMANCE SHARES AT JANUARY 1, 2010	**2,350,123**
Performance shares vested	(1,084,992)
Performance shares cancelled	(674,478)
Performance shares granted	967,813
PERFORMANCE SHARES AT DECEMBER 31, 2010	**1,558,466**
Performance shares at January 1, 2009	**1,763,260**
Performance shares vested	(2,326)
Performance shares cancelled	(12,567)
Performance shares granted	601,756
Performance shares at December 31, 2009	**2,350,123**

Plans dated November 2006, January and November 2007, and January and November 2008 were granted during 2010 after performance conditions were met.

The main assumptions used to measure compensation costs on performance shares granted in 2010 are as follows:

- share price volatility: 20% (2009 grants: 24%);
- risk-free interest rate: 2.2% (2009 grants: 2.47%);
- dividend yield: 1.91% (2009 grants: 1.68%).

Employee share issues

The main parameters used to measure the cost of employee share issues recognized in 2010 are as follows:

Plan date	December 2010	June 2010
Share subscription price *(in €)*	38.41	36.88
Total discount *(in €)*	9.43	9.22
Number of shares subscribed	202,285	339,482
Discount on the share cash price on grant date represented by the lock-up clause	16.5%	19.0%
Share cash price on grant date *(in €)*	49.35	49.43
Risk-free interest rate on the grant date	2.2%	1.9%
Refinancing cost	6.1%	6.5%
Cost recognized in the income statement (€ thousands)	566	1,067

NOTE 6. FOREIGN EXCHANGE INCOME

€ thousands	2010	2009
Foreign exchange gains	56,344	40,613
Foreign exchange losses	(60,416)	(27,503)
Fair value of exchange rate instruments	279	(14,825)
FOREIGN EXCHANGE INCOME	**(3,793)**	**(1,714)**

NOTE 7. OTHER FINANCIAL INCOME AND EXPENSES

€ thousands	2010	2009
By nature		
Fair value of financial instruments	(1,173)	3,759
Charges to provisions for impairment of available-for-sale financial assets	(981)	(1,142)
Dividends from available-for-sale financial assets	896	833
Other financial income and expenses	(3,069)	(2,508)
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**(4,327)**	**942**

Other financial income and expenses mainly include discounting adjustments to financial expenses related to put options granted to minority shareholders, which amounted to €3,281 thousand in 2010 (versus €2,645 in 2009).

NOTE 8. INCOME TAX EXPENSE

Income tax expense (benefit) for the period

€ thousands	2010	2009
Current taxes	186,547	172,147
Deferred taxes	(19,143)	(5,574)
TOTAL	**167,404**	**166,573**

Tax proof

As a % of pre-tax profit	2010	2009
Standard French income tax rate	34.4	34.4
Effect of differences in foreign tax rates and different rates in France	(6.8)	(6.6)
Effect of items taxed at reduced rates and permanent differences between book and taxable profit	0.8	(1.5)
Other non-deductible/non-taxable items under local tax rules	(0.9)	4.6
EFFECTIVE INCOME TAXE RATE	**27.5**	**30.9**

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:

€ thousands	2010	2009
At January 1	**34,256**	**29,549**
Deferred taxes recognized in equity	5,809	4,390
Deferred tax benefit (expense) for the period, net	19,143	5,574
Effect of changes in scope of consolidation and exchange rates, other movements	(90,409)	(5,257)
At December 31	**(31,201)**	**34,256**

Unrecognized deferred tax assets

€ thousands	2010	2009
Tax loss carryforwards	14,399	6,673
Other unrecognized deferred tax assets	4,105	4,248
UNRECOGNIZED DEFERRED TAX ASSETS	**18,504**	**10,921**

The tax rate used to calculate deferred taxes of French companies was 34.43% for 2010 and 2009.

Deferred taxes by type

€ thousands	2010	2009
Elimination of intercompany profits	31,628	28,078
Differences in depreciation periods	(12,264)	(12,634)
Non-deductible provisions	34,731	30,354
Essilor Oceane convertible bond issue	0	493
Actuarial gains and losses	8,907	4,522
Assets and liabilities recognized on an acquisition	(124,317)	(17,741)
Other	30,114	1,184
TOTAL	**(31,201)**	**34,256**

Other deferred taxes include miscellaneous timing differences related to income and expenses not taxable or deductible in the current period, various adjustments to local financial statements to comply with Essilor International accounting policies (mainly concerning finance leases and untaxed provisions) and deferred tax assets related to tax loss.

Deferred taxes on share-based payments

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

The deferred tax asset recognized as from 2008 is limited to the tax saving that the Company expects to realize on current share grant plans. The guidance does not apply to employee stock ownership plans and stock option plans, since they are equity-settled.

Accounting treatment of the “Contribution Economique Territoriale” (CET) tax

On January 14, 2010, the French accounting authorities (Conseil National de la Comptabilité) issued a press release on the accounting treatment in IFRS financial statements of the new “Contribution Economique Territoriale” (CET), which replaces France’s “Taxe Professionnelle” local business tax effective from 2010.

The press release provides guidance on the accounting treatment of the two components of the CET:

- “Contribution Foncière des Entreprises” (CFE), to be recognized in the same manner as previously the “Taxe Professionnelle.”
- “Cotisation sur la Valeur Ajoutée des Entreprises” (CVAE), assessed on the value added by the business, for which each company should exercise judgment to determine whether it should be treated as an income tax and accounted for in accordance with IAS 12 or as an operating expense.

In the 2009 and 2010 consolidated financial statements, the Essilor Group has considered that the CVAE represents an operating expense and not an income tax.

Tax consolidation

In France, Essilor, Tikai Vision (formerly Barbara), BBGR, BNL, Delamare, Essidev, Invoptic, Novisia, OMI, Optim, OSE (not consolidated) and Varilux University (not consolidated) file a consolidated tax return. The tax is paid by the parent company of the tax group.

In 2010, the companies in the tax group generated a tax benefit of €2 million (2009: €2 million).

Provision for tax risks

Following various tax audits and proceedings underway within the Group, provisions totaling €26.1 million were recognized for the 2009 fiscal year plus an additional €1.0 million for 2010, bringing the balance of provisions for taxes at December 31, 2010 to €27.1 million (2009: €26.1 million).

NOTE 9. CHANGE IN NUMBER OF SHARES

The shares have a par value of €0.18.

	Actual number of shares	
	2010	**2009**
Ordinary shares, net of treasury stock, at January 1	**210,879,319**	**207,013,917**
Exercise of stock subscription options	1,912,549	778,714
Subscription of the Essilor Group FCP mutual fund	541,767	662,646
Exchange of shares out of treasury for OCEANE bonds	1,823,318	0
Shares sold out of treasury on exercise of stock purchase options	53,332	52,724
Sales of treasury shares held for performance share grants (anticipated sales)	1,084,992	2,326
OCEANE bond conversions or exchange	3,690	4,548,690
(Purchases) and sales of treasury stock, net	(7,537,737)	(2,179,698)
Ordinary shares, net of treasury stock, at December 31	**208,761,230**	**210,879,319**
Number of treasury shares eliminated	2,894,112	4,630,653

	Weighted average number of shares	
	2010	**2009**
Ordinary shares, net of treasury stock, at January 1	**210,879,319**	**207,013,917**
Exercise of stock subscription options	817,353	217,752
Subscription of the Essilor Group FCP mutual fund	176,875	222,479
Exchange of shares out of treasury for OCEANE bonds	998,192	0
Shares sold out of treasury on exercise of stock purchase options	27,684	19,711
Sales of treasury shares held for performance share grants (anticipated sales)	361,176	1,483
OCEANE bond conversions	3,375	258,654
(Purchases) and sales of treasury stock, net	(3,689,639)	(1,043,485)
Ordinary shares, net of treasury stock, at December 31	**209,574,335**	**206,690,511**

A total of 6,312,636 treasury shares were cancelled in 2010 and 1,500,000 in 2009.

NOTE 10. DILUTED EARNINGS PER SHARE

Profit used for the calculation of diluted earnings per share is determined as follows:

€ thousands	2010	2009
Profit attributable to Group equity holders	461,969	390,685
Cancellation of interest on OCEANE bonds, net of tax	712	4,219
PROFIT ATTRIBUTABLE TO GROUP EQUITY HOLDERS, AFTER DILUTION	**462,681**	**394,904**

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

	2010	2009
Weighted average number of shares	**209,574,335**	206,690,511
Dilutive effect of convertible bonds	0	2,013,132
Dilutive effect of stock options	1,518,862	692,835
Dilutive effect of performance share grants	1,558,466	1,160,861
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES	**212,651,663**	**210,557,339**

As Essilor International convertible bonds matured on July 2, 2010, no dilution was recognized.

The dilution arising from stock options and performance shares was significantly higher in 2010 than the dilution recognized in 2009, since the share price was more favorable than in 2009.

In 2009, no dilution has been taken into account for the 2006, 2007 and January 2008 performance shares, because the average Essilor International share price for the period to December 31, 2009 was below the reference share price on the grant date.

NOTE 11. GOODWILL

€ thousands	At the beginning of the year	First consolidation	Other changes in consolidation scope and other movements	Translation difference	Impairment losses recognized in the period	At the end of the year
2010						
Gross amount	1,072,121	408,944	(10,252)	64,327	0	1,535,140
Impairment losses	12,180	0	8	836	165	13,189
CARRYING AMOUNT	**1,059,941**	**408,944**	**(10,260)**	**63,491**	**(165)**	**1,521,951**
2009						
Gross amount	973,331	94,826	12,730	(8,766)	0	1,072,121
Impairment losses	15,726	47	(3,830)	208	29	12,180
CARRYING AMOUNT	**957,605**	**94,779**	**16,560**	**(8,974)**	**(29)**	**1,059,941**

The main increases in goodwill resulted from:

- Acquisitions of FGX and Signet in 2010, as well as laboratories around the world (primarily in the United States), distribution companies, suppliers of consumables for laboratory equipment (DAC group) and lens producers in China (Danyang ILT, Wanxin).
- In 2009, the acquisition of various prescription laboratories in the United States, of WLC, De Ceunynck and JZO in Europe and of an additional 26% of GKB in Asia.

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.

The carrying amount of goodwill breaks down as follows by geographical segment:

€ thousands	**2010**	**2009**
Europe	245,666	226,341
North America	588,811	503,247
Rest of world	202,381	89,839
Laboratory equipment	256,789	240,514
Readers	228,304	0
TOTAL	**1,521,951**	**1,059,941**

Goodwill was tested for impairment at June 30, 2010 and the results were reviewed at December 31, 2010, in line with the policies and methods described in Note 1.21.

The weighted average cost of capital used for impairment tests was 7% in 2010 (2009: 9%). Taking into account the risk premiums determined for each item of goodwill, the actual discount rates applied to the thirteen Cash Generating Units were as follows:

In percentage	**2010**	**2009**
Europe	7	9
North America	7	9
South America	10	13
Asian countries	6	8
Japan	5	7
South Korea	9	11
India	12	12
China	7	9
Australia and New Zealand	10	11
Africa and the Middle East	11	N/A
Laboratory equipment	7	9
Readers	7	N/A
Plants	8	9

The perpetuity growth rate was estimated at 0% to 2.5% (2009: 0% to 2.5%), with the highest rates applied to emerging markets.

No impairment losses were recognized on goodwill in 2009 and 2010.

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

A 0.5% increase in the benchmark discount rate would not generate any impairment loss on the net carrying amount of goodwill as of December 31, 2010.

A 0.5% decrease in the growth rate at infinity would not generate any impairment loss on in the carrying amount of goodwill as of December 31, 2010.

NOTE 12. OTHER INTANGIBLE ASSETS

€ thousands	At the beginning of the year	Changes in scope of consolidation, other movements	Acquisitions	Disposals	Translation difference	Depreciation and impairment losses for the period	At the end of the year
2010							
Trademarks	50,691	163,164	322	0	6,204	0	220,381
Patents and licenses	209,188	22,173	9,364	7,550	9,154	0	242,329
Contractual customer relationships	77,326	109,298	0	0	5,497	0	192,121
Other intangible assets	53,276	(4,619)	11,816	1,303	2,611	0	61,781
GROSS AMOUNT	**390,481**	**290,016**	**21,502**	**8,853**	**23,466**	**0**	**716,612**
Accumulated depreciation	168,793	6,393	0	7,135	7,588	39,573	215,212
CARRYING AMOUNT	**221,688**	**283,623**	**21,502**	**1,718**	**15,878**	**(39,573)**	**501,400**
2009							
Trademarks	51,059	800	8	0	(1,176)	0	50,691
Patents and licenses	196,588	7,643	12,817	4,971	(2,889)	0	209,188
Contractual customer relationships	58,320	19,465	250	0	(709)	0	77,326
Other intangible assets	39,782	6,630	6,366	647	1,145	0	53,276
GROSS AMOUNT	**345,749**	**34,538**	**19,441**	**5,618**	**(3,629)**	**0**	**390,481**
Accumulated depreciation	140,500	439		5,523	(850)	34,227	168,793
CARRYING AMOUNT	**205,249**	**34,099**	**19,441**	**95**	**(2,779)**	**(34,227)**	**221,688**

Intangible assets in progress amounted to €17.4 million at December 31, 2010 (€19.0 million in 2009).

Trademarks were recognized on acquisition of FGX in 2010 (primarily the Foster Grant brand) and of the American companies The Spectacle Lens Group (ophthalmic lens division of the Johnson & Johnson Group), Omega (renamed Essilor Laboratories of America Inc. - Florida) and Nassau.

Trademarks with an indefinite useful life are mainly:

- the Lens business segment in the United States for a net carrying amount of €34.6 million at December 31, 2010 (2009: €31.8 million);
- the Readers business segment for a net carrying amount of €160.4 million;
- and since 2008, the Equipment business segment facilities for a net carrying amount of €8.3 million.

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

€ thousands	At the beginning of the year	Changes in scope of consolidation, other movements	Acquisitions	Disposals	Translation difference	Depreciation and impairment losses for the period	At the end of the year
2010							
Land	38,525	1,192	147	393	2,456	0	41,927
Buildings	468,968	10,531	9,147	7,552	29,771	0	510,865
Plant and equipment	1,196,458	62,050	63,479	57,707	89,560	0	1,353,840
Other	309,802	10,212	45,821	15,589	18,703	0	368,949
GROSS AMOUNT	**2,013,753**	**83,985**	**118,594**	**81,241**	**140,490**	**0**	**2,275,581**
Accumulated depreciation	1,210,731	19,338		66,670	80,161	155,794	1,399,354
CARRYING AMOUNT	**803,022**	**64,647**	**118,594**	**14,571**	**60,329**	**(155,794)**	**876,227**
2009							
Land	38,556	234	225	85	(405)	0	38,525
Buildings	454,347	8,333	15,266	9,644	666	0	468,968
Plant and equipment	1,135,750	36,333	64,322	46,692	6,745	0	1,196,458
Other	303,412	(14,230)	28,526	11,169	3,263	0	309,802
GROSS AMOUNT	**1,932,065**	**30,670**	**108,339**	**67,590**	**10,269**	**0**	**2,013,753**
Accumulated depreciation	1,120,581	13,376	0	57,792	7,443	127,123	1,210,731
CARRYING AMOUNT	**811,484**	**17,294**	**108,339**	**9,798**	**2,826**	**(127,123)**	**803,022**

The amounts presented include fixed assets under finance leases.

Assets under construction amounted to €56.8 million at December 31, 2010 (€48.4 million at the end of 2009).

NOTE 14. PROPERTY, PLANT AND EQUIPMENT: FINANCE LEASES

€ thousands	At the beginning of the year	Changes in scope of consolidation, other movements	Acquisitions	Disposals	Translation difference	Depreciation and impairment losses for the period	At the end of they year
2010							
Land	850	0	0	0	0	0	850
Buildings	13,614	74	13	0	38	0	13,739
Other	20,415	-70	0	329	319	0	20,335
GROSS AMOUNT	**34,879**	**4**	**13**	**329**	**357**	**0**	**34,924**
Accumulated depreciation	19,881	-181	0	288	171	2,041	21,624
CARRYING AMOUNT	**14,998**	**185**	**13**	**41**	**186**	**-2,041**	**13,300**
2009							
Land	850						850
Buildings	13,584		42		-12		13,614
Other	19,538	77	1,440	640			20,415
GROSS AMOUNT	**33,972**	**77**	**1,482**	**640**	**-12**	**0**	**34,879**
Accumulated depreciation	18,091	0	0	447	49	2,188	19,881
CARRYING AMOUNT	**15,881**	**77**	**1,482**	**193**	**-61**	**-2,188**	**14,998**

NOTE 15. INVESTMENTS IN ASSOCIATES

Details of associates are as follows:

		2010		2009	
Company	**Country**	**% interest**	**% voting rights**	**% interest**	**% voting rights**
Transitions subgroup	(a)	49	49	49	49
Sperian Protection subgroup	France	0	0	15	24
VisionWeb	United States	44	44	44	44

(a) See Note 34 for more details.

Essilor's share of these companies' equity – corresponding to the carrying amount of its investment – and of their after-tax profits is as follows:

	2010		2009	
€ thousands	Share of equity	Share of profit	Share of equity	Share of profit
Transitions Group	115,039	28,483	96,717	23,123
Sperian Protection Group	0	3,263	93,513	2,851
VisionWeb[(a)]	(10,992)	0	(10,196)	0
TOTAL	**104,047**	**31,746**	**180,034**	**25,974**

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

In accordance with IAS 28, paragraphs 29 and 30, if the Company's share of losses of an associate equals or exceeds its interest in the associate, it discontinues recognizing its share of further losses. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Disposal of the interest in Sperian Protection

On August 9, 2010, Essilor sold its long-standing 15% interest in the Sperian Protection group to the Honeywell group.

The Essilor Group's share of Sperian Protection's profits up until August 9, 2010 was recorded under "Share of profit of associates" in the 2010 consolidated income statement.

Essilor International's share of the combined balance sheet of associates

€ thousands	December 2010	December 2009
Intangible assets and property, plant and equipment, net	41,198	149,984
Other non-current assets	35,072	17,681
Current assets	104,803	134,498
Non-current liabilities	2,503	39,387
Current liabilities	75,627	86,974

Net goodwill on associates amounted to €4.9 million at December 31, 2009 and related solely to the Sperian Protection Group. No impairment loss was recorded on this goodwill in 2009, considering the Sperian Protection group's favorable medium-term outlook.

Since the disposal of Sperian Protection during fiscal 2010, there has been no further net goodwill on associates.

NOTE 16. OTHER LONG-TERM FINANCIAL INVESTMENTS

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

€ thousands	At the beginning of the year	Changes in scope of consolidation, other movements	Additions, new loans	Disposals repayments	Translation difference	Fair value adjust-ments	Impair-ment losses recognized in the period, net	At the end of the year
2010								
Long-term financial investmens at fair value	**33,448**	**(19,415)**	**7,749**	**139**	**1,707**	**(194)**	**-909**	**22,247**
- Investments in non-consolidated companies	30,914	(19,484)	7,726	75	1,615	(223)	-913	19,561
- Other available-for-sale financial assets	2,534	69	23	64	92	29	4	2,687
Long-term financial investments at amortized cost	**35,372**	**2,838**	**8,837**	**3,154**	**(563)**	**0**	**(89)**	**43,241**
- Loans, including accrued interest	36,645	1,830	8,837	3,154	(563)	0	0	43,595
- Impairment	1,273	(1,008)	0	0	0	0	89	354
Other long-term financial investments	**68,820**	**(16,577)**	**16,586**	**3,293**	**1,144**	**(194)**	**(998)**	**65,488**
2009								
Long-term financial investmens at fair value	**14,058**	**(8,287)**	**24,582**	**134**	**551**	**2,894**	**(216)**	**33,448**
- Investments in non-consolidated companies	11,809	(8,287)	24,309	128	573	2,745	(107)	30,914
- Other available-for-sale financial assets	2,249	0	273	6	-22	149	(109)	2,534
Long-term financial investments at amortized cost	**30,156**	**(2,069)**	**9,808**	**2,000**	**622**	**0**	**(1,145)**	**35,372**
- Loans, including accrued interest	30,284	(2,069)	9,808	2,000	622	0	0	36,645
- Impairment	128	0	0	0	0	0	1,145	1,273
Other long-term financial investments	**44,214**	**(10,356)**	**34,390**	**2,134**	**1,173**	**2,894**	**(1,361)**	**68,820**

NOTE 17. INVENTORIES

€ thousands	**2010**	**2009**
Raw materials and other supplies	285,740	232,115
Goods for resale	150,393	126,157
Finished and semi-finished products and work in progress	331,725	239,695
GROSS AMOUNT	**767,858**	**597,967**
Impairment provisions	(122,405)	(112,361)
CARRYING AMOUNT	**645,453**	**485,606**

NOTE 18. SHORT-TERM RECEIVABLES AND PAYABLES

Short-term receivables break down as follows:

€ thousands	**2010**	**2009**
Trade receivables		
Gross amount	883,882	720,007
Impairment provisions	(45,587)	(45,079)
Carrying amount	**838,295**	**674,928**
Other short-term receivables		
Gross amount	78,010	71,775
Impairment provisions	(437)	(437)
Carrying amount	**77,573**	**71,338**
TOTAL SHORT-TERM RECEIVABLES, NET	**915,868**	**746,266**

Short-term payables break down as follows:

€ thousands	**2010**	**2009**
Trade payables	376,782	286,659
Accrued taxes and employee benefits expense	206,010	172,039
Other short-term payables	176,821	165,486
TOTAL SHORT-TERM PAYABLES	**759,613**	**624,184**

NOTE 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

€ thousands	**2010**	**2009**
Cash	215,623	214,159
Qualifying money market OPCVM funds	128,220	152,992
Other	27,212	18,397
TOTAL	**371,055**	**385,548**

NOTE 20. PENSION AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

The Company'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, consisting mainly of length-of-service awards granted in France and other countries.

In Sweden, Essilor participates in a multi-employer defined benefit plan. Since the insurer responsible for managing this plan is not in a position to determine Essilor's share in it, the obligation is treated as a defined contribution plan in accordance with IAS 19.

Analysis of changes in net recognized projected benefit obligation

€ thousands	Projected benefit obligation	Fair value of plan assets	Cost of past benefits	Other	Net recognized obligation
At December 31, 2009	**206,251**	**(72,846)**	**(2,943)**	**0**	**130,462**
Service cost	7,853	0	0	0	7,853
Interest cost	9,225	0	0	0	9,225
Expected return on plan assets	0	(3,635)	0	0	(3,635)
Amortization of past service cost	0	0	1,022	0	1,022
Employee contributions	831	(831)	0	0	0
Contributions to plan assets	0	(9,077)	0	(25)	(9,102)
Paid benefits	(17,743)	17,717	0	26	0
Actuarial gains and losses	22,052	(594)	0	(13)	21,445
Other movements	7,436	0	(7,479)	(26)	(69)
Changes in scope of consolidation	1,428	0	0	0	1,428
Translation adjustment	6,608	(3,592)	0	38	3,054
At December 31, 2010	**243,941**	**(72,858)**	**(9,400)**	**0**	**161,683**
of which cumulative actuarial losses (gains) recorded in equity at the balance sheet date					52,370
Actual returns on plan assets		(4,229)			(4,229)
of which Obligations hedged in whole or in part by a plan assets	151,503				151,503
of which Obligations not hedged by a plan assets	92,437				92,437
of which in provisions for pensions in liabilities					162,897
of which non-current assets (over-hedged plans)					1,214

€ thousands	Projected benefit obligation	Fair value of plan assets	Cost of past benefits	Other	Net recognized obligation
At December 31, 2008	**194,617**	**(59,111)**	**(3,798)**	**0**	**131,708**
Service cost	5,316	0	0	0	5,316
Interest cost	9,024	0	0	0	9,024
Expected return on plan assets	0	(3,026)	0	0	(3,026)
Amortization of past service cost	0	0	860	0	860
Employee contributions	831	(831)	0	0	0
Contributions to plan assets	0	(23,529)	0	0	-23,529
Paid benefits	(17,390)	17,365	0	25	0
Actuarial gains and losses	12,635	(2,665)	0	13	9,983
Other movements	12	0	0	(48)	(36)
Changes in scope of consolidation	542	0	0	0	542
Translation adjustment	664	(1,049)	(5)	10	(380)
At December 31, 2009	**206,251**	**(72,846)**	**(2,943)**	**0**	**130,462**
of which cumulative actuarial losses (gains) recorded in equity at the balance sheet date					29,321
Actual returns on plan assets		(5,691)			(5,691)
of which Obligations hedged in whole or in part by a plan assets	124,172				124,172
of which Obligations not hedged by a plan assets	82,079				82,079
of which in provisions for pensions in liabilities					131,316
of which non-current assets (over-hedged plans)					854

Actuarial assumptions used to estimate commitments in the principal countries concerned

A major assumption taken into account in the valuation of pensions and similar obligations is the discount rate.

In accordance with IAS19, the rates were determined by monetary zone by referring to the return on premium private bonds with a maturity equal to the term of the plans, or the return on government bonds when the private market has insufficient liquidity.

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

The principal rates used by the Group are as follows:

	2010			**2009**		
%	Euro Zone	United States	United Kingdom	Euro Zone	United States	United Kingdom
Discount rate	4.5	5.0	6	5	5.5	5.75
Expected rate of return of investments	4.5 to 4.90	7.5	7	4.5 to 5.85	7.5	7.25
Weighted average rate of return on plan assets	4.86			4.61		
Weighted average rate of salary increases	2.57			2.8		

The discount rate used for length-of-service awards in France was 4.5% in 2010 (5% in 2009).

Additionally, had the discount rate been by 25 basis points lower than the rate actually applied, the total obligation of the Group as of December 31, 2010 would have been by €8 million higher.

The recognized actuarial gains or losses correspond to experience adjustments (differences between assumptions used and actual data) and changes in assumptions. In 2010, the actuarial gains or losses resulting from experience adjustments were 3.3% of the projected benefit obligation (2009: 1.25%).

Composition by type of plan assets

In %	**2010**	**2009**
Shares	20	20
Bonds	35	11
General insurance funds	44	47
Real property	1	1
Other	0	21

Analysis of rights

€ thousands	Projected benefit obligation	Plan assets	Deferred items	**2010 Provision**
Pensions (supplementary and guaranteed income plans)	180,864	(70,929)	(2,294)	107,641
Length-of-service awards	44,736	(1,929)	(7,106)	35,701
Other benefits	18,341	0	0	18,341
TOTAL	**243,941**	**(72,858)**	**(9,400)**	**161,683**

€ thousands	Projected benefit obligation	Plan assets	Deferred items	**2009 Provision**
Pensions (supplementary and guaranteed income plans)	155,858	(70,643)	(3,897)	81,318
Length-of-service awards	33,893	(2,203)	954	32,644
Other benefits	16,500	0	0	16,500
TOTAL	**206,251**	**(72,846)**	**(2,943)**	**130,462**

Expenses for the year

€ thousands	**2010**	**2009**
Service cost for period	(7,853)	(5,316)
Interest cost	(9,225)	(9,024)
Expected return on plan assets	3,635	3,026
Actuarial gains and losses on short-term benefits	(76)	187
Amortization of past service cost	(1,022)	(860)
Other	(256)	(63)
EXPENSE FOR THE PERIOD	**(14,797)**	**(12,050)**
Contributions to plan assets	(5,522)	11,018
Paid benefits	14,625	12,536
TOTAL INCREASE (DECREASE) IN PROVISION	**(5,694)**	**11,504**

NOTE 21. PROVISIONS

€ thousands	At the beginning of the year	Charges	Utilizations	Reversals of surplus provisions	Translation adjust-ments	Changes in scope of consoli-dation	Other movements	At the end of the year
2010								
Provisions for losses in subsidiaries and affiliates	300							300
Restructuring provisions	1,987	19,899	(3,334)		100	2,738	(2,067)	19,323
Warranty provisions	20,307	3,646	(2,678)	(1,088)	1,344	421	788	22,740
Other	46,294	53,277	(7,069)	(1,023)	799	9,648	(134)	101,792
TOTAL	**68,888**	**76,822**	**(13,081)**	**(2,111)**	**2,243**	**12,807**	**(1,412)**	**144,155**
2009								
Provisions for losses in subsidiaries and affiliates	81	300		(79)	(2)			300
Restructuring provisions	2,302	4,707	(3,821)	(1,094)	(2)		(105)	1,987
Warranty provisions	18,870	5,491	(4,568)	(384)	(69)	957	10	20,307
Other	15,467	34,368	(2,767)	(1,044)	162		108	46,294
TOTAL	**36,720**	**44,866**	**(11,156)**	**(2,601)**	**89**	**957**	**13**	**68,888**

Provisions for other risks at December 31, 2010 include in particular provisions for tax audits and litigation affecting income and other taxes for a total amount of €32.1 million (€26.1 million at December 31, 2009), and the provision of €50.7 million created for potential violations to the cartel laws in Germany (€9.2 million at December 31, 2009, see Note 28, Disputes).

NOTE 22. NET DEBT AND BORROWINGS

22.1. NET DEBT

The net debt[(a)] can be analyzed as follows:

€ thousands	**2010**	**2009**
OCEANE convertible bonds	0	53,107
Other long-term borrowings	285,558	282,222
Short-term borrowings	376,550	6,925
Short-term bank loans and overdrafts	25,167	21,646
Accrued interest	1,115	1,251
TOTAL BORROWINGS	**688,390**	**365,151**
Marketable securities[(b)]	0	-33,965
Cash equivalents	-155,432	-171,389
Cash	-215,623	-214,159
TOTAL ASSETS	**-371,055**	**-419,513**
Cross Currency swaps	-21,542	-38,422
NET DEBT	**295,793**	**-92,784**

(a) Sign convention: net debt is shown as a positive amount and a net cash position as a negative amount.
(b) Marketable securities not qualifying as cash equivalents that the Company considers as eligible for inclusion in the calculation of net debt (see Note 1.28).

At December 31, 2010, the major portion of long-term financial debt was comprised of a bilateral bank loan concluded in 2007 by Essilor of America, which matures in 2014. On that same date, short-term financial debt is distributed principally between drawdowns of syndicated lines of credit (€288 million) and issues of short-term commercial paper (€80 million).

22.2. BORROWINGS

Financial debt by maturity

Borrowings can be analyzed as follows by maturity:

€ thousands	**2010**	**2009**
Due within one year	402,832	82,929
Due in 1 to 5 years	281,499	279,307
Due beyond 5 years	4,059	2,915
TOTAL	**688,390**	**365,151**

Financial debt by currency

Borrowings break down as follows by currency:

€ thousands	**2010**	**2009**
U.S. dollars	567,597	277,163
Euros	110,895	84,978
Yen	659	778
Other currencies	9,239	2,232
TOTAL	**688,390**	**365,151**

Fair value of debt

The fair value of borrowings is as follows:

€ thousands	**2010**	**2009**
Oceane convertible bonds	0	80,525
Other long-term borrowings	264,016	243,800
Short-term borrowings	376,550	6,925
Short-term bank loans and overdrafts and accrued interest	26,282	22,897
TOTAL	**666,848**	**354,147**

Convertible bonds (OCEANE)

In July 2003, Essilor International issued a bond convertible into new shares and/or exchangeable into existing shares (OCEANE). This bond matured on July 2, 2010. Its principal characteristics are as follows:

- amount: €309 million;
- term: 7 years;
- annual interest: 1.50% payable in arrears on July 2 of every year;
- nominal unit value: €51.15;
- rate of conversion: 2 Essilor shares for 1 bond, taking into account the division by 2 of the par value of the share achieved in 2007 and subject to adjustments provided in the event of financial transactions;
- normal amortization: July 2, 2010 for an amount of €53.54 per bond, or 104.7% of the par value of the bond;
- early amortization, at the discretion of the bearers, starting July 2, 2008;
- early amortization, at the discretion of the bearers, starting July 2, 2008, under certain conditions;
- listing on the First Market of Euronext Paris

In total, out of 6,040,212 bonds originally issued:

- 1,180,000 were bought back;
- 4,767,150 were converted, 913,504 of these in 2010 and 2,274,345 in 2009;
- 93,062 were redeemed at maturity.

At December 31, 2009, the fair value of the OCEANE corresponded to its market value. This value is not directly comparable to its accounting value, which excludes the purchase option component reported as shareholders' equity.

Commercial paper

In May 2010, Essilor International launched a commercial paper program whose ceiling is €750 million. The amount outstanding of the issues was €80 million at December 31, 2010 (the financial presentation outline is available on the Banque de France website under Debt Securities).

This commercial paper is included in the line “Short-term borrowings” on the consolidated balance sheet.

Finance lease liabilities

	2010		2009	
€ thousands	**Principal**	**Interest**	**Principal**	**Interest**
Due within one year	2,282	168	2,630	247
Due in 1 to 5 years	3,729	144	5,049	294
Due beyond 5 years	0	0	0	0
TOTAL FINANCE LEASE LIABILITIES	**6,011**	**312**	**7,679**	**541**

NOTE 23. DERIVATIVE FINANCIAL INSTRUMENTS

23.1. FINANCIAL INSTRUMENTS CARRIED IN THE BALANCE SHEET

Financial instruments carried in the consolidated balance sheet at December 31, 2010 and 2009 fall into the following categories:

2010		Category of instruments				
€ thousands	Carrying amount	Fair value through profit or loss	Fair value through equity[(a)]	Loans, receivables	Liabilities at amortized cost	Derivative instruments
Other long-term financial investments	65,488		22,175	43,313		
Non-current trade receivables	7,849			7,849		
Prepayment to suppliers	12,865			12,865		
Current trade receivables	915,868			915,868		
Tax receivables	25,720			25,720		
Other receivables	17,636			17,636		
Derivative financial assets	26,993					26,993
Other marketable securities						
Cash and cash equivalents	371,055	371,055				
FINANCIAL ASSETS	**1,443,474**	**371,055**	**22,175**	**1,023,251**		**26,993**
Long-term borrowings	285,558				285,558	
Other long-term liabilities	117,914				117,914	
Short-term borrowings	402,832				402,832	
Customer prepayments	12,506				12,506	
Current trade payables	759,613				759,613	
Tax payables	38,331				38,331	
Other current liabilities	97,939				97,939	
Derivative financial liabilities	12,644					12,644
FINANCIAL LIABILITIES	**1,727,335**				**1,714,692**	**12,644**

(a) Assets available for sale as defined by IAS 39.

2009		Category of instruments				
€ thousands	Carrying amount	Fair value through profit or loss	Fair value through equity(a)	Loans, receivables	Liabilities at amortized cost	Derivative instruments
Other long-term financial investments	68,820		33,447	35,373		
Non-current trade receivables	10,570			10,570		
Prepayment to suppliers	12,373			12,373		
Current trade receivables	746,266			746,266		
Tax receivables	17,039			17,039		
Other receivables	18,434			18,434		
Derivative financial assets	40,485					40,485
Other marketable securities	33,965	33,965				
Cash and cash equivalents	385,548	385,548				
FINANCIAL ASSETS	**1,333,499**	**419,513**	**33,447**	**840,055**		**40,485**
Long-term borrowings	282,222				282,222	
Other long-term liabilities	49,792				49,792	
Short-term borrowings	82,929				82,929	
Customer prepayments	2,866				2,866	
Current trade payables	624,184				624,184	
Tax payables	46,507				46,507	
Other current liabilities	96,890				96,889	
Derivative financial liabilities	10,897					10,897
FINANCIAL LIABILITIES	**1,196,288**				**1,185,390**	**10,897**

(a) Assets available for sale as defined by IAS 39.

23.2. FAIR 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 fair value measurement of these derivative instruments are recognized directly in financial income and expenses.

The market value of Group derivatives is presented below:

€ thousands	**2010**	**2009**
Cash flow hedges:		
- Forward exchange contracts	(4,207)	(3,109)
Fair value hedges:	0	
- Forward exchange contracts	(213)	(153)
- Cross-currency swaps	21,542	38,422
Hedges of net investments in foreign operations:	0	
- Forward exchange contracts	(1,649)	(826)
Instruments not qualifying for hedge accounting:	0	
- Forward exchange contracts	(1,543)	(168)
- Currency options	452	299
- Cross-currency swaps (currency portion)	0	
- Interest rate swaps	(33)	(4,877)
FAIR VALUE OF DERIVATIVE INSTRUMENTS	**14,349**	**29,588**
Derivative financial instruments recognized in assets	26,993	40,485
Derivative financial instruments recognized in liabilities	(12,644)	(10,897)

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

As of December 31, 2010, 100 million US dollars were hedged at a fixed rate by interest rate swaps.

Details of derivative financial instruments are provided below:

€ thousands	Foreign currency		Local currency	Notional amount	Fair value at December 31, 2010
Forward contracts					
Sale of foreign currency vs local currency	AUD	for	EUR	9,725	(994)
Sale of foreign currency vs local currency	CAD	for	EUR	27,137	(615)
Sale of foreign currency vs local currency	CHF	for	EUR	14,347	(958)
Sale of foreign currency vs local currency	SEK	for	EUR	4,726	(175)
Sale of foreign currency vs local currency	USD	for	EUR	81,729	121
Sale of foreign currency vs local currency	USD	for	PHP	3,768	134
Sale of foreign currency vs local currency	USD	for	THB	39,320	467
Sale of foreign currency vs local currency	ZAR	for	EUR	1,962	(121)
Sale of foreign currency vs local currency	SGD	for	EUR	10,702	(96)
Purchase of foreign currency vs local currency	CHF	for	EUR	5,766	464
Purchase of foreign currency vs local currency	EUR	for	GBP	13,511	(246)
Purchase of foreign currency vs local currency	JPY	for	EUR	10,404	325
Purchase of foreign currency vs local currency	JPY	for	THB	6,436	212
Purchase of foreign currency vs local currency	JPY	for	USD	6,073	144
Purchase of foreign currency vs local currency	USD	for	EUR	23,600	(217)
Purchase of foreign currency vs local currency	USD	for	AUD	26,098	(3,125)
Purchase of foreign currency vs local currency	USD	for	BRL	6,380	(882)
Purchase of foreign currency vs local currency	USD	for	CAD	41,798	(1,814)
Purchase of foreign currency vs local currency	USD	for	GBP	6,767	140
Purchase of foreign currency vs local currency	USD	for	MXN	3,324	(121)
Purchase of foreign currency vs local currency	USD	for	NZD	1,130	(125)
Other				129,879	(130)
TOTAL FORWARD CONTRACTS				**474,582**	**(7,612)**
Currency options					
Purchases of calls	JPY	for	EUR	3,947	213
Purchases of calls	USD	for	EUR	3,786	239
Purchases of calls	CHF	for	EUR	3,473	0
TOTAL CURRENCY OPTIONS				**11,206**	**452**
Currency and interest rate swaps					
Cross currency swap	USD	for	EUR	250,000	21,542
Interest rate swaps	USD			74,839	(33)
TOTAL CURRENCY AND INTEREST RATE SWAPS				**324,839**	**21,509**
TOTAL DERIVATIVE INSTRUMENTS				**810,627**	**14,349**

23.3. IMPACT OF SETTLING CASH FLOW HEDGES

The effects on profit of settling cash flow hedges set up at the end of the prior year are as follows:

€ thousands	2010	2009
Revenue	0	0
Cost of sales	(354)	5,573
GROSS MARGIN	**(354)**	**5,573**
Research and development costs	1,089	1,099
Selling and distribution costs	0	0
Other operating expenses	0	0
CONTRIBUTION FROM OPERATIONS	**735**	**6,672**
Other income (expense) from operations, net	0	0
Gains and losses on asset disposals, net	0	0
OPERATING PROFIT	**735**	**6,672**

NOTE 24. OTHER CURRENT AND NON-CURRENT LIABILITIES

€ thousands	2010	2009
Liabilities due to suppliers in more than one year	1,521	2,393
Liabilities related to long-term put options granted to minority shareholders	116,393	47,399
TOTAL OTHER NON-CURRENT LIABILITIES	**117,914**	**49,792**
Liabilities to suppliers related to tangible and intangible fixed assets	6,664	6,292
Liabilities related to long-term financial investments	29,017	14,436
Liabilities related to a short-term put options granted to minority shareholders	44,087	67,148
Other	18,170	9,014
TOTAL OTHER CURRENT LIABILITIES	**97,939**	**96,890**

NOTE 25. OFF-BALANCE SHEET COMMITMENTS

€ thousands	2010	2009
Commitments given		
Guarantees	533,796	600,520
Debt collateral:		
- Debt	35	35
- Net book value of collateral	6,979	1,714
Commitments received		
Guarantees	186	3,226
Commitments under operating leases		
Within one year	20,703	18,786
In 1 to 5 years	48,209	46,944
Beyond 5 years	2,037	4,722
TOTAL SIMPLE LEASING COMMITMENTS	**70,949**	**70,452**

During 2010, the Essilor Group undertook a review of its commitments, including banking commitments, with the goal of reducing them.

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 and financing risk

Group policy with respect to financing is based on security: security regarding time for the term of the financing, security regarding the amounts available, diversification of sources of financing.

Debts of more than one year at the end of 2010 amounted to €288 million. In addition, the Group has two multi-currency syndicated credit facilities with maturities of 2012 and 2014 for a total amount of €1.7 billion. As of December 31, 2010, these facilities were drawn down by €288 million.

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

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

As at December 31, 2010, the balance of the loans granted to the subsidiaries account for a net lending position of an exchange value of €377 million, of which €308 million was in foreign currencies and hedged by foreign exchange swaps.

Financial assets and liabilities (including operating receivables and payables) at December 31, 2010 break down as follows by contractual maturity:

€ millions	Within 1 year[(a)]	1 to 5 years	Beyond 5 years	TOTAL
Financial liabilities other than financial instruments	(1,311)	(400)	(3)	(1,714)
Financial assets other than financial instruments	1,394	23	0	1,417
Net fair value of financial instruments	0	14	0	14
NET POSITION	**83**	**(363)**	**(3)**	**(283)**

(a) Including financial assets with no fixed maturity.

Currency risk

In view of the fact that the Group operates in numerous countries, it is exposed to currency fluctuations. Exposure to currency risks is hedged using appropriate market instruments. Foreign exchange market transactions are entered into solely to hedge risks arising on business operations. The Group does not carry out any currency trading transactions without underlying commercial transactions.

Group policy with regard to foreign exchange risk management is consistently to hedge the risk with the appropriate market instruments: forward currency purchases and sales or exchange rate options and/or option tunnels.

The billing of import and export companies in the local currency makes it possible to focus the major portion of foreign exchange risk on a restricted number of entities. Those entities that are exposed to significant foreign exchange risk are hedged with the support of the Group Treasury department. The risk incurred by the other subsidiaries, even though it is reduced, is still centrally monitored.

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

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

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

Hedge accounting is applied whenever possible. However, some currency hedges do not fulfill the criteria for the application of hedge accounting under IFRS, and gains and losses arising from the fair value measurement of these instruments are recognized directly in profit or loss.

The Group's total net currency exposure at December 31, 2010 represented an amount equivalent to some €94 million.

Consolidated exposure to currency risk on assets and liabilities at December 31, 2010

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

€ millions	Balance sheet amount before hedging(a)	Fair value hedges(b)	Net exposure after hedging(c)	Cash flow hedges(d)
Exposed currency				
CAD	4	0	4	(12)
EUR	(2)	2	0	9
JPY	(1)	3	2	20
USD	71	17	88	2
GBP	4	(6)	(2)	(25)
Others	3	(1)	2	4
TOTAL	**79**	**15**	**94**	**(2)**

(a) Positive amounts: assets to be hedged. Negative amounts: liabilities to be hedged.
(b) Positive amounts: net purchases of foreign currencies. Negative amounts: net sales of foreign currencies.
(c) Positive amounts: unhedged assets. Negative amounts: unhedged liabilities.
(d) Positive amounts: hedges of future purchases of foreign currencies. Negative amounts: hedges of future sales of foreign currencies.

Sensitivity of equity and profit to changes in the fair value of operational currency derivatives at December 31, 2010

A 5% change in the USD/EUR exchange rate – representing the Company's main currency exposure at December 31, 2010 – would have the following impact on equity and profit:

		Impact *(in € millions)*		
	EUR/USD rate	On equity	Profit before tax	**TOTAL**
Closing rate	1.34			
5% increase	1.40	1	1	2
5% decrease	1.27	(1)	(1)	(2)

Interest rate risk

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

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

Sensitivity of finance costs to changes in interest rates

(In accordance with the recommendation of AMF, floating rate assets and liabilities have been classified as maturing within one year, corresponding to the period to the next interest reset date, whatever their actual maturity).

€ millions	Overnight to one year	1 to 5 years	Beyond 5 years	TOTAL
Floating rate financial liabilities(a)	592			592
Floating rate financial assets	(371)			(371)
Net floating rate exposure	**221**	**0**	**0**	**221**
Fixed rate financial liabilities		75		75
Net fixed rate exposure	**0**	**75**	**0**	**75**
NET INDEBTEDNESS(b)	**221**	**75**	**0**	**296**

(a) Including local facilities and finance lease liabilities.
(b) The positive amount corresponds to net debt and the negative amount represents a net cash position.

An interest rate increase of 1% would have the effect of increasing Group financial expenses by €2.2 million. Conversely, an interest rate decrease of 1% would improve financial income by €1.9 million.

The fixed-rate position corresponds to interest rate swaps of USD 100 million.

As of December 31, 2010, 11% of gross debt was fixed-rate (86% in 2009).

The actual average weighted interest rate was 0.85% at the end of 2010 (versus 2.96% at the end of 2009).

Counterparty risk

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

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

At December 31, 2010, counterparties for investment and capital markets transactions carried out by the Group Treasury department were all rated at least A-1 (short-term) and A+ (long-term) by Standard & Poor's. At that date, one third of liquidities were invested by the parent company in money market SICAV or FCP funds with four different counterparties, and two thirds were with Group subsidiaries.

The banks participating in the two syndicated credit facilities all had Standard & Poor's ratings of at least A-1 (short-term) and A (long-term).

Credit risk

Non-provisioned outstanding customer accounts receivable due totaled €104.3 million at year-end 2010 (€83.0 million at year-end 2009). This was comprised mostly of receivables due for less than three months (78.0% in 2010; 83.4% in 2009) that were slightly past due.

€ millions	**2010**	**2009**
Trade receivables due within one year, net	838	675
Trade receivables due beyond one year, net	8	11
TRADE RECEIVABLES, NET	**846**	**685**
Trade receivables not yet due	722	584
Past-due trade receivables, net	124	101
Guarantees received, recoverable VAT	(34)	(29)
Past-due trade receivables, net of provisions and guarantees	90	73

Information relating to the twenty largest Group clients is presented in Note 3, Information by business segment.

NOTE 27. ENVIRONMENTAL RISKS

The Company is not exposed to any material environmental risks.

NOTE 28. LITIGATION

The principal accounting for provisions for contingencies is presented in chapter 20.3.1.5 in Note 1.32 of the accounting principles in the notes to the consolidated financial statements. Moreover, Note 5.1 to these consolidated financial statements as at December 31, 2010 presents the details of the other operating income and expenses and Note 21 presents activity in provisions.

Germany

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

On June 10, 2010, following the investigation, the BKA notified the companies investigated that it intended levying fines on them, with the fine applicable to Essilor's two subsidiaries representing an aggregate amount of around €50 million.

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

The Group had recorded €9.2 million in provisions for this investigation in its consolidated financial statements for the year ended December 31, 2009. This amount was based on the status of the matters at that date and the fact that the Company had not been notified of any fines.

Following the notifications received from the BKA, the Group decided to increase these provisions to €50.7 million. Consequently, an additional €41.5 million was booked under "Other expenses from operations" in the interim consolidated financial statements at June 30, 2010.

Since that date, there have been no further developments in proceedings. In the absence of new information, additional provisions made in the interim consolidated financial statements at June 30, 2010 remained unchanged at December 31, 2010.

United States and Canada

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

The Group has not recorded any provisions in relation to the above at this stage. In early August 2010 it was decided that the class action motions would be consolidated and heard by a US federal court. However, no proceedings have commenced and no information is available yet on the quantum of the damages claimed. The procedures to rule whether the claims lodged are admissible will begin in the first half of 2011.

Other litigation

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

NOTE 29. AVERAGE NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

Number of employees	2010	2009
Management	4,648	4,421
Supervisory and administrative	10,748	10,261
Production	22,716	18,153
TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE PERIOD	**38,112**	**32,835**

€ thousands	2010	2009
EMPLOYEE BENEFITS EXPENSE	**1,201,904**	**1,070,273**
(Salaries, payroll taxes and compensation costs on share-based payments)		

Number of employees	2010	2009
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	**42,704**	**34,759**
including employees of proportionately consolidated companies (on a 100%-basis)	2,782	2,707

NOTE 30. RELATED PARTY TRANSACTIONS

Senior management compensation

€ thousands	2010	2009
Total compensation and benefits paid to the Executive Committee[(a)]	10,268	7,740
Directors' fees paid to the Executive Committee	22	38
TOTAL SENIOR MANAGEMENT COMPENSATION	**10,290**	**7,778**

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

The Executive Committee had 22 members at December 31, 2010 compared with 17 at the previous year-end.

Post-employment benefits for Executive Committee members

- Pension obligations: €21,295 thousand at December 31, 2010 (2009: €13,747 thousand).
- Retirement benefits: €1,648 thousand at December 31, 2010 (2009: €1,261 thousand).

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 hedged by retirement provisions recorded in the Group financial statements.

Stock options and performance shares granted to Executive Committee members

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

The costs recognized in 2010 for stock options and performance shares granted to Executive Committee members are as follows:

- €1,124 thousand (2009: €1,597 thousand) for stock options.
- €3,469 thousand (2009: €3,961 thousand) for performance shares.

Related party transactions

Related parties include the following:

Proportionately consolidated companies

- Nikon-Essilor, a 50/50 joint venture in Japan with the Nikon Group. Nikon-Essilor distributes certain Essilor products in Japan, while Essilor distributes certain Nikon brand products made by Nikon-Essilor, mainly in Europe.
- Essilor Korea, a joint venture 50%-owned by Essilor and 50% by the South Korean Group Samyung Trading. Essilor Korea distributes certain Essilor products in the South Korean market, while Essilor distributes certain products manufactured by Essilor Korea's Chemiglas subsidiary in European markets.

Companies accounted for by the equity method

- Vision Web, 44%-owned by Essilor. Essilor of America laboratories use the Vision Web ordering system.
- The Transitions subgroup, 49%-owned by Essilor. Essilor sells stock lenses to the Transitions group, for transformation into variable-tint lenses. Essilor also distributes Transitions products across its networks.

The Sperian Protection group, which was 15% held and 24% controlled by Essilor during 2009, was sold on August 9, 2010. The Essilor Group has not maintained a stake in the company.

There were no significant transactions conducted with this group.

Related party balances and transactions:

€ thousands	2010	2009
Product sales	186,900	155,659
Product purchases	(460,134)	(395,688)
Trade receivables	33,212	28,199
Trade payables	61,565	54,862

NOTE 31. EVENTS AFTER THE BALANCE SHEET DATE

Acquisitions made in early 2011

Since the beginning of 2011, Essilor has continued its international expansion with new partnerships.

In India, Essilor signed a joint venture agreement with Enterprise Trading Company, a major glass distributor in India. The primary goal of the new company created, Enterprise Ophthalmics Private Ltd, is to accelerate the substitution of plastic glass with mineral glass, which accounts for 60% of the glass sold in India.

In Morocco, the Group signed an agreement to acquire the majority of capital in L'N Optic, one of its current distributors. Based in Tangiers, L'N Optic is the largest prescription laboratory in the country and earns revenues of €2 million. This joint venture, which is the first time Essilor has established itself in Morocco, will produce and guarantee the development of glass from the Varilux and Crizal ranges.

In Brazil, the Group increased its stake in Unilab, a prescription laboratory that makes around €5.5 million in revenues, from 30.5% to 51%.

The Equipment division completed its offer, gaining a majority stake in Bazell Technologies, a company specializing the treatment of rinsing water used during glass production. Based in California, Bazell Technologies, whose distribution in the United States relies primarily on the Satisloh/National Optronics network, earns revenues of about USD4 million.

In the Readers division, FGX International conducted its first acquisition since its purchase by the Essilor Group. FGXI, the current leader in the UK, has purchased all the capital of Sight Station, the second-largest company in the market, with around €2.5 million in annual sales. This acquisition will allow FGXI to gain positions in major brands.

Acquisitions in progress in 2011

Moreover, on October 15, 2010, Essilor announced that it signed with Kibbutz Shamir an agreement under the terms of which Essilor is offering to acquire 50% of Shamir Optical, an independent ophthalmic glass manufacturer that made USD 142 million in revenues in 2009. The finalization of the transaction, which requires the approval of the Shamir Optical shareholders and various regulatory authorities, should take place in mid-2011.

NOTE 32. LIST OF FULLY-CONSOLIDATED COMPANIES

Company	Country	% voting rights	% interest
FRANCE			
BBGR	France	100	100
BNL Eurolens	France	100	100
Dac Vision SAS	France	60	60
Delamare Sovra	France	100	100
Domlens	France	65	65
Essidev	France	100	100
Essor	France	65	65
Invoptic	France	100	100
Mega Optic Design	France	75	75
Mont-Royal	France	64	64
Novacel Ophtalmique	France	75	75
Novisia	France	100	100
OMI	France	100	100
Optim	France	100	100
Satisloh SAS	France	100	100
Tikai Vision (ex Barbara)	France	100	100
EUROPE			
BBGR GmbH	Germany	100	100
Essilor GmbH	Germany	100	100
Infield Safety GmbH	Germany	100	100
Nika Optics	Germany	75	75
Rupp & Hubrach Optik Gmbh	Germany	100	100
Satisloh Gmbh	Germany	100	100
Signet Armorlite Germany Holding GmbH	Germany	100	100
Signet Armorlite Optic	Germany	100	100
Essilor Austria Gmbh	Austria	100	100
De Ceynunck & Co. NV	Belgium	100	100
Essilor Belgium S.A.	Belgium	100	100
Essilor Optika doo	Croatia	100	100
Essilor Danmark A.S.	Denmark	100	100
BBGR Lens Iberia S.A.	Spain	100	100
Essilor Espana S.A.	Spain	100	100
Satisloh Iberica	Spain	100	100
Signet Armorlite Iberica	Spain	100	100
Essilor OY	Spain	100	100
BBGR United Kingdom	United Kingdom	100	100
Crossbows Optical Ltd	United Kingdom	100	100
Essilor Ltd	United Kingdom	100	100
Essilor European Shared Service Center Ltd.	United Kingdom	100	100
FGX Europe Limited	United Kingdom	100	100

Company	Country	% voting rights	% interest
Horizon Optical Company Ltd.	United Kingdom	95	95
Infield safety UK, Ltd.	United Kingdom	100	100
Satisloh Ltd	United Kingdom	100	100
Sinclair Optical Laboratories	United Kingdom	100	100
Signet Armorlite Europe Ltd	United Kingdom	100	100
United Optical Laboratories	United Kingdom	80	80
Wholesale Lens Corporation Limited	United Kingdom	70	70
Essilor Optika Kft	Hungary	100	100
Athlone	Ireland	80	80
Essilor Ireland (Sales) Ltd	Ireland	100	100
Organic Lens Manufacturing (subsidiary)	Ireland	100	100
Essilor Italia S.p.A.	Italy	100	100
Infield Safety Italia, SRL	Italy	100	100
LTL S.p.A.	Italy	100	100
Oftalmika Galileo Spa	Italy	100	100
Optilens Italia s.r.l.	Italy	100	100
Satisloh Italy Spa	Italy	100	100
Essilor Norge A.S.	Norway	100	100
Sentralslip	Norway	100	100
Essilor Nederland BV	Netherlands	100	100
Essilor Nederland Holding BV	Netherlands	100	100
Holland Optical Corp. BV	Netherlands	100	100
Holland Optical Instruments BV	Netherlands	100	100
Omax	Netherlands	75	75
Signet Armorlite (Holland) BV	Netherlands	100	100
Essilor Optical laboratory Polska Sp. Z.o.o.	Poland	100	100
Essilor Polonia	Poland	100	100
JZO	Poland	98	98
Essilor Portugal	Portugal	100	100
Signet Armorlite Portugal Unipessoal, LDA	Portugal	100	100
Essilor Romania SRL	Romania	100	100
Omega Optix S.R.O.	Slovakia	100	100
Essilor D.O.O Slovenia	Slovenia	100	100
Essilor AB	Sweden	100	100
BBGR Skandinaviska	Sweden	100	100
Essilor S.A.	Switzerland	100	100
Satisloh Holding AG	Switzerland	100	100
Satisloh AG	Switzerland	100	100
Satisloh Photonics AG	Switzerland	100	100
Vaco Holding S.A.	Switzerland	100	100

Company	Country	% voting rights	% interest
Essilor Optika Spol s.r.o.	Czech Rep.	100	100
Omega Optix S.R.O.	Czech Rep.	100	100
Essilor Optika OOO	Russia	100	100
NORTH AND CENTRAL AMERICA			
Aries Optical Ltd.	Canada	100	100
BBGR Optique Canada Inc.	Canada	100	100
Canoptec Inc.	Canada	100	100
Cascade Optical Ltd	Canada	60	60
Custom Surface Ltd.	Canada	100	100
Eastern Optical Laboratories Ltd.	Canada	100	100
Econo Optics	Canada	60	60
Essilor Canada Ltd.	Canada	100	100
FGX Canada Corp	Canada	100	100
Groupe Vision Optique	Canada	100	100
K & W Optical Ltd.	Canada	100	100
Metro Optical Ltd.	Canada	100	100
Morrison Optical	Canada	100	100
OPSG Ltd.	Canada	100	100
OMICS Software Inc	Canada	100	100
Optique de l'Estrie Inc.	Canada	100	100
Optique Lison Inc.	Canada	100	100
Optique Cristal	Canada	70	70
Perspectics	Canada	100	100
Pioneer Optical Inc.	Canada	100	100
Pro Optic Canada Inc.	Canada	100	100
R & R Optical Laboratory Ltd.	Canada	100	100
SDL	Canada	90	90
Signet Armorlite Canada, Inc	Canada	100	100
Westlab	Canada	100	100
21st Century Optics Inc.	USA	80	80
Accu Rx Inc	USA	80	80
Advance Optical	USA	90	90
AG Opticals Inc	USA	100	100
Apex Optical Company Inc.	USA	100	100
Barnett & Ramel Optical Co. of Nebr.	USA	80	80
Beitler Mc Kee Company	USA	90	90
BSA Industries	USA	100	100
Collard Rose	USA	80	80
Corinne McCormark, Inc	USA	100	100
Custom Optical	USA	100	100
Dac Vision Inc	USA	60	60
Deschutes	USA	80	80
Dibok Aspen Optical	USA	80	80
Dioptics Medical Products	USA	100	100
Dunlaw Optical Laboratories Inc.	USA	80	80

Company	Country	% voting rights	% interest
ELOA California Acquisition Corp.	USA	100	100
Empire	USA	85	85
Epics Labs Inc	USA	80	80
Essilor Latin America & Caribbean Inc.	USA	100	100
Essilor Laboratories of America Corporation	USA	100	100
Essilor Laboratories of America Holding Co Inc.	USA	100	100
Essilor Laboratories of America, Inc (incl. Laboratoires US)	USA	100	100
Essilor Laboratories of America, LP (incl. Avisia, Omega, Duffens)	USA	100	100
Essilor of America Holding Co Inc.	USA	100	100
Essilor of America Inc.	USA	100	100
Eye-Bar, Inc	USA	100	100
Eye Care Express Lab Inc	USA	80	80
FGX International Holdings Ltd	USA	100	100
FGX International II Limited	USA	100	100
FGX International, Inc	USA	100	100
Focus Optical Labs, Inc	USA	80	80
Frames For America	USA	70	70
Future Optics FL Inc	USA	80	80
Future Optics TE Inc	USA	80	80
Gentex Optics Inc.	USA	100	100
Gulfstates Optical Laboratories Inc.	USA	80	80
Hawkins Optical Laboratories Inc	USA	100	100
Homer Optical	USA	100	100
Interstate Optical	USA	80	80
Jorgenson Optical Supply Cy.	USA	80	80
Mc Leodd Optical Company Inc.	USA	80	52
MGM	USA	80	80
MOC Acquisition Corporation	USA	80	80
Nassau Lens Co Inc.	USA	100	100
NEA Optical LLC	USA	80	80
Next generation	USA	100	100
NOA	USA	100	100
Omega Optical General Inc.	USA	100	100
Omega Optical Holdings Inc.	USA	100	100
OOGP	USA	80	80
Opal Lite Inc.	USA	100	100
Optical Dimension	USA	80	80
Optical One	USA	80	80
Optical Suppliers Inc. (Hawaii)	USA	85	85
Optical Venture Inc	USA	80	80
Optifacts Inc.	USA	100	100
Optimatrix	USA	80	80

Company	Country	% voting rights	% interest
Optisource International Inc.	USA	80	80
Ozarks Optical Laboratories	USA	80	80
Pech Optical	USA	80	80
Perferx Optical Co Inc	USA	80	80
Personnal Eyes	USA	80	80
Peninsula Optical Lab.	USA	80	80
Precision Optical Lab. (Tennessee)	USA	80	80
Precision Optical Co. (Connecticut)	USA	80	80
Quantum Direct LLC	USA	100	100
Quantum Optics, Inc	USA	100	100
Reliable Optics	USA	100	100
Satisloh North America	USA	100	100
Signet Armorlite Inc	USA	100	100
Skaggs and Gruber, Ltd d.b.a Trucker Meadows	USA	80	80
Southwest lens	USA	65	65
Speciality Lens Corp.	USA	100	100
Stereo Optical Co. Inc.	USA	100	100
SunStar Inc.	USA	80	80
Sutherlin Optical Company	USA	85	85
Tri Supreme Optical LLC	USA	100	100
Ultimate Optical Lab	USA	100	100
Vision-Craft Inc.	USA	80	80
Vision Pointe Optical Inc.	USA	80	80
Winchester Optical Company	USA	80	80
Aai Joske's S de RL de CV	Mexico	50	50
Essilor Mexico	Mexico	100	100
Signet Armorlite de Mexico, SA & CV	Mexico	99	99
Sofi de Chihuahua	Mexico	100	100
Rainbow Optical	Puerto Rico	100	100
OTHER			
Essilor South Africa (Pty) Ltd.	South Africa	100	100
Vision & Value	South Africa	51	51
Essilor Argentine S.A.	Argentina	100	100
AR Coating SA	Argentina	95	95
City Optical Pty Ltd.	Australia	100	100
Essilor Australia Pty Ltd.	Australia	100	100
Essilor Laboratory South Australia Pty Ltd.	Australia	100	100
Essilor Laboratories of Australia Pty Ltd.	Australia	100	100
Essilor Laboratory Western Australia	Australia	100	100
Essilor Lens Australia Pty Ltd.	Australia	100	100
Eyebiz	Australia	70	70
Hobart Optical	Australia	100	100

Company	Country	% voting rights	% interest
Prescription Safety Glasses Pty Ltd	Australia	100	51
Sunix Computer Consultants Pty Ltd	Australia	100	50
Tasmanian Optical Cy Pty LTD	Australia	100	100
Tec Optik	Australia	100	100
Brasilor Participacoes Sc Ltda.	Brazil	100	100
Ceditop	Brazil	76	76
Embrapol Sul	Brazil	74	74
Essilor Da Amazonia Industria e Commercio Ltda.	Brazil	100	100
Farol	Brazil	70	70
GBO	Brazil	51	51
Multi Optica Distribuidora Ltda.	Brazil	100	100
Sudop Industria Optica Ltda.	Brazil	100	100
Technopark Comercio de Artigos Opticos S.A	Brazil	51	51
Tecnolens	Brazil	70	70
Danyang	China	80	80
Essilor China Holding Co Ltd	China	100	100
FGX International Limited China	China	100	100
Polylite Beijing	China	51	51
Polilyte Shanghai	China	51	51
Satisloh Zhongshan	China	100	100
Satisloh Shenzen	China	100	100
Shanghai Essilor Optical Co. Ltd.	China	100	100
Wanxin	China	80	50
Signet Armorlite Columbia SA	Colombia	94	94
Essilor Amico LLC	United Arab Emirates	50	50
Essilor Amico Middle East FZCO	United Arab Emirates	50	50
Essilor Middle East Ltd	United Arab Emirates	100	100
Ghanada	United Arab Emirates	100	40
Essilor Hong Kong	Hong Kong	100	100
Foster Grant Hong Kong Limited	Hong Kong	100	100
Polylite Hong Kong	Hong Kong	51	51
Satisloh Asia and Trading Ltd	Hong Kong	100	100
20 20 Optics	India	70	70
Beauty Glass Pvt Ltd.	India	88	88
Delta CNC	India	51	39
Delta Lens Pvt Ltd	India	51	51
Essilor India Pvt Ltd (ex-Esssilor SRF Optics Ltd)	India	100	100
Essilor Manufacturing India Pvt Ltd (ex- Indian Ophtalmic Lenses Manuf.)	India	100	100
GKB Optic Tech Private Ltd	India	51	51
GKB Rx	India	76	76
Sankar	India	70	70

Company	Country	% voting rights	% interest
Satisloh India	India	100	100
Vijay Vision Pvt Ltd.	India	88	88
P.T. Essilor Indonesia	Indonesia	100	100
P.T Optical Support of Indonesia	Indonesia	70	70
Essilor Malaysia Sdn Bhd	Malaysia	100	100
Frames and Lenses	Malaysia	80	80
ILT Malaysia	Malaysia	81	81
Essilor Laboratories New Zealand Ltd. (ex OHL Lenses Ltd)	New Zealand	100	100
Essilor New Zealand Ltd.	New Zealand	100	100
Optical Laboratories	New Zealand	100	100
Prolab	New Zealand	100	100
Essilor Manufacturing Philippines Inc.	Philippines	100	100
Epodi	Philippines	51	51
Optodev	Philippines	100	100
Essilor Asia Pacific Pte Ltd.	Singapore	100	100

Company	Country	% voting rights	% interest
ETC South East Asia Pte Ltd.	Singapore	70	70
ILT To Latin America	Singapore	51	51
Integrated Lens Technology	Singapore	100	100
Lenscom Optics	Singapore	100	100
OSA Investments Holdings Pte Ltd	Singapore	100	100
Polilyte Asia Pacific Pte Ltd	Singapore	51	51
Signet Armorlite Asia (ex Visitech)	Singapore	100	100
SMJ Holding Pte Ltd	Singapore	70	70
Kaleido Vision Pte Ltd (ex Unique Ophtalmic)	Singapore	100	100
Polylite Taiwan Optilab	Taiwan	51	51
SMJ Holding Pte Ltd Taiwan Branch	Taiwan	70	70
Essilor Manufacturing (Thaïland)Co Ltd.	Thaïland	100	100
Essilor Optical Laboratory Thailande	Thaïland	100	100
Eyebiz Laboratory Co Ltd	Thaïland	70	70

NOTE 33. LIST OF PROPORTIONATELY-CONSOLIDATED COMPANIES

Company	Country	% voting rights	% interest
Nikon Optical Canada Inc.	Canada	50	50
Tech-Cite Laboratories Co Ltd[(a)]	Canada	50	50
Chemilens	China	50	43
Beijing Nikon Ophtalmic Products Co Ltd	China	50	50
Chemiglas	South Korea	50	43
Dekovision	South Korea	50	43
Essilor Korea	South Korea	50	50
Nikon Optical US	USA	50	50

(a) 50%-owned by Nikon Optical Canada

Company	Country	% voting rights	% interest
Encore Optics LLC	USA	50	40
Pasch	USA	50	40
Aichi Nikon Company	Japan	50	50
Nasu Nikon Company	Japan	50	50
Nikon-Essilor Company Ltd	Japan	50	50
Nikon and Essilor International Joint Research Center Co. Ltd	Japan	50	50
Nikon Optical United Kingdom	United Kingdom	50	50

Combined contribution of proportionately consolidated companies

€ thousands	**2010**	**2009**
Intangible assets and property, plant and equipment, net	48,321	40,534
Other non-current assets	8,322	6,408
Current assets	101,320	77,954
Non-current liabilities	7,469	5,059
Current liabilities	24,935	19,199

NOTE 34. LIST OF ASSOCIATES

Company	Country	% voting rights	% interest
TRANSITIONS GROUP			
Transitions Optical Pty Ltd.	Australia	49	49
Transitions Optical Do Brazil Limitada	Brazil	49	49
Transitions Optical Inc.	USA	49	49
Transitions Optical India	India	49	49
Transitions Optical Limited	Ireland	49	49
Transitions Optical Japan	Japan	49	49
Transitions Optical Holdings BV	Netherlands	49	49
Transitions Optical Philippines Inc.	Philippines	49	49
Transitions Optical Singapore	Singapore	49	49
Transitions Optical Thailand	Thailand	49	49
OTHER			
Vision Web	USA	44	44

NOTE 35. LIST OF NON-CONSOLIDATED COMPANIES

Combined financial data for non-consolidated companies

Combined financial data for the main non-consolidated companies held by consolidated companies are as follows:

				Carrying amount of the shares	
€ thousands	Equity	Revenue	Net profit	Gross	Net
Total non-consolidated companies	11,196	30,671	901	35,649	19,561

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

List of non-consolidated companies

Company	Country	% voting rights	% interest
FRANCE			
Distrilens	France		100
Optical Supply of Europe	France		100
Varilux University	France		100
EUROPE			
Essilor Logistik GmbH	Germany		100
Neckarsee 221V Gmbh	Germany		100
Essilor Bulgaria	Bulgaria		100
AVS	Spain		25
OHO	Estonia		70
Leicester	United Kingdom		80
Itallenti	Italy		5
Mec & Ciesse Optical	Italy		70
One Optical	Italy		100
Oftalma s.r.l.	Italy		100
UAB JZP Optika Lituania	Lituania		98
Optika JZO Zoo	Poland		98
Optikos SP Zoo	Poland		94
Neolens SP Zoo	Poland		100
Essilor Optics d.o.o	Serbia		100
Essilor Slovakia s.r.o.	Slovakia		100
JZO Optika Ukraina	Ukraine		98
AFRICA			
Easy Vision	Africa		100
NORTH AMERICA			
Cherry Optical	USA		25
Essilor Transfer Corporation	USA		100
1234 Acquisition Sub Inc	USA		100
Micro Optical	USA		1
Neuro Vision	USA		10
Superior Optical Lab.	USA		45
REST OF WORLD			
Precision Optics Pty Ltd	Australia		30
Wallace Everett Lens Technology Pty Ltd	Australia		33
Unilab	Brazil		30
LOOP	Cameroon		40
Tianjing vx Technical School	China		100
Shandong Xin Yi Trading Ltd Co	China		30
Essilor Lens & Spects P Ltd	India		60
OSD Optics India	India		100
Xtravision Lens technology Pte Ltd	India		51
Essilor Israeli	Israel		100
Shamrock	Israel		100
Essilab Philippines Inc	Philippines		40
Eyeland	Philippines		39
Optoland	Philippines		100
Polylite Taiwan Co Ltd	Taiwan		11
Chemilens Vietnam	Vietnam		50
OSA Ltd Liability Co.	Vietnam		33

20.3.2 2010 PARENT COMPANY KEY FIGURES AND FINANCIAL STATEMENTS

The 2010 annual financial statements comprise the income statement, balance sheet, cash flow statement and notes, presented below in sections 20.3.2.2 to 20.3.2.5.

The Auditors report on the 2010 annual financial statements is presented in section 20.4.1.3 of this Registration Document.

20.3.2.1 Key financial data, year ended December 31, 2010

€ thousands, except for per share data	2010	2009
INCOME STATEMENT		
Revenue	680,533	670,474
Operating profit	26,859	21,897
Profit before non-operating items and tax	270,404	229,335
Net profit	341,947	214,753
BALANCE SHEET		
Share capital	38,098	38,792
Equity	1,808,042	1,801,489
Net debt	257,279	(135,283)
Non-current assets, net	2,189,134	1,776,516
Total assets	2,685,257	2,311,569
Dividend per ordinary share, in €	0.83	0.70

Parent Company revenues increased 1.5% compared to 2009. Glass sales on the French market were stable and instrument sales rose 10.9% on the French market and 7.1% for export. Logistics activity remained stable from 2009 to 2010. Finally, the Puerto Rico branch experienced revenue growth of 3.3%.

Operating income rose 22.7%. This development is the result of a combination of the following two factors:

- on the one hand, an expense relative to the performance share plans which, as from this year, is recognized as a compensation component under personnel expense; and
- on the other hand, an increase in remuneration from Essilor International intellectual property in the form of royalties.

The significant rise in financial income is related primarily to the increase in the dividends paid by the Essilor International subsidiaries. In particular, this higher dividend may be explained by the collection by the parent company of a dividend paid by its subsidiary Satisloh, which was acquired in late 2008 and did not pay a dividend to Essilor International in 2009.

The changes in extraordinary income were also very significant. Besides the charge relative to the redemption of the Oceane bonds in 2010, the increase in exceptional income may be explained for the most part by the income from the sale of the Sperian Protection shares that took place in 2010. This sale made it possible to record a significant capital gain in the Essilor International financial statements. Finally, the 2009 exceptional income was significantly impacted by the creation in the Essilor International financial statements of a provision for tax risks following the tax audit for 2006 to 2008 inclusive. At year-end 2010, the company received a notice of deficiency, which it has the option to contest. Without prejudice to the final position of the tax authorities, Essilor International consequently adjusted the provision that it had originally created in 2009.

For 2010, the taxes recorded in the financial statements are not an expense but income. This is due to the fact that despite the reduced-rate tax expense exceeding the attributable tax credits (the research tax credit, in particular), the company posted a tax loss for its earnings taxable at the ordinary tax rate, thus generating tax income for 2010 as part of tax consolidation.

Net earnings totaled €341.9 million, an increase of 59.2% compared to the previous year.

20.3.2.2 **Income statement, year ended December 31, 2010**

€ thousands	Notes	2010	2009
Revenue	2	680,533	670,474
Production transferred to inventory		(2,029)	(1,710)
Production of assets for own use		5,461	5,823
PRODUCTION		**683,965**	**674,587**
Purchases of materials and change in inventory		310,503	278,335
Other purchases and external charges		190,540	198,968
ADDED VALUE		**182,922**	**197,284**
Taxes other than income tax		18,598	20,000
Personnel expenses[(a)]	14	288,269	241,270
EBITDA		**(123,945)**	**(63,985)**
Depreciation, amortization and provisions, net	11	(12,232)	(210)
Other income (expenses), net		163,036	86,092
OPERATING PROFIT		**26,859**	**21,897**
NET INTEREST INCOME[(a)]	3	243,545	207,438
PROFIT BEFORE NON-OPERATING ITEMS AND TAX		**270,404**	**229,335**
NET NON-OPERATING INCOME (EXPENSES)	4	66,466	(28,694)
Income tax expense	5	(5,077)	(14,111)
NET PROFIT		**341,947**	**214,753**

(a) According to CNC notice 2008-17, allocations, reversals, and expenses related t the allocation of bonus shares and stock options must be presented in employee expenses (amount accordingly included in 2010 personnel expenses: (€39,121) thousand). In 2009, allocations were reported as financial income, and no definitive attribution had yet taken lace (amount according included in 2009 financial income: (€18,399) thousand).

20.3.2.3 **Balance sheet at December 31, 2010**

ASSETS

		2010			2009
€ thousands	Note	Cost	Depreciation, amortization, provisions	Net	Net
Intangible assets	6	115,794	66,773	49,021	50,072
Property, plant and equipment	7	314,569	204,122	110,447	115,796
Investments and other non-current assets	8	2,115,497	85,830	2,029,666	1,610,648
NON-CURRENT ASSETS, NET		**2,545,859**	**356,725**	**2,189,134**	**1,776,516**
Inventories	9.1	79,792	17,697	62,095	63,061
Suppliers prepayments	9.2	3,339	8	3,331	2,647
Trade receivables	9.2	174,230	2,469	171,760	167,021
Other receivables	9.2	121,418	437	120,981	108,301
Marketable securities	9.3	132,074		132,074	187,129
Cash		2,580		2,580	3,418
CURRENT ASSETS		**513,433**	**20,611**	**492,821**	**531,578**
Bond redemption premiums	9.4	0		0	14
Prepaid expenses	9.4	3,188		3,188	2,906
Conversion losses		114		114	555
TOTAL ASSETS		**3,062,594**	**377,337**	**2,685,257**	**2,311,569**

EQUITY AND LIABILITIES

€ thousands	Note	2010	2009
Share capital	10.1	38,098	38,792
Additional paid-in capital		224,697	415,321
Legal reserve		3,879	3,803
Other reserves		1,166,408	1,099,408
Retained earnings		6,710	5,017
Net profit		341,947	214,753
Government grants		122	128
Untaxed provisions		28,129	28,190
Translation reserve	1.12	(1,949)	(3,922)
EQUITY	10.2	**1,808,042**	**1,801,489**
PROVISIONS FOR CONTINGENCIES AND CHARGES	11.1	**74,484**	**86,870**
Convertible bonds	12.2	11	54,288
Other bonds		0	0
Bank borrowings and current account advances from subsidiaries	12.1	297,891	783
Other borrowings	12.1	94,031	193
TOTAL BORROWINGS	12	**391,933**	**55,264**
Advances and deposits from customers	12.1	0	
Trade payables	12.1	110,691	94,626
Accrued taxes and personnel expenses	12.1	71,453	56,482
Other liabilities	12.1	227,422	216,706
TOTAL PAYABLES AND ACCRUALS		**409,566**	**367,814**
Deferred income		1,164	130
Conversion gains		68	1
TOTAL EQUITY AND LIABILITIES		**2,685,257**	**2,311,569**

20.3.2.4 Cash flow statement, year ended December 31, 2010

€ thousands	**2010**	**2009**
Net profit for the year	341,947	214,753
Elimination of non-cash items	(54,400)	46,882
Cash flow	287,547	261,635
Change in working capital[(a)]	25,816	(37,003)
NET CASH FROM OPERATING ACTIVITIES	**313,363**	**224,632**
Purchases of property, plant and equipment	(25,122)	(21,464)
Acquisitions of shares in subsidiaries and affiliates and other investments	(244,319)	(80,086)
New loans extended	(3,499,963)	(1,253,999)
Proceeds from disposals of assets	32,969	466
Repayment of loans	3,270,598	1,352,872
NET CASH USED IN INVESTING ACTIVITIES	**(465,837)**	**(2,211)**
Issue of share capital	78,822	35,735
Purchases and sales of treasury stock	(226,970)	(75,622)
Dividends paid	(145,984)	(136,189)
Increase / (Decrease) in borrowings	381,927	(192,891)
NET CASH USED BY FINANCING ACTIVITIES	**87,796**	**(368,968)**
Change in cash and cash equivalents	(64,678)	(146,547)
Cash and cash equivalents at January 1	189,889	336,436
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**125,211**	**189,889**

(a) Changes in working capital are as follows:

€ thousands	**2010**	**2009**	**Variation**
Prepayments to suppliers	3,331	2,647	(684)
Inventories	62,095	63,061	966
Operating receivables	182,227	182,150	(77)
Other receivables	104,842	87,969	(16,873)
Accrued interest on loans and dividends receivable	1,766	1,865	99
Advances and deposit from customers	0	0	0
Operating liabilities	(250,813)	(223,629)	27,184
Other liabilities	(153,081)	(138,982)	14,099
Accrued interest	(349)	(507)	(158)
Deferred income, prepaid expenses and conversion gains and losses	2,070	3,330	1,260
WORKING CAPITAL	**(47,912)**	**(22,096)**	**25,816**

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

20.3.2.5 Notes to the 2010 Parent Company Financial Statements

The following notes provide additional information about items reported in the balance sheet at December 31, 2010, which shows total assets of €2,685,257 thousand.

The income statement shows net profit of €341,947 thousand.

The financial statements cover the 12-month period from January 1 to December 31, 2010.

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

Note: all amounts are presented in thousands of euros, unless otherwise specified.

SIGNIFICANT EVENTS OF THE YEAR

Commercial revenue

Glass sales on the French market were stable compared to 2009. Instrument sales in France grew following the growth of sales of MrBlue and the new Ultimate offer. Glass logistics center activity was stable compared to the past year.

Business activity in the Puerto Rico subsidiary grew compared to 2009.

Financial transactions

Treasury stock transactions

During 2010, Essilor bought back 7,476,737 treasury shares. This transaction took place as part of the share back policy conducted by Essilor since 2003, the goal of which is to limit the dilutive effects related to OCEANE conversions to the granting of stock subscription options and performance shares. On May 11, 2010 and November 25, 2010, the Essilor Board of Directors decided to cancel a total of 6,312,636 shares, thus causing a reduction of share capital of €1,136,274.48. Moreover, 1,823,318 shares were delivered in exchange for 911,659 OCEANEs following conversion transactions.

Finally, 1,138,324 shares were delivered from the pool of treasury shares due to the exercise of stock options and following the completion of the performance of the performance share plans of November 22, 2006, January 24, 2007, November 14, 2007, January 23, 2008, November 27, 2008, and December 18, 2008.

As of December 31, 2010, the number of treasury shares was 2,894,112.

Acquisitions

As part of its acquisitions policy, Essilor International continues to strengthen its presence in the Americas, Europe, Asia, and Africa through several transactions:

- in France, Essilor acquired a stake in Essor, a glass distributor that made over €5 million in revenues, a significant portion of which was from the Caribbean;
- in the UK, Essilor acquired 80% of Leicester Optical, a prescription and cutting and mounting laboratory located in Rothley, which makes annual sales totaling €1.8 million;
- in China, Essilor acquired the majority of capital of Danyang ILT Optics, an ophthalmic glass manufacturer that makes revenues of €7 million;
- in Taiwan, Essilor acquired the majority of capital of SMJ, a prescription laboratory and distributor (Revenues: €1.6 million);
- in Australia, Essilor acquired 70% of the capital of Eyebiz Pty Limited, a joint venture with Luxottica Group, the leader in the design, manufacturing, and distribution of fashion, luxury, and premium sports eyewear. Eyebiz is a finishing laboratory that serves all of Luxottica's sales points in Australia and New Zealand;
- in the Equipment division, Essilor acquired a 60% stake in the capital of DAC Vision, one of the world's leading manufacturers of consumables for surfacing, processing, and mounting. With locations in Europe and the United States, DAC Vision made revenues of around €30 million.

Human resources

At its meeting on November 25, 2010, the Board of Directors decided to allot 967,813 performance shares. These shares will be definitively allotted only when the annualized growth rate of the share is greater than or equal to 2% of the reference price of €48.01 after the legal acquisition periods (which may last from two to six years). These new allotments caused a provision to be created.

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

Income tax

For 2010, the taxes were recorded in the financial statements not as an expense but as income. Despite a reduced-rate tax expense higher than the tax credits applicable (especially the research tax credit), the Company posted negative tax income for its earnings taxable at the ordinary rate, thus generating tax income for 2010 as part of the tax consolidation.

Essilor International was the subject of a tax audit for 2006 to 2008 inclusive. At year-end 2010, the company received a tax adjustment notice, which it has the option to contest. Without prejudice to the final position of the tax authorities, Essilor International consequently adjusted the provision that it originally created in 2009.

NOTE 1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

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

1.2 INTANGIBLE ASSETS

Intangible assets correspond primarily to purchased goodwill, concessions, patents, licenses and software. They are stated at cost. Book amortization is calculated by the straight-line method over the following estimated useful lives:

Software	1 to 10 years
Patents	Period of legal protection

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

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

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

The initial cost of the asset includes related transaction costs.

1.3 RESEARCH AND DEVELOPMENT COSTS

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

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

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

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

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

1.4 PROPERTY, PLANT AND EQUIPMENT

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

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

Buildings	20 to 33 years
Building improvements	7 to 10 years
Industrial machinery, equipment and tools	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.

1.5 LONG-TERM INVESTMENTS

Shares in subsidiaries and affiliates are stated at acquisition cost. The cost of investments acquired prior to December 31, 1976 that were included in the 1978 legal revaluation, corresponds to revalued cost. The revaluation difference originally credited to reserves was transferred to the capital account in 1980. The initial cost of shares in subsidiaries and affiliates includes related transaction costs.

The value in use of shares in subsidiaries and affiliates is estimated each year, generally on the basis of the investee's net assets and earnings outlook.

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

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

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

1.6 INVENTORIES

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

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

1.7 RECEIVABLES AND PAYABLES

Receivables and payables are stated at nominal value. Foreign currency receivables and payables are converted into euros at the year-end exchange rate or the hedging rate. 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 retail certificates of deposit, are stated at cost.

This item also includes Essilor International shares acquired under the Company's liquidity contract.

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

1.9 DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company uses derivative financial instruments solely for hedging purposes. All currency transactions are subject to pre-determined position limits designed to optimize the protection afforded by the hedges. The Company's interest rate management policy consists of hedging interest rate risks.

Gains and losses on hedging instruments are recognized in the year in which they are settled, on a symmetrical basis with the loss or gain on the hedged item. They are based on the forward rate at the balance sheet date for the remaining period to maturity. If hedging positions at the year-end exceed the currency positions reflected in the balance sheet, a provision is recorded for the estimated cost of unwinding the hedges.

1.10 FOREIGN CURRENCY TRANSACTIONS

Substantially all foreign currency transactions are hedged and are converted into euros at the hedging rate. Any transactions that are not hedged are converted at the exchange rate on the transaction date.

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

A provision is booked for conversion losses.

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

1.11 PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

Employee plans

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

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

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

- The projected benefit obligation, corresponding to the vested rights of active and retired employees, is determined by the projected unit credit method, based on estimated final salaries, actuarial assumptions concerning inflation, staff turnover rates and the rate of future salary increases, and an appropriate discount rate.
- The discount rate corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation.
- In cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets.
- Actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in profit by the corridor method. This method consists of amortizing over the expected average remaining service lives of plan participants only the portion of the net cumulative gain or loss that exceeds the greater of 10% of either the projected benefit obligation or the fair value of the plan assets.
- When 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. When rights under the new or modified plan vest immediately, the resulting change in the Company's obligation is recognized in profit immediately.
- Provisions recorded in the balance sheet correspond to the projected benefit obligation less the fair value of any plan assets, the value of unrealized actuarial gains and losses and unrecognized past service cost.

1.12 FOREIGN CURRENCY TRANSLATION

The financial statements of the American branch, Essilor Industries – which is considered as representing an independent entity – are prepared in US dollars and translated into euros as follows:

Income statement items are translated at the average hedging rate for the year.

Balance sheet items are translated at the December 31, 2010 exchange rate, except for:

- reserves, which are translated at the historical rate;
- net profit, which is translated at the hedging rate.

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

1.13 CORPORATE INCOME TAX (GROUP RELIEF)

Essilor International files a consolidated tax return with BBGR, OPTIM, INVOPTIC, VARILUX UNIVERSITY, NOVISIA, ESSIDEV, OSE, TIKAI VISION, BNL EUROLENS, DELAMARE SOVRA and OMI 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. This has no impact on the parent company accounts.

Besides a tax charge of €16,618 thousand, taxes acknowledged at include income related to the research tax credit of €11,866 thousand and tax integration income of €8,821 thousand. Essilor tax income ended up totaling €5,077 thousand.

The corporate income tax due by the tax group amounted to €103,286 thousand at December 31, 2010.

The tax savings arising from the use of the tax losses of tax group members, which are returnable to them by Essilor International if and when they return to profit, are recognized as a liability in the Company's balance sheet, for an amount of €3,702 thousand at December 31, 2010.

1.14 RECOGNITION AND MEASUREMENT OF PROVISIONS

Untaxed provisions

These mainly comprise provisions for excess tax depreciation.

Provisions for contingencies and charges

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

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

Provisions for customer warranties

The provision is calculated:

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

Provisions for treasury shares

- Shares held under stock option plans: Essilor International shares held by the Company for allocation on exercise of stock options are carried at cost under "Other long-term investments." 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.
- Performance shares: a provision is recorded for the cost of performance shares, corresponding to the estimated number of shares that are expected to vest multiplied by the weighted average price of the Essilor International shares held in treasury at the 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 standard CRC 2008-15 issued on December 4, 2008, as one of the vesting conditions is the grantee's continued employment by the Company.

Since the granting of stock options and performance shares constitute a remuneration item, these provisions have been reported as personnel expenses since this year. These provisions were previously reported as financial income.

Provisions for losses from subsidiaries and affiliates

A provision is booked for losses on subsidiaries and affiliates that have a negative net worth, corresponding to:

- the Company's equity in the investee's negative net worth if Essilor has unlimited joint and several liability for its debts, or
- Essilor's commitment, in all other cases.

1.15 BONDS

In July 2003, the Company carried out an Oceane convertible bond issue with the aim of diversifying its financing sources and reducing its average borrowing costs. The Oceane bonds were initially convertible and/or exchangeable for Essilor International shares on a one-for-one basis. Following the July 2007 two-for-one stock-split, the conversion ratio is now two shares per bond. Essilor International may choose to issue new shares or allot existing shares for the bonds. The redemption premium on these bonds is being amortized by the reducing balance method over seven years.

This borrowing ended in July 2010.

NOTE 2. REVENUE

2.1 NET REVENUE BY BUSINESS SEGMENT

2010 *€ thousands*	France	Export	Total	% change 2009
Corrective lenses	298,661	215,006	513,667	2.2%
Optical instruments	33,613	50,079	83,692	7.5%
Industrial equipment	1,488	18,683	20,171	(37.4%)
Other	15,615	47,388	63,003	9.4%
TOTAL	**349,378**	**331,155**	**680,533**	**1.5%**

2009 *€ thousands*	France	Export	Total	% change 2008
Corrective lenses	297,560	205,221	502,781	(5.0%)
Optical instruments	30,789	47,072	77,861	(3.9%)
Industrial equipment	4,538	27,704	32,242	(13.7%)
Other	14,304	43,286	57,590	(13.6%)
TOTAL	**347,191**	**323,283**	**670,474**	**(6.1%)**

2.2 BREAKDOWN BETWEEN INTERCOMPANY AND EXTERNAL SALES, FRANCE AND EXPORT

€ thousands	2010	2009	% change 2010/2009
France:			
- Intercompany	37,761	39,045	(3.3%)
- External	311,617	308,146	1.1%
Sub-total	349,378	347,191	0.6%
Export:			
- Intercompany	280,785	280,575	0.1%
- External	50,370	42,707	17.9%
Sub-total	331,155	323,283	2.4%
TOTAL	**680,533**	**670,474**	**1.5%**

NOTE 3. NET INTEREST INCOME

€ thousands	**2010**	**2009**
Interest expense	(3,699)	(8,518)
Interest income		
Dividends	250,217	215,954
Investment income	1,460	5,174
Interest income from loans	11,804	2,578
Net discounts	(3,086)	(2,881)
Provisions for losses on subsidiaries	(12,054)	(6,529)
Exchange gains and losses, net	4,550	1,753
Other	(5,648)	(94)
TOTAL[a]	**243,545**	**207,438**

(a) Net allocations to provisions for contingencies relating to performance shares and stock options were recognized as personnel expenses in 2010 whereas previously they were reported as financial income. If this presentation had been used in 2009, financial income would have totaled €225,837 thousand.

NOTE 4. NON-OPERATING ITEMS

€ thousands	**2010**	**2009**
REVENUE TRANSACTIONS	**1,952**	**(658)**
Other income and expenses from revenue transactions	2,189	(115)
Restructuring costs	(236.75)	(543)
CAPITAL TRANSACTIONS	**57,382**	**(1,924)**
Disposals of investments[a]	61,500	(1,152)
Other income and expenses from capital transactions	(4,118)	(772)
PROVISION MOVEMENTS	**7,132**	**(26,111)**
Untaxed provisions	61	(1,933)
Restructuring provisions[b]	2,251	724
Provisions for impairment in value of intangible assets		
Provisions for impairment in value of investments	0	1,152
Other[c]	4,821	(26,054)
TOTAL	**66,466**	**(28,694)**

(a) Transactions on disposals of financial assets include both the sale of Sperian stock (capital gain of €84 million) and the expense related to the redemption of OCEANE bonds for a value of €22.6 million.

(b) Restructuring transactions include a reorganization plan announced at year-end 2008 for two company manufacturing sites.

(c) Other allocations and write-backs for provisions correspond for the most part to the provision for tax audits originally allotted in 2009, and partially recovered in 2010 with regard to adjustment notices received in late 2010.

NOTE 5. INCOME TAX EXPENSE

5.1 PROFIT EXCLUDING OVERRIDING TAX ASSESSMENTS

€ thousands	**2010**	**2009**
Net profit	341,947	214,753
Income tax expense	(5,077)	(14,111)
Pre-tax profit	336,869	200,641
Change in regulated provisions	(61)	1,933
Profit before tax, excluding overriding tax assessments	336,808	202,574

Profit for 2010 includes €250.22 million worth of dividends and €111.40 million worth of royalties that are taxed at a reduced rate.

5.2 ANALYSIS OF INCOME TAX EXPENSE

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

€ thousands	**Before tax**	**Tax**	**After tax**
2010			
Profit before non-operating items and tax[(a)]	270,404	(2,111)	268,292
Non-operating income (expenses), net[(b)]	66,466	7,189	73,654
NET PROFIT			**341,947**

(a) of which €249,461 thousand in dividends taxed only for a portion of fees and expenses of 5% and €111,407 thousand in royalties taxed at a reduced rate of 15%.
(b) of which €84,088 thousand in net long-term capital gains related to the sale of Spérian shares taxed only for a portion of fees and expenses of 5%,

€ thousands	**Before tax**	**Tax**	**After tax**
2009			
Profit before non-operating items and tax	229,335	13,243	242,578
Non-operating income (expenses), net	(28,694)	868	(27,825)
NET PROFIT			**214,753**

5.3 UNRECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

ASSETS

No deferred tax assets are recognized in the balance sheet.

€ thousands	**2010**	**2009**
Pension plan	29,157	26,242
Provisions for vacation pay[(a)]	11,385	11,179
Convertible bonds (amortization of redemption premiums)	0	2,392
Impairment of investments in subsidiaries and affiliates	85,628	72,238
Others	12,891	33,864
TOTAL	**139,060**	**145,914**
Tax loss carryforwards[(b)]	**103,286**	**16,023**
Unrecognized deferred tax asset (34.43% tax rate)	83,440	55,755

(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) The Company believes it will be able to use its tax loss carryforwards.

EQUITY AND LIABILITIES

No deferred tax liabilities are recognized in the balance sheet. Recognition of deferred taxes on timing differences would have the effect of increasing income tax expense by €9,727 thousand as follows:

€ thousands	At the end of 2008	Increase 2009	Decrease 2009	At the end of 2009	Increase 2010	Decrease 2010	At the end of 2010
Provisions for:							
- Excess tax depreciation	26,258	7,253	5,321	28,190	7,205	7,265	28,129
- Other	90	37		128		6	122
TOTAL	**26,348**	**7,290**	**5,321**	**28,318**	**7,205**	**7,271**	**28,251**
Unrecognized deferred tax liability (34.43% tax rate)	9,072			9,750			9,727

NOTE 6. INTANGIBLE ASSETS

€ thousands	At the beginning of the year	Acquisitions	Disposals	Other movements	Amortization and impairment losses for the year	Reversals of amortization and impairment losses	At the end of the year
2010							
Development costs	2,580	250		721			3,551
Patents, trademarks and licenses	91,423	3,024	5,954	5,653			94,146
Purchased goodwill	434						434
Other intangible assets	19,237	5,912	1,152	(6,334)			17,663
GROSS AMOUNT	**113,675**	**9,186**	**7,106**	**39**			**115,794**
Amortization and provisions	63,603				8,607	5,437	66,773
CARRYING AMOUNT	**50,072**						**49,021**
2009							
Development costs	2,138	13		430			2,580
Patents, trademarks and licenses	82,911	1,701	186	6,997			91,423
Purchased goodwill	434						434
Other intangible assets	21,801	5,288	407	(7,445)			19,237
GROSS AMOUNT	**107,284**	**7,002**	**594**	**(18)**			**113,675**
Amortization and provisions	55,449				8,747	594	63,603
CARRYING AMOUNT	**51,835**						**50,072**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

€ thousands	At the beginning of the year	Acquisitions	Disposals	Other movements	Depreciation and impairment losses for the year	Reversals of depreciation and impairment losses	At the end of the year
2010							
Land	13,786	93	236	216			13,859
Buildings	117,578	1,209	4,783	3,090			117,093
Plant and equipment	123,553	5,355	4,035	4,189			129,062
Other	45,692	931	2,915	402			44,110
Assets under construction	8,178	7,890	89	(5,918)			10,062
Advance payments to suppliers	265	298		(181)			382
GROSS AMOUNT	**309,052**	**15,776**	**12,058**	**1,798**			**314,569**
Depreciation and provisions	193,256				19,798	8,932	204,122
CARRYING AMOUNT	**115,796**						**110,447**
2009							
Land	13,564	60	27	189			13,786
Buildings	115,228	2,072	1,457	1,736			117,578
Plant and equipment	115,755	6,700	5,582	6,681			123,553
Other	45,923	1,060	1,475	184			45,692
Assets under construction	12,946	4,500	18	(9,250)			8,178
Advance payments to suppliers	385	190		(310)			265
GROSS AMOUNT	**303,801**	**14,581**	**8,559**	**(770)**			**309,052**
Depreciation and provisions	183,516				16,354	6,613	193,256
CARRYING AMOUNT	**120,285**						**115,796**

NOTE 8. INVESTMENTS AND OTHER NON-CURRENT ASSETS

8.1 ANALYSIS

€ thousands	At the beginning of the year	Acquisitions	Disposals	Other movements	Impairment losses of the year	Reversals of impairment losses	At the end of the year
2010							
Shares in subsidiaries and affiliates[(a)]	1,390,414	234,814	49,521	3,849			1,579,557
Loans to subsidiaries and affiliates[(b)] (advances on share issues)	104,705	3,514,720	3,223,212	(1,491)			394,722
Other long-term investments (Essilor International shares)	177,474	617,319	658,601	0			136,192
Other loans	44	0	0	0			44
Other non-current assets[(c)]	10,557	5,657	8,873	(2,358)			4,983
GROSS AMOUNT	**1,683,193**	**4,372,510**	**3,940,206**	**0**			**2,115,497**
Provisions	**72,545**				**34,941**	**21,656**	**85,830**
CARRYING AMOUNT	**1,610,648**						**2,029,666**

(a) Increases:

- capital increases for EOA (€115.4 million), Novisia (€15 million), BNL (€2.2 million)
- incorporation of China Holding Co (€34.4 million)
- 80% acquisition of Danyang Ilt, 70% acquisition of Eyebiz, 60% acquisition of Dac Vision Inc, 60% acquisition of Dac Vision Sas, 80% acquisition of Leicester Optical, 65% acquisition of Essor for a total amount of €45.8 million)
- 49% acquisition of ILT for ownership of 100% of capital, 20% acquisition of Omega for ownership of 100% of capital, 24% acquisition of Omax for ownership of 75% of capital, 10.17% acquisition of Unilab for ownership of 30.5% of capital, for a total amount of €19 million.

Decreases: disposal of Sperian Protection for a value of €49.5 million

Transfers:

- long-term assets of various acquisition fees (€2.4 million)
- capitalization of advance granted to PT Indonesia (€1.5 million)

(b) Increases and decreases are primarily related to renewals of loans to subsidiaries

(c) Total payment of fixed-term bank deposit (escrow): Satisloh

€ thousands	At the beginning of the year	Acquisitions	Disposals	Other movements	Impairment losses for the year	Reversals of impairment losses	At the end of the year
2009							
Shares in subsidiaries and affiliates	1,318,936	4,197	72	67,353			1,390,414
Loans to subsidiaries and affiliates [(a)] (advances on share issues)	172,061	1,287,281	1,314,775	(39,862)			104,705
Other long-term investments (Essilor International shares)	156,301	132,047	110,874	0			177,474
Other loans	44	0	0	0			44
Other non-current assets[(b)]	32,153	30,139	24,244	(27,491)			10,557
GROSS	**1,679,494**	**1,453,664**	**1,449,965**	**0**			**1,683,193**
Provisions	**86,411**				**15,012**	**28,878**	**72,545**
CARRYING AMOUNT	**1,593,083**						**1,610,648**

(a) Increases and decreases correspond mainly to the rollover of loans to subsidiaries.

(b) Partial payment of the interest-bearing escrow deposit: Satisloh.

8.2 SUBSIDIARIES AND AFFILIATES

Investments with a gross amount representing: *€ thousands*	Share capital	Reserves	Book value Gross	Book value Net	Loans and advances made by the Company	Guarantees given by the Company	Last published net revenue	Last published profit	Dividends received during the year
MORE THAN 1% OF THE COMPANY'S CAPITAL									
French companies	78,300	247,005	209,145	192,576	3,450	2,220	348,451	25,955	51,380
International companies	333,121	1,246,501	1,368,865	1,299,895	253,314	450,524	4,676,101	407,148	196,866
LESS THAN 1% OF THE COMPANY'S CAPITAL									
French companies	0	0	0	0	0	0	0	0	0
International companies	13,691	16,227	1,547	1,334	8,394	10,127	71,516	(1,528)	820

8.3 ANALYSIS OF LONG-TERM LOANS AND RECEIVABLES BY MATURITY

€ thousands	**2010**	**2009**
More than one year	3,808	4,007
Less than one year	395,941	111,299
TOTAL	**399,748**	**115,305**

NOTE 9. CURRENT ASSETS

9.1 INVENTORIES

€ thousands	**2010**	**2009**
Raw materials and other suppliers	41,743	39,389
Goods for resale	6,759	7,428
Finished and semi-finished products and work in progress	31,291	33,401
Sub-total	79,792	80,218
Provisions:		
Raw materials and other suppliers	(11,954)	(10,997)
Goods for resale	(2,098)	(1,589)
Finished and semi-finished products and work in progress	(3,645)	(4,570)
Sub-total	(17,697)	(17,157)
TOTAL	**62,095**	**63,061**

9.2 ANALYSIS OF OPERATING RECEIVABLES BY MATURITY

€ thousands	**2010**
More than one year	**215**
Other receivables	215
Less than one year	**298,773**
Prepayments to suppliers	3,339
Trade receivables	174,230
Other receivables	121,203
TOTAL	**298,987**

9.3 MARKETABLE SECURITIES

		2010		**2009**
€ thousands	Cost	Net	Cost	Net
SICAV mutual funds[(a)]	128,213	128,213	186,957	186,957
Own shares[(b)]	2,939	2,939	0	0
Currency options	922	922	173	173
TOTAL	**132,074**	**132,074**	**187,129**	**187,129**
Retail certificates of deposit	0	0	0	0
TOTAL MARKETABLE SECURITIES	**132,074**	**132,074**	**187,129**	**187,129**

(a) Sicav held at closing are comprised solely of money-market funds of three months and less than three months.
(b) Held under the liquidity contract.

9.4 ACCRUALS

€ thousands	**2010**	**2009**
Prepaid expenses		
TOTAL	**3,188**	**2,906**

€ thousands	**2010**	**2009**
OCEANE bonds redemption premium		
VALUE AT JANUARY 1	**14**	**376**
Amortizations	14	361
VALUE AT DECEMBER 31	**0**	**14**

9.5 ACCRUED INCOME

€ thousands	**2010**	**2009**
Investments and other non-current assets		
Loans to subsidiaries and affiliates	1,765	2,004
Receivables		
Trade receivables	14,074	21,094
Other receivables	733	5,075
TOTAL	**16,572**	**28,173**

NOTE 10. EQUITY

10.1 SHARE CAPITAL

Number of shares, except for per share data	Number of shares: At the beginning of the year	Issued	Cancelled	Exchanged	At end of the year	Par value *in €*
Ordinary shares	215,509,972	2,458,006	(6,312,636)		211,655,342	0.18
Preferred, non-voting shares	0				0	
TOTAL	**215,509,972**	**2,458,006**	**(6,312,636)**	**0**	**211,655,342**	**0.18**

Of which own shares:

Number of shares	At the beginning of the year	Bought	Canceled	Exercised stock options	OCEANE bonds conversion	Vested performance shares	At the end of the year
Treasury stock	4,630,653	7,476,737	(6,312,636)	(53,332)	(1,823,318)	(1,084,992)	2,833,112
Shares held in the liquidity account[(a)]	0	61,000					61,000
TOTAL	**4,630,653**	**7,537,737**	**(6,312,636)**	**(53,332)**	**(1,823,318)**	**(1,084,992)**	**2,894,112**

(a) Essilor purchased 1,385,735 and sold 1,324,735 shares between January 1 and December 31, 2010 under the liquidity contract.

10.2 STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital	Additional paid-in capital	Reserves and retained earnings	Net profit for the period	Untaxed provisions	Government grants	Translation difference	Total equity
EQUITY AT JANUARY 1, 2010	**38,792**	**415,321**	**1,108,228**	**214,753**	**28,190**	**128**	**(3,922)**	**1,801,489**
Share issues								
- Employee rights issue	98	20,192						20,290
- Exercise of stock options	344	56,201						56,545
- OCEANE bond conversions	1	98						99
Capital reduction	(1,136)	(267,115)						(268,252)
Other movements for the period					(61)	(6)	1,973	1,907
Appropriation of profit			214,753	(214,753)				0
Dividends paid			(145,984)					(145,984)
Net profit for the period				341,947				341,947
EQUITY AT DECEMBER 31, 2010	**38,098**	**224,697**	**1,176,997**	**341,947**	**28,129**	**122**	**(1,949)**	**1,808,042**

2010

Capital totaled €38,098 thousand, corresponding to a decrease of 3,854,630 ordinary shares following:

- a reduction of capital via cancellation of treasury shares (-6,312,636 shares);
- subscriptions to Essilor Group FCP mutual funds (541,767 shares);
- stock options (1,912,549 shares);
- conversion of OCEANE bonds with issue of shares (3,690 shares).

New shares were entitled to dividends starting January 1, 2010.

2009

Capital totaled €38,792 thousand, corresponding to an increase of 4,490,050 ordinary shares following:

- a reduction of capital via cancellation of treasury shares (-1,500,000 shares);
- subscriptions to Essilor Group FCP mutual funds (662,646 shares);
- stock options (778,714 shares);
- conversion of OCEANE bonds with issue of shares (4,548,690 shares).

New shares were entitled to dividends starting January 1, 2009.

NOTE 11. PROVISIONS

11.1 PROVISIONS FOR CONTINGENCIES AND CHARGES

€ thousands	At the beginning of the year	Charges	Utilizations	Releases (surplus provisions)	At end of the year
2010					
Provisions for pensions and other post-employment benefits	26,242	7,034	4,038	81	29,157
Provisions for losses in subsidiaries and affiliates	1,126	0	0	826	300
Provision for losses on treasury shares and for performance share costs	27,040	13,466	24,190	0	16,316
Provisions for restructuring	113	0	113	0	0
Other provisions for contingencies and charges[a]	32,349	5,149	3,345	5,442	28,710
TOTAL	**86,870**	**25,649**	**31,686**	**6,349**	**74,484**

(a) Other provisions for contingencies and charges are comprised primarily of the provision for tax audits, which totaled €22.1 million at year-end 2010.

€ thousands	At the beginning of the year	Charges	Utilizations	Releases (surplus provisions)	At the end of the year
2009					
Provisions for pensions and other post-employment benefits[a]	39,435	4,222	17,405	11	26,242
Provisions for losses in subsidiaries and affiliates	223	1,126	0	223	1,126
Provision for losses on treasury shares and for performance share costs	10,071	18,399	1,430	0	27,040
Provisions for restructuring	368	0	255	0	113
Other provisions for contingencies and charges[b]	5,513	29,706	2,798	72	32,349
TOTAL	**55,611**	**53,454**	**21,888**	**306**	**86,870**

(a) Including provision for voluntary retirement included in the 2009 financial statements as Other provisions for liabilities and charges".
(b) Other provisions for liabilities and charges are comprised primarily of the provision for tax audits.

11.2 PROVISIONS FOR IMPAIRMENT

€ thousands	At the beginning of the year	Charges	Releases	At the end of the year
2010				
PROVISIONS FOR IMPAIRMENT	**92,367**	**54,778**	**40,703**	**106,441**
Inventories	17,157	17,697	17,157	17,697
Receivables	2,657	2,140	1,891	2,906
Shares in subsidiaries and affiliates	72,360	34,941	21,551	85,750
Other long-term investments	185	0	104	81
Other	8			8
2009				
PROVISIONS FOR IMPAIRMENT	**106,611**	**34,059**	**48,304**	**92,367**
Inventories	17,423	17,157	17,423	17,157
Receivables	2,768	1,891	2,002	2,657
Shares in subsidiaries and affiliates	65,092	15,012	7,744	72,360
Other long-term investments	21,319	0	21,134	185
Other	8			8

NOTE 12. LIABILITIES

12.1 MATURITIES OF LIABILITIES

Analysis of total liabilities by maturity and by category

€ thousands	**2010**	**2009**
DUE WITHIN ONE YEAR	**797,462**	**422,371**
Borrowings	391,933	55,264
Operating liabilities	256,486	228,833
Other liabilities[(a)]	149,043	138,274
DUE IN ONE TO FIVE YEARS	**4,038**	**708**
Borrowings		
Operating liabilities		
Other liabilities	4,038	708
DUE BEYOND FIVE YEARS	**0**	**0**
Borrowings		
Operating liabilities		
Other liabilities		
TOTAL	**801,500**	**423,079**

(a) "Other liabilities" consist mainly of current account advances from subsidiaries for €145.5 million.

Analysis by maturity (total liabilities)

€ thousands	**2010**	**2009**
2010		422,371
2011	797,462	708
2012	2,439	
2013		
2014		
2015	1,599	

Analysis by currency (borrowings)

€ thousands	**2010**	**2009**
EUR	94,685	55,264
USD	288,197	
CAD	9,051	

12.2 CONVERTIBLE BONDS

Number of bonds, except otherwise stated	2010	2009
Number of bonds issued	6,040,212	6,040,212
Number of bonds purchased	1,180,000	1,180,000
Number of bonds converted	4,767,150	3,853,646
Number of bonds outstanding	93,062	1,006,566
Number of bonds redeemed	93,062	0
Nominal value *(in €)*	51.15	51.15
Annual interest *(in € thousands)* ("-": profit)	(314)	1,654

Note: Redemption premiums carried in the balance sheet are being amortized by the reducing balance method over 7 years. Unconverted bonds were reimbursed in full on July 2, 2010.

12.3 ACCRUED CHARGES

€ thousands	2010	2009
Accrued interest	597	758
Trade payables (goods and services received but not yet invoiced)	38,416	27,883
Accrued taxes and personnel expenses		
- vacation pay	30,113	27,860
- discretionary profit-sharing	4,154	4,304
- other	18,009	14,481
Other accrued charges		
- Accrued customer discounts and rebates	66,828	65,074
- Amounts due to customers	5,673	5,203
- Credit notes to be issued	1,840	7,448
TOTAL	**165,630**	**153,011**

12.4 RELATED PARTY TRANSACTIONS

BALANCE SHEET	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Other	Total on balance sheet
Equity stakes	1,419,185	74,622	0	1,493,807
Receivables from companies in which an equity int	393,524	1,198	0	394,722
TOTAL FIXED FINANCIAL ASSETS (NET)	**1,812,709**	**75,820**	**0**	**1,888,529**
Clients and related accounts	89,865	4,672	77,223	171,760
Other receivables	90,713	291	29,977	120,981
TOTAL CIRCULATING ASSETS (NET)	**180,578**	**4,963**	**107,200**	**292,741**
TOTAL ASSETS	**1,993,287**	**80,783**	**107,200**	**2,181,270**
Trade payables	46,361	3,372	60,958	110,691
Other operating liabilities	6,414	79	139,302	145,795
Other liabilities	150,743	654	1,685	153,081
TOTAL LIABILITIES	**203,518**	**4,104**	**201,944**	**409,567**

INCOME STATEMENT	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Other	Total
Interest expense[(a)]	44,878	78	143,409	188,365
Interest income[(b)]	225,631	57,682	148,597	431,909

(a) Financial expense breaks down as follows:

Financial expense reported under “Related parties” corresponds mainly to impairment losses on shares in subsidiaries, interest on advances from the cash pool and interest on borrowings.

Financial expense reported under “Other companies with which Essilor has capital ties” corresponds mainly to impairment losses on shares in affiliates.

Financial expense reported under “Unrelated parties” corresponds mainly to impairment losses on treasury shares, interest on borrowings and customer discounts.

(b) Financial income breaks down as follows:

Financial income reported under “Related parties” corresponds mainly to dividend income, reversals of impairment losses on shares in subsidiaries, and interest on loans.

Financial income reported under “Other companies with which Essilor has capital ties” corresponds mainly to reversals of impairment losses on shares in affiliates.

Financial income reported under “Unrelated parties” corresponds mainly to capital gains on the sale of marketable securities (mutual fund units and retail certificates of deposit), interest income from marketable securities, interest on loans and reversals from provisions for performance share costs.

NOTE 13. OFF-BALANCE SHEET COMMITMENTS

13.1. FINANCIAL COMMITMENTS

Commitments given and received

€ thousands	**2010**	**2009**
COMMITMENTS GIVEN		
Guarantees and endorsements [(a)]	531,272	593,854
COMMITMENTS RECEIVED		
Guarantees, endorsements and sureties	186	205

(a) Guarantees given by Essilor International mainly to subsidiaries and associates.

Forward foreign exchange contracts

As at December 31, 2010, forward foreign exchange transactions (excluding cross-currency swaps) were as follows:

€ thousands	Contractual amounts (initial price)	Fair value at December 31, 2010
Foreign currency sell position	198,453	(2,704)
Foreign currency buy position	64,739	726
TOTAL		**(1,978)**

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

Currency options

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

€ thousands	Nominal amount (valuation at exercise price)	Premiums paid/received at inception	Mark-to-market gains/(losses) since inception at December 31,
Purchases of puts	3,786	(133)	239
Sales of puts[(a)]			
Purchases of calls	3,472	(47)	0
Sales of calls[(a)]			
TOTAL		**(180)**	**239**

(a) All written options are hedged by purchased options (collars or cancellations of purchased options).
(b) Simulated premiums receivable (payable) on options held in the portfolio based on market prices at December 31.

Interest rate swap

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

In 2010, the Company conducted a reversal of existing interest rate swaps and concluded new ones at lower interest rates.

€ thousands	Notional amount (USD)	Notional amount (EUR)	Fair value at December 31, 2010
External cross-currency swaps	328,375	250,000	21,542
Internal cross-currency swaps	328,375	250,000	(21,531)
Interest rate swaps	100,000		(33)
TOTAL			**(22)**

13.2 FINANCE LEASE COMMITMENTS

The Company has not had any commitments under finance leases since 2006.

13.3 COMMITMENTS UNDER NON-CANCELABLE OPERATING LEASES AND OTHER CONTRACTS

	Future minimum payments			
Contractual obligations at December 31, 2010 *€ thousands*	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Total**
Software licenses	818	818		1,636
Non-cancelable operating leases	3,100	9,300		12,400
TOTAL	**3,918**	**10,118**	**0**	**14,036**

13.4 EMPLOYEE BENEFIT COMMITMENTS

Supplementary pensions

The Company's obligations under supplementary pension plans in favor of management and certain other long-serving employees were revalued in 2010, using the projected unit credit method, based on a 2% inflation rate, an appropriate staff turnover rate, a 3% rate of salary increases (higher than inflation), and a discount rate of 4.5%.

On this basis, the total obligation at December 31, 2010 stood at €33,357 thousand, including €10,215 thousand funded under insured plans at that date.

€ thousands	**2010**	**2009**
Projected benefit obligation	33,357	30,548
Fair value of plan assets	(10,215)	(18,539)
Deferred items[(a)]	(15,296)	(6,002)
PROVISION RECOGNIZED IN THE BALANCE SHEET	**7,846**	**6,007**

(a) Deferred items correspond to actuarial gains and losses and past service cost.

Length-of-service awards

The Company's obligation for the payment of length-of-service awards in application of French labor laws, collective bargaining agreements and trade union agreements was estimated at €2,253 thousand at December 31, 2010 based on a discount rate of 4.5%.

€ thousands	**2010**	**2009**
Projected benefit obligation	2,253	2,220
Fair value of plan assets	0	0
PROVISION RECOGNIZED IN THE BALANCE SHEET	**2,253**	**2,220**

Retirement benefits

The Company's obligation for the payment of retirement benefits was estimated at €31,599 thousand at December 31, 2010 based on a discount rate of 4.5%.

€ thousands	2010	2009
Projected benefit obligation	31,599	22,984
Fair value of plan assets	0	0
Deferred items[a]	(16,490)	(8,713)
PROVISION RECOGNIZED IN THE BALANCE SHEET	**15,109**	**14,271**

(a) Deferred items correspond to actuarial gains and losses and past service cost.

13.5 COMMITMENT RELATING TO THE SALE OF PUT OPTIONS ON MINORITY INTERESTS

Essilor granted put options to the minority shareholders of various controlled subsidiaries. As at December 31, 2010, the valuation of all of these put options if they were fully exercised totaled €51,182 thousand.

NOTE 14. EMPLOYEE DATA

14.1 AVERAGE NUMBER OF EMPLOYEES

Analysis of average number of employees	2010	2009
Management	1,232	1,216
Supervisory and administrative	1,360	1,345
Production	936	1,023
TOTAL	**3,528**	**3,584**

14.2 MANAGEMENT COMPENSATION

	2010		2009	
€ thousands	Executive bodies	Administrative bodies	Executive bodies	Administrative bodies
Overall compensation	2,956	435	2,641	380

Note: For 2010, executive and administrative body members also enjoyed stock option plans and performance share plans.

14.3 OTHER EMPLOYEE INFORMATION

"DIF" individual training entitlement

The cumulative number of hours training available to employees under the "DIF" scheme was 316,638 at December 31, 2010.

The cumulative number of hours for which no training request had been received at the balance sheet date was 303,387.

NOTE 15. FEES PAID TO THE AUDITORS AND MEMBERS OF THEIR NETWORKS

	PricewaterhouseCoopers				Mazars			
	Amount		In %		Amount		In %	
€ thousands, except for percentages	2010	2009	2010	2009	2010	2009	2010	2009
AUDIT SERVICES								
Statutory and contractual audit services	455	439			274	260		
Audit-related services	430	41			371	299		
Subtotal	**885**	**480**	**100%**	**100%**	**645**	**559**	**100%**	**100%**
OTHER SERVICES								
Legal and tax advice								
Other								
Subtotal	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**885**	**480**	**100%**	**100%**	**645**	**559**	**100%**	**100%**

NOTE 16. EVENTS AFTER THE BALANCE-SHEET DATE

Acquisitions made in early 2011

In Morocco, Essilor signed an agreement to acquire the majority of capital in L'N Optic, one of its current distributors. Based in Tangiers, L'N Optic is the largest prescription laboratory in the country and earns revenues of €2 million. This joint venture, which is the first time Essilor has established itself in Morocco, will produce and guarantee the development of glass from the Varilux and Crizal ranges.

In Brazil, the Group increased its stake in Unilab, a prescription laboratory that makes around €5.5 million in revenues, from 30.5% to 51%.

Acquisitions in progress in 2011

On October 15, 2010, Essilor announced that it had signed with Kibbutz Shamir an agreement under the terms of which Essilor is offering to acquire 50% of Shamir Optical, an independent ophthalmic glass manufacturer that made USD 142 million in revenues in 2009. The finalization of the transaction, which requires the approval of the Shamir Optical shareholders and various regulatory authorities, should take place in mid-2011.

NOTE 17. FIVE-YEAR FINANCIAL SUMMARY

€ thousands	2010	2009	2008	2007	2006
CAPITAL AT YEAR-END					
Share capital	38,098	38,792	37,984	38,030	36,347
Number of ordinary shares outstanding[(a)]	211,655,342	215,509,972	211,019,922	211,279,315	207,696,872
o/w treasury stock[(a)]	2,894,112	4,630,653	4,006,005	2,659,810	2,247,908
Number of preferred, non-voting shares outstanding	0	0	0	0	0

(a) In July 2007, the Company carried out a two-for-one stock-split in line with the decision of the Annual Shareholders' Meeting of May 11, 2007. The operation was carried out by increasing the shares' par value form €0.35 to €0.36 and then reducing it to €0.18. In the above table, the number of outstanding shares has been adjusted to reflect the effects of the stock-split.

€ thousands	2010	2009	2008	2007	2006
RESULTS OF OPERATIONS					
Net revenue	680,533	670,474	714,306	719,551	695,890
Profit before tax, depreciation, amortization and provisions	362,900	246,094	277,208	265,449	201,312
Income tax expense	(5,077)	(14,111)	(8,274)	3,496	7,029
Employee profit-sharing					
Net profit	341,947	214,753	239,156	205,079	168,745
Total dividends	173,272	147,616	136,629	129,344	112,997

in €	2010	2009	2008	2007	2006
PER SHARE DATA					
Earnings per share after tax and employee profit sharing, before depreciation, amortization and provisions, excluding treasury stock	1.76	1.23	1.38	1.26	0.95
Earnings per share, excluding treasury stock	1.64	1.02	1.16	0.98	0.82
Net dividend per ordinary share	0.83	0.70	0.66	0.62	0.55
Net dividend per preferred, non-voting share					

€ thousands, except for the average number of employe	2010	2009	2008	2007	2006
EMPLOYEE DATA					
Average number of employees	3,528	3,584	3,714	3,517	3,543
Total payroll	157,673	151,855	150,856	139,305	134,445
Total benefits	79,270	76,982	74,561	69,770	65,249

20.4 Audit of the historical annual financial information

20.4.1 STATEMENTS BY THE AUDITORS AND FEES PAID TO THE AUDITORS AND THE MEMBERS OF THEIR NETWORKS

20.4.1.1 Report of the Auditors on the consolidated financial statements

Year ended December 31, 2010

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information 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 captions or on information taken outside of the financial statements.

This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders

ESSILOR INTERNATIONAL SA

147, rue de Paris

94227 Charenton Cedex

Dear Shareholders:

In compliance with the assignment entrusted to us by the Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- The audit of the consolidated financial statements of ESSILOR INTERNATIONAL, as appended to this report;
- The justification of our assessments;
- The specific verification required by law.

The consolidated 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.

1- OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with auditing 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 includes examining, on a test basis or by selection, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We hereby certify that, with respect to IFRS as adopted by the European Union, the consolidated financial statements for the year present fairly the assets, financial position, and the results of operations of the group formed by the persons and entities included in the consolidation.

Without qualifying the opinion expressed above, we draw your attention to:

- Notes 21 and 28 to the consolidated financial statements presenting the developments in litigation matters and the provisions pertaining thereto since January 1, 2010,
- Note 1.3 presenting the changes in accounting methods and presentation resulting from the application, as from January 1, 2010, of the new revised IFRS 3, "Business combinations" and revised IAS 27 "Consolidated and separate financial statements."

2- JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we draw to your attention the following matters:

Goodwill is tested for impairment in accordance with the principles described in Note 1.21 to the consolidated financial statements. We examined the approach and assumptions used to perform these tests and checked that the disclosures in Note 11 to the consolidated financial statements were adequate.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3- SPECIFIC VERIFICATION

We have also performed specific verifications of the information given in the management report, in accordance with the professional standards applicable in France.

We have no comments to make concerning the fair presentation of this information and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie – March 17, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit

Christine Bouvry

Mazars

Pierre Sardet

20.4.1.2 **Fees paid to the Auditors and the members of their networks**

Years covered: 2010 and 2009.

	PricewaterhouseCoopers				**Mazars**			
	Amount (net of VAT)		Percentage of total (%)		Amount (net of VAT)		Percentage of total (%)	
€ thousands, except for percentages	2010	2009	2010	2009	2010	2009	2010	2009
AUDIT								
Statutory and contractual audit services:								
- Parent company	455	439	14%	17%	274	260	12%	19%
- Consolidated subsidiaries	2 041	1 724	65%	68%	1272	666	55%	49%
Audit-related services:								
- Parent company	430	41	14%	2%	371	299	16%	22%
- Consolidated subsidiaries	56	130	2%	5%	399	121	17%	9%
SUB-TOTAL	2 982	2 334	95%	93%	2 317	1 346	100%	99%
OTHER SERVICES PROVIDED TO CONSOLIDATED SUBSIDIARIES								
Legal and tax advice	163	189	5%	7%	0	15	0%	1%
Other	0	0	0%	0%	0	0	0%	0%
SUB-TOTAL	163	189	5%	7%	0	15	0%	1%
TOTAL	**3 145**	**2 523**	**100%**	**100%**	**2 317**	**1 361**	**100%**	**100%**

20.4.1.3 Report of the Auditors on the parent company financial statements

Year ended December 31, 2010

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information 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 captions or on information taken outside of the financial statements.

This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders

ESSILOR INTERNATIONAL SA

147, rue de Paris

94227 Charenton Cedex

Dear Shareholders:

In compliance with the assignment entrusted to us by the Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- The audit of the annual financial statements of ESSILOR INTERNATIONAL, as appended to this report;
- The justification of our assessments;
- The specific verifications and information required by law.

The annual 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.

1- OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with auditing 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 includes examining, on a test basis or by selection, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We hereby certify that, with respect to the accounting rules and principles applicable in France, the financial statements present fairly the results of the Company's operations for the year ended as well as its financial position and assets as of the end of that year.

2- JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we draw to your attention the following matters:

Note 1.5 to the financial statements describes the accounting treatment of investments.

As part of our assessment of the Company's accounting principles and policies, we verified the appropriateness of the policies and methods applied to investments and of the information disclosed in the notes to the financial statements. We also obtained assurance that these policies and methods had been properly applied.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3- SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no comments concerning 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 annual financial statements.

Concerning the disclosures made in application of Article L.225-102-1 of the French Commercial Code on the compensation and benefits paid and commitments given to executive directors, we checked the consistency of these disclosures with the accounts or with the underlying data as well as with any relevant information obtained by the Company from its subsidiaries.

Based on the audit conducted, we hereby certify that is the disclosures made are accurate and presented fairly.

As required by law, we have obtained assurance that disclosures about the acquisition of controlling and other interests and about the identity of shareholders were made in the management report.

Neuilly-sur-Seine and Courbevoie – March 17, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Christine Bouvry	Pierre Sardet

20.4.1.4 Special report of the Statutory Auditors on related party agreements and commitments for the year ended December 31, 2010

Free translation of the original French language report.

To the shareholders

In our capacity as Statutory Auditors of your company, we present below our report on related party agreements and commitments.

Our responsibility is to report to shareholders, based on the information provided to us, about the main terms and conditions of agreements and commitments that have been disclosed to us or of 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 or commitments. Under the provisions of Article R.225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether such agreements and commitments are appropriate and should be approved.

Our responsibility is also, as applicable, to report to shareholders as stipulated in Article R. 225-31 of the Commercial Code regarding the performance, during the year ended, of any agreements and commitments already approved by the Shareholders' Meeting.

We performed our procedures in accordance with professional guidelines issued by the Compagnie Nationale des Commissaires aux Comptes for this type of engagement. Those guidelines require us to perform procedures to check the consistency of the information given to us with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Under the provisions of Article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments approved in advance by the Board of Directors:

Purpose: Addendum to the employment contract of Hubert Sagnières, authorized by the Board of Directors on March 3, 2010.

Person concerned: Hubert Sagnières, Chief Operating Officer.

This addendum, drawn up in application of France's "TEPA" Act of August 21, 2007, confirms the termination benefits that would be payable to Hubert Sagnières in the event that his employment contract is terminated by the Company (other than for gross negligence or misconduct or when he reaches normal retirement age) – representing the equivalent of two years' salary – and submits the payment to performance conditions, as follows:

The performance benchmark will be the average performance by Hubert Sagnières over his last three years with the Company, measured as the ratio of actual results to the annual targets assigned to Hubert Sagnières by the Board of Directors and used for the calculation of his variable bonus.

Performance conditions: if actual results average between 100% (and over) and 50% of the target, the termination benefit will be determined on a strictly proportionate basis (for example, if actual results represent 90% of the target, Hubert Sagnières will receive 90% of the termination benefit). If actual results average less than 50% of the target, he will not be paid any termination benefit.

This commitment, approved by the Shareholders' Meeting of May 11, 2010, is subject to the approval of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2010, as part of the renewal of Hubert Sagnières' term in office.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved during the year ended

We have also been informed of the performance, during the year ended, of the following agreements and commitments, already approved by the Shareholders' Meeting of May 11, 2010, based on the Statutory Auditors' special report of March 11, 2010.

Purpose: Financial advisory agreement, authorized by the Board of Directors on November 26, 2009.

Person concerned: Olivier Pécoux, Managing Partner of Rothschild & Cie, Director of Essilor International.

At its meeting on November 26, 2009, the Board of Directors authorized the signing of an exclusive financial advisory agreement with Rothschild & Cie. The agreement provided for the payment to Rothschild & Cie of a success fee of €2.5 million and, at Essilor International's discretion, an additional success fee of €500,000.

This agreement resulted in the payment of €2,500,000 in 2010, rebilled in full by Essilor International to its subsidiary, Essilor of America.

Agreements and commitments approved during previous years

a) Whose performance continued during the year ended

Under the provisions of Article L.225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments that had already been approved by the Shareholders' Meeting in previous years continued during the year ended.

Purpose: Liquidity contract signed on November 18, 2004, renewed on September 28, 2005 and amended on January 27, 2006, March 21, 2007 and November 27, 2008 and matured on March 4, 2010.

Person concerned: Olivier Pécoux, Managing Partner of Rothschild & Cie Banque, Director of Essilor International

Under the terms of this contract, Essilor International had retained the services of Rothschild & Cie Banque to trade in Essilor International shares on an independent basis on the Essilor International's behalf, in order to promote a liquid market for the shares and stabilize the share price.

Capital assigned to this contract was as of the maturity date approximately €44 million. A payment of €77,411 was made in relation to this agreement in 2010.

b) Not performed during the year ended

We have also been informed of the continuation of the following agreements and commitments, already approved by the Shareholders' Meeting in previous years, which were not performed during the year ended.

Purpose: Suspension of Hubert Sagnières' employment contract, authorized by the Board of Directors on November 26, 2009.

Person concerned: M. Hubert Sagnières, Chief Operating Officer.

At its meeting on November 26, 2009, the Board authorized the suspension of Hubert Sagnières' employment contract effective January 1, 2010, in consideration of the latter's years of service with the Company at the time of his appointment as Chief Executive Officer (more than 20 years) and in line with the Board's decision of November 27, 2008.

If the contract subsequently comes back into effect, Hubert Sagnières' compensation will be based on his 2008 compensation as President, Essilor Europe and North America, plus an amount corresponding to the annual average compensation increases awarded to category IIIC executives in the period to the date when the contract is reactivated. His gross compensation for 2008 amounted to €932,000 based on an average euro/Canadian dollar exchange rate of CAD 1.4861.

Purpose: Continuation of the supplementary pension plan for Hubert Sagnières, authorized by the Board of Directors on November 26, 2009.

Person concerned: Hubert Sagnières, Chief Operating Officer.

At its meeting on November 26, 2008, the Board had authorized maintaining the "Article 39" supplementary pension plan for Hubert Sagnières, then Chief Operating Officer, both for his expatriation contract and as corporate officer. The Board of Directors, at its meeting of November 26, 2009, authorized Hubert Sagnières, to continue to be entitled after January 1, 2010 to the supplementary retirement plan in his capacity as Chief Executive Officer, in line with the agreement incorporated in addendum No.5 of contract RK120438983 regarding "Article 39" supplementary pension plans.

Neuilly-sur-Seine and Courbevoie – March 17, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Christine Bouvry	Pierre Sardet

20.4.2 DESCRIPTION OF AUDITED INFORMATION

Refer to the Auditors' report on the consolidated financial statements, in Section 20.4.1.1 of this Registration Document.

20.4.3 UNAUDITED FINANCIAL INFORMATION

Not applicable.

20.5 Latest financial information

The latest audited financial information corresponds to the years 2009 and 2010 (from January 1, 2009 to December 31, 2009 and from January 1, 2010 to December 31, 2010).

20.6 Interim and other financial information

20.6.1 QUARTERLY AND HALF YEARLY FINANCIAL INFORMATION

Refer to Section 3.2 of this Registration Document for more information on this topic.

20.6.2 INTERIM FINANCIAL INFORMATION COVERING THE FIRST SIX MONTHS OF 2011

Not applicable.

20.7 Dividend policy

The Company has not established a dividend policy. Every year, the dividend is recommended by the Board for approval by vote of the Annual Shareholders' Meeting.

2010 dividend payable in 2011

For 2010, the Board will recommend an 18.6% increase in the net dividend to €0.83 per share for 2010 from €0.70 per share for 2009.

The recommended dividend represents over one third of consolidated net profit attributable to equity holders of Essilor International. It reflects the Company's solid performance in 2010.

The dividend will be paid as from May 19, 2011, in cash only.

Historical payout rates

Total dividends for 2010 and the previous five years were as follows:

€ millions	Profit attributable to equity holders of Essilor International	total dividend	Payout ratio
2010 IFRS	462	172[(a)]	37%
2009 IFRS	391	146	37%
2008 IFRS	382	136	36%
2007 IFRS	367	128	35%
2006 IFRS	328	113	34%
2005 IFRS	287	96	33%

(a) After deducting dividends on shares held in treasury stock as of February 28, 2011.

Dividend history

Dividends per share for 2010 and the last five years were as follows:

In €	2010	2009	2008	2007	2006	2005
Ordinary shares[(a)]						
Net dividend	0.83	0.70	0.66	0.62	0.55	0.47
Paid on	May 19, 2011	May 28, 2010	May 26, 2009	May 28, 2008	May 15, 2007	May 16, 2006

(a) Adjusted for the July 2007 two-for-one stock-split.

Dividends not claimed within five years are time-barred, in accordance with the law.

Paying agent

CACEIS Corporate Trust - 14, rue Rouget de Lisle - 92862 Issy les Moulineaux – France - Phone: +33 (1) 57 78 00 00.

20.8 Legal and arbitration proceedings

Refer to Section 4.3 on legal risks.

20.9 Material changes in Essilor’s financial or trading position

No material change in Essilor’s financial or trading position has occurred since December 31, 2010.

Refer to Note 31 to the consolidated financial statements (Section 20.3.1.5).

21 ADDITIONAL INFORMATION

21.1 Share capital

21.1.1 SUBSCRIBED CAPITAL, CHANGES IN SHARE CAPITAL AND ESSILOR SHARES

21.1.1.1 Amount of share capital

a) Number of shares authorized:

Information regarding this matter is provided in Section 21.1.5 of this Registration Document, "Terms governing any acquisition rights and/or obligations attached to subscribed, but not fully paid capital or any undertaking intended to increase the capital," and Section 21.1.4.4, "Bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE)."

b) and c) Number of shares issued and fully paid, number of shares issued but not fully paid, and par value per share:

At December 31, 2010, the Company's share capital amounted to €38,097,961.56, represented by 211,655,342 ordinary shares, each with a par value of €0.18 and all fully paid.

Taking into account (i) the double voting rights on shares registered in the name of the same holder for at least two years and (ii) the impact of treasury shares which are stripped of voting rights, the total number of voting rights attached to the Company's shares at December 31, 2010 amounted to 226,999,731.

d) Reconciliation of the number of shares outstanding at the beginning and end of the year, and capital paid:

Refer to Note 9 to the consolidated financial statements (Section 20.3.1.5) and Note 10 to the individual company financial statements (Section 20.3.2.5).

21.1.1.2 Changes in share capital in 2010

Changes in share capital during the year were as follows:

- €97,518.06 increase, excluding original issue premium, corresponding to the issue of 541,767 new shares, each with a par value of €0.18 subscribed by the Essilor Group 5 and 7-year FCPE.
- €344,258.82 increase, excluding original issue premium, corresponding to the issue of 1,912,549 new shares, each with a par value of €0.18 on exercise of stock options.
- €664.20 increase, excluding original issue premium, corresponding to the issue of 3,690 new shares on conversion of 1,845 bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE).
- €1,136,274.48 decrease, corresponding to the cancellation of 6,312,636 treasury shares, each with a par value of €0.18.

At December 31, 2010, the share capital amounted to €38,097,961.56, represented by 211,655,342 ordinary shares, each with a par value of €0.18 and all fully paid.

OWNERSHIP STRUCTURE AT DECEMBER 31, 2010

At December 31, 2010	Number of shares	%	Number of voting rights	%
Employee Shareholders (French and non-French)				
- Valoptec International FCPE	6,774,463	3.20	13,548,926	5.97
- Essilor Group 5 and 7-year FCPE	5,285,249	2.50	10,172,236	4.48
- Funds for employees outside France	719,323	0.34	719,323	0.32
- Registered shares held directly by employees	4,585,883	2.17	7,614,419	3.35
SUB-TOTAL	**17,364,918**	**8.20**	**32,054,904**	**14.12**
Treasury stock				
- Own shares	2,833,112	1.34		
- Liquidity contract	61,000	0.03		
SUB-TOTAL	**2,894,112**	**1.37**		
PUBLIC	**191,396,312**	**90.43**	**194,944,827**	**85.88**
TOTAL	**211,655,342**	**100.00**	**226,999,731**	**100.00**

To the best of the Company's knowledge, no shareholder other than the Valoptec International FCPE (see Section 17.3 of this Registration Document) holds 5% or more of the voting rights directly, indirectly or in concert with a third party.

A table showing changes in share capital over the last five years is presented in Section 21.1.7.

Changes in outstanding stock subscription options, stock purchase options, and performance share rights are presented below (information limited to plans for which options or performance share rights are still outstanding).

STOCK SUBSCRIPTION OPTIONS

	At December 31, 2010	o/w in 2010
Options granted[(a)]	13,202,270	634,760
Options cancelled[(a)]	547,051	163,318
Options exercised[(a)]	5,282,874	1,912,549
Options outstanding[(a) and (b)]	7,372,345	

(a) Options granted under the November 14, 2001 plan and subsequent plans (there are no stock subscription options granted under earlier plans still outstanding).

(b) Representing the equivalent of 3.48% of shares outstanding at December 31, 2010.

The exercise price is equal to the average of the opening prices over the twenty trading days preceding the Board of Directors' decision to grant the options.

STOCK PURCHASE OPTIONS

	At December 31, 2010	o/w in 2010
Options granted[(a)]	1,340,500	0
Options cancelled[(a)]	38,026	0
Options exercised[(a)]	1,191,179	53,332
Options outstanding[(a) and (b)]	111,295	0

(a) All of these options were granted under the November 14, 2001 plan. Historical information about stock option plans is provided in Section 17.2.2.2.

(b) Representing the equivalent of 0.05% of shares outstanding at December 31, 2010.

The exercise price is equal to the average of the opening prices over the twenty trading days preceding the Board of Directors' decision to grant the options.

PERFORMANCE SHARE RIGHTS

	At December 31, 2010	o/w in 2010
Rights granted[(a)]	3,348,309	967,813
Rights cancelled[(a)]	702,401	674,478
Rights exercised[(a)]	1,087,442	1,084,992
Rights outstanding[(a) and (b)]	1,558,466	

(a) Since November 22, 2006, date of the first performance share grants. Historical information about performance share plans is provided in Section 17.2.2.2.

(b) Representing the equivalent of 0.74% of shares outstanding at December 31, 2010.

For more information about performance shares, refer to Section 21.1.4.3, "Performance shares."

MAXIMUM DILUTION AT DECEMBER 31, 2010

Taking into account all shares which could be issued after December 31, 2010 due to the exercise of the existing options, regardless of their strike prices, the maximum dilution would be as follows:

At December 31, 2010	Number of shares	%	Number of voting rights	%
Shares outstanding at the end of the year	211,655,342		226,999,731	
Outstanding stock subscription options	7,372,345	3.48%	7,372,345	3.25%
Outstanding stock purchase options	111,295	0.05%	111,295	0.05%
Outstanding performance share rights	1,558,466	0.74%	1,558,466	0.69%
TOTAL POTENTIAL DILUTION	**9,042,106**	**4.27%**	**8,930,811**	**3.98%**
Fully diluted capital at the end of the year	220,697,448		235,930,542	

21.1.1.3 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). At December 31, 2010, a total of 211,655,342 fully paid-up ordinary shares, each with a par value of €0.18, were issued and outstanding.

Indices

Stock indices

The Essilor stock is included in the following indices: CAC 40, SBF 120, SBF 250, Euronext 100, FTSEurofirst 300, Dow Jones Euro STOXX and Dow Jones STOXX 600.

The Company has been part of the Low Carbon 100 Europe® index since its launch by NYSE Euronext on October 24, 2008. This index is designed to measure the performance of the 100 largest blue-chip European companies with the lowest carbon (CO_2) emissions in their respective sectors.

SRI indices

The Essilor stock is also included in the following three socially responsible investment (SRI) indices:

- DJSI World (Dow Jones Sustainability Index), based on cooperation between Dow Jones Indices, STOXX Limited and Swiss Asset Management Group (SAM Group).
- ASPI Eurozone® (Advanced Sustainable Performance Indices), an international stock index composed of the 120 euro zone companies with the best sustainable development ratings.
- FTSE4Good, published by FTSE, which is owned by the Financial Times and the London Stock Exchange.

Employee stock ownership 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). It is composed of all SBF 250 companies with a significant employee shareholder base (i.e. companies where at least 3% of the share capital is held by employees representing over one quarter of the total workforce).

For more information about employee share ownership, refer to Appendix 2, "Social and Environmental Policies (France's New Economic Regulations Act)", under "Responsible shareholders and employee share ownership" at the end of the first section titled "Social Policy."

Sales of shares (Article 11)

The shares are freely transferable and indivisible vis-à-vis the Company.

21.1.1.3.1 Share prices[(a)]

(Source: Euronext Paris)

	Price, *in €*				
	Trading Session's High	Trading Session's Low	Closing price	Number of shares outstanding at December 31	Market capitalization at December 31[(b)], *€ millions*
2010	51.170	40.840	48.175	211,655,342	9,741
2009	42.000	26.080	41.750	215,509,972	8,395
2008	44.390	26.870	33.570	211,019,922	7,065
2007	47.500	40.100	43.650	211,279,315	9,066
2006	42.670	33.320	40.720	207,696,872	8,430

(a) Data adjusted, where applicable, for the July 16, 2007 two-for-one stock-split.
(b) Market capitalization used by Euronext Paris in the CAC 40 index (before the effect of bond conversions and the share issue to the employee stock ownership plan).

21.1.1.3.2 Share prices and trading volume

(Source: Euronext Paris)

	Trading volume in number of shares	Trading volume, in amounts, *€ millions*	Share prices, *in €* Trading Session's High	Trading Session's Low
2009				
September	14,919,913	562.61	39.305	36.720
October	15,465,942	612.50	41.390	38.025
November	10,511,978	409.42	39.805	37.730
December	9,255,989	374.07	42.000	38.550
2010				
January	9,572,766	399.76	42.985	40.840
February	12,525,804	536.81	44.350	40.950
March	15,273,878	707.62	47.575	43.100
April	14,324,583	666.53	47.960	45.280
May	22,781,775	1,043.56	47.960	43.500
June	13,680,168	661.46	49.975	45.790
July	11,826,731	575.81	50.450	47.235
August	10,313,446	498.28	50.000	46.560
September	12,396,224	605.34	51.170	47.705
October	11,318,145	551.99	50.860	46.765
November	12,042,442	577.20	48.675	47.175
December	10,144,858	497.87	49.900	47.415
2011				
January	10,799,614	521.81	49.380	46.605
February	10,291,061	523.54	52.370	48.825

21.1.2 SHARES NOT REPRESENTING CAPITAL

Not applicable.

21.1.3 TREASURY STOCK

Essilor held 4,630,653 treasury shares as of December 31, 2009. No shares were held under the Company's liquidity contract at that date. During 2010, 7,476,737 shares were bought back by the Company at an average net price of €46.71, 6,312,636 shares were cancelled, 53,332 shares were allotted on exercise of stock options at a price of €15.62, and 1,823,318 shares were delivered in exchange for 911,659 OCEANE bonds following conversion requests from holders. In addition, 1,084,992 shares were delivered under the Company's performance share program. The balance of the purchases/sales of securities under the liquidity contract resulted in a net purchase of 61,000 shares.

21.1.3.1 Share buyback programs

Special report on share buybacks (Article L.225-211, paragraph 2 of the French Commercial Code) and description of the buyback program (Article 241-2 I of the AMF's General Regulations)

In May 2010, the Shareholders' Meeting authorized the Board of Directors to buy back Essilor International shares representing up to 10% of the Company's capital on the date of purchase, as allowed under Articles L.225-209 *et seq.* of the French Commercial Code. The authorization was given for a period of 18 months expiring on November 10, 2011.

In application of Article L.225-211 of the French Commercial Code, as amended by government order No. 2009-105 dated January 30, 2009, the Board of Directors reports below on the use made during 2010 of the authorizations given by the Shareholders' Meetings of May 15, 2009 and May 11, 2010.

Main characteristics of this program:

- To cover employee share-based payment programs (delivery of shares on exercise of stock options, allotment of shares, cancelation of shares issued following the exercise of stock subscription options;
- To offset the dilutive effect created or that may be created by the conversion of OCEANE bonds;
- To support the liquidity contract.

Apart from transactions under the liquidity (market-making) contract that was signed and extended during the period, the Company bought 7,476,737 shares between January 1 and December 31, 2010 at an average price of €46.69 and did not sell any shares on the market. The related trading fees (including commissions net of tax) amounted to €0.02 per share on average, increasing the average net cost per share to €46.71.

Effective March 8, 2010, the Company entrusted Crédit Agricole Cheuvreux with the implementation of a liquidity contract in accordance with the new Ethics Charter of September 23, 2008, prepared by the French Association of Investment Firms (AMAFI) and approved by the *Autorité des Marchés Financiers* (AMF) on October 1, 2008.

The liquidity contract was previously entrusted to Rothschild & Cie Banque.

As part of the liquidity contract, the Company bought 1,385,735 shares between January 1 and December 31, 2010 at an average price of €46.32 and sold 1,324,735 shares at an average price of €46.45 during the same period. As of December 31, 2010, 61,000 shares were held under this contract.

To enable Crédit Agricole Cheuvreux to continue and increase its market-making activities under the contract, a total of €10 million has been assigned to the contract since its inception.

At its May 11, 2010 meeting, the Board of Directors decided to cancel 4,000,000 shares and at its November 25, 2010 meeting decided to cancel 2,312,636 shares.

At December 31, 2010, Essilor held 2,894,112 of its own shares, representing 1.37% of share capital. The aggregate par value of these shares was €520,940.16 and their book value was €136.3 million (i.e. an average net cost of €47.10 per share).

Transactions for the year for the above three purposes are presented below (information disclosed in accordance with Article 225-211 of the French Commercial Code as amended by government order No. 2009-105 dated January 30, 2009):

	2010			
	Own shares held Employees	**Own shares Oceane**	**Own shares held Liquidity Contract**	**TOTAL Own shares held**
Number of Shares held at the beginning of the period - January 1	**2,439,707**	**2,190,946**	**0**	**4,630,653**
Exercise of stock purchase options	(53,332)			(53,332)
Delivery of Performance shares	(1,084,992)			(1,084,992)
Delivery of shares on Conversion of Oceane bonds		(1,823,318)		(1,823,318)
Cancellations of own shares	(2,706,582)	(3,606,054)		(6,312,636)
Purchases of own shares	4,238,311	3,238,426		7,476,737
Changes in the liquidity contract			61,000	61,000
Number of Shares at the end of the period - December 31	**2,833,112**	**0**	**61,000**	**2,894,112**

No shares were reallocated among these purposes in 2010.

Summary of previous share buyback programs

Transactions conducted between March 1, 2010[(a)] and February 28, 2011:	
Percentage of own shares held directly or indirectly	2.17%
Number of shares canceled over the last 24 months	7,812,636
Number of shares held in treasury	4,592,378
Book value of treasury stock (in €)	218,276,393
Fair value of treasury stock[(b)] (in €)	237,655,562

(a) First day after the end of the previous buyback program.
(b) Based on the closing price on February 28, 2011.

Transactions under the liquidity contract and other transactions

	Cumulative gross flows from March 1, 2010 to February 28, 2011			Open positions at February 28, 2011					
	Buys[(a)]	Sells[(b)]	Cancellations	Open buy positions			Open sell positions		
				Calls bought	Puts sold	Forward purchases	Puts bought	Calls sold	Forward sales
Number of shares	9,826,477	4,242,866	6,312,636						
Average maximum maturity									
Average transaction price, in €	47.44	25.82							
Total amount, in €	466,134,853	109,535,184							

(a) Including 1.8 million shares for €84.6 million in 2011.
(b) Including shares delivered on exercise of stock options, in respect of performance shares and on conversion of OCEANE bonds.

Renewal of the authorization to implement a share buyback program proposed at the Shareholders' Meeting of May 5, 2011

In accordance with Article 241-2 of the AMF's General Regulations, the Shareholders' Meeting of May 5, 2011 will be asked to renew the authorization to buy back shares solely for the purposes set out below (the actual order in which the buyback authorizations will be used will be need- and opportunity-based).

The program's main purposes will be:

- To cover the stock purchase option plans or other allotments of shares intended for employees, notably the grant of bonus shares set forth in by Articles L.225-197-1 *et seq.* of the French Commercial Code intended for Group senior managers and employees.
- To buy shares for cancellation, notably in order to offset the dilutive impact of stock subscription options granted to Group senior managers and employees.
- To cover Oceane bond conversions (through the purchase of shares (i) for delivery to bond holders or (ii) if the bonds are converted into new shares, for cancellation in order to offset the dilutive effect).
- To ensure the liquidity of the shares under a liquidity contract that complies with the AMAFI Code of Ethics endorsed by the AMF.

The Company may also use the program for the following purpose:

- To buy back shares for delivery or exchange in connection with future external growth transactions.

The shares held under the buyback program may not represent more than 10% of the Company's capital at any given time.

Main characteristics of the new buyback program:

- Securities: Essilor International ordinary shares (traded on Euronext Paris in Compartment A);
- Maximum percentage of shares that may be held according to the resolution tabled at the Ordinary Shareholders' Meeting of May 5, 2011: 10% (equivalent to 21,182,994 shares based on the capital at February 28, 2011, for example);

- Maximum percentage of share capital that may be bought back, taking into account the number of own shares held as of February 28, 2011: 7.83%, or 16,590,616 shares (21,182,994 - 4,592,378), based on the capital at February 28, 2011, for example;
- Maximum purchase price per share: €70 (as adjusted if necessary to take into account the effects of any corporate actions);
- Minimum sale price per share: €25 (as adjusted if necessary to take into account the effects of any corporate actions).

The shares may be purchased, sold or transferred and paid for by any appropriate method on the organized 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 period of 18 months expiring on November 4, 2012.

21.1.3.2 Share cancellations and capital reductions

The Combined Ordinary and Extraordinary Shareholders' Meeting of May 11, 2010 authorized the Board of Directors to reduce the capital by canceling all or some of the shares held by the Company, provided that the number of shares cancelled during any 24-month period does not exceed 10% of total share capital.

- At its May 11, 2010 meeting, the Board of Directors decided to use this authorization to cancel 4,000,000 shares, leading to a €720,000 capital reduction;
- At its November 25, 2010 meeting, the Board of Directors decided to use this authorization to cancel 2,312,636 shares, leading to a €416,274.48 capital reduction.

21.1.4 CONVERTIBLE SECURITIES, EXCHANGEABLE SECURITIES, SECURITIES WITH WARRANTS, STOCK SUBSCRIPTION OPTIONS, STOCK PURCHASE OPTIONS AND RIGHTS TO PERFORMANCE SHARES

21.1.4.1 Stock subscription options

21.1.4.1.1 Stock subscription options on new shares outstanding at December 31, 2010 and February 28, 2011

Date granted	Number of options granted	o/w options granted to Executive Committee members	Subscription price *(in €)*	Number of options outstanding at December 31, 2010	Number of options outstanding at February 28, 2011
November 14, 2001	321,320	60,000	15.620	0	0
November 20, 2002	1,625,160	486,000	20.340	290,087	281,919
November 18, 2003	1,609,140	440,000	20.370	0	0
November 17, 2004[(a)]	1,787,800	537,880	26.500	629,071	551,019
January 27, 2005[(a)]	31,500	24,700	27.290	17,500	17,500
November 23, 2005[(a)]	1,996,880	680,000	34.700	1,351,342	1,294,401
November 22, 2006[(b)]	930,740	128,000	41.460	684,980	677,860
November 14, 2007[(b)]	1,117,770	148,000	43.650	895,480	878,880
November 27, 2008[(b)]	1,568,080	430,000	33.170	1,347,965	1,327,485
November 26, 2009[(b)]	1,579,120	314,160	38.960	1,521,160	1,493,630
November 25, 2010[(b)]	634,760	0	48.010	634,760	634,760
TOTAL	**13,202,270**	**3,248,740**		**7,372,345**	**7,157,454**

(a) Capped plans.
(b) Plan capped based on performance.

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 option grants.

Plans capped based on performance are, in addition, subject to the share price reaching a certain level (in the same way as the performance shares described in Section 21.1.4.3.) and can be cancelled if the target is not met.

21.1.4.1.2 Stock subscription options as of December 31, 2010 and February 28, 2011

Stock subscription options are presented below (information limited to plans for which options are still outstanding).

	At December 31, 2010	o/w in 2010	At February 28, 2011	o/w in 2011
Options granted[(a)]	13,202,270	634,760	13,202,270	
Options cancelled[(a)]	547,051	163,318	587,341	40,290
Options exercised[(a)]	5,282,874	1,912,549	5,457,475	174,601
Options outstanding[(a) and (b)]	7,372,345		7,157,454	

(a) Options granted under the November 14, 2001 plan and subsequent plans (there are no stock subscription options granted under earlier plans still outstanding). Historical information about stock option plans is provided in Section 17.2.2.2.

(b) Representing the equivalent of 3.48% of shares outstanding at December 31, 2010.

21.1.4.1.3 Exercise of stock subscription options

Stock subscription options, if exercised, trigger the issuance of new ordinary Essilor shares.

As of December 31, 2010, the total number of shares that may be created as a result of the exercise of the stock subscription options was 7,372,345.

21.1.4.2 Stock subscription options

21.1.4.2.1 Stock subscription options outstanding as of December 31, 2010 and February 28, 2011

Date granted	Number of options granted	o/w options granted to Executive Committee members	Purchase price *(in €)*	Number of options outstanding at December 31, 2010	Number of options outstanding at February 28, 2011
November 14, 2001	1,340,500	400,000	15.620	111,295	98,761
TOTAL	**1,340,500**	**400,000**		**111,295**	**98,761**

The purchase price is equal to the average of the opening prices quoted over the twenty trading days that preceded the Board of Directors' decision to grant the options on November 14, 2001.

The first stock option plan under which options were exercisable for existing shares of the Company bought back on the market was authorized at the Combined Ordinary and Extraordinary Shareholders' Meeting of January 18, 2001. This authorization was used by the Board of Directors on November 14, 2001.

The Board of Directors did not grant any new options on existing shares in 2002, 2003 or 2004. The authorization, which was given for a period of three years, has expired.

21.1.4.2.2 Stock purchase options as of December 31, 2010 and February 28, 2011

The stock purchase options are presented below:

	At December 31, 2010	o/w in 2010	At February 28, 2011	o/w in 2011
Options granted [(a)]	1,340,500		1,340,500	
Options cancelled [(a)]	38,026		38,026	
Options exercised [(a)]	1,191,179	53,332	1,203,713	12,534
Options outstanding [(a) and (b)]	111,295		98,761	

(a) All of these options were granted under the November 14, 2001 plan. Historical information about stock option plans is provided in Section 17.2.2.2.

(b) Representing 0.05% of capital as of December 31, 2010.

21.1.4.2.3 Exercise of stock purchase options

Upon exercise of these options, option holders are allocated existing ordinary Essilor shares.

21.1.4.3 Performance shares

At its meeting on November 22, 2006, the Board of Directors decided to set up the Company's first performance share 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 options offering an equivalent potential gain.
- The grant system makes it easier for grantees to keep their shares, unlike with shares acquired on exercise of stock options, some or all of which are almost always sold by the grantees to finance the exercise price.
- The decision was made to restrict the plan to employees resident in France, with non-residents continuing to receive stock options.
- In light of this restriction, the terms of the performance share grants 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.

The main terms of the 2006, 2007, 2008, 2009 and 2010 performance share plans are as follows:

Conditions that are common to the 2006 to 2009 plans

- Grantees who are resident in France are allocated a maximum number of conditional performance share rights for an initial period of two years (the "allocation period").

Conditions that are common to the 2006 and 2007 plans

- A second acquisition period for years 2 to 4 is opened during which the shares can be vested, if the average opening price of the shares for the three months preceding the second anniversary of the allocation date exceeds the initial reference price;
- If, after four years, the aforementioned average opening prices, calculated every three months, have remained below or equal to the initial reference price, no performance share will vest (outright cancelation of the grant if none of the average price calculations showed progression compared to the initial reference price;
- For the 2008 and 2009 plans, the second acquisition period has been increased by two years, and therefore runs from the second to the sixth anniversary of the allocation date.

Conditions that are common to the 2006 to 2009 plans

- If the performance shares are vested:
  - the number of shares actually received by grantees is determined ratably, based on the average annual increase in the share price;
  - the acquired shares are subject to a lock-up period ending seven years after the original allocation date of the conditional rights (or eight years if granted at the end of the 6th year);
- early grant of performance shares in the case of a takeover bid for Essilor International shares.

Conditions to the 2010 plan

In 2010 performance shares were granted to French-resident grantees as well as, for the first time, non-resident grantees.

For French residents, the maximum vesting period of two to six years remained the same, while the lock-up period was shortened by one year.

Non-residents have a vesting period of four to six years and a lock-up period of two years for half of the shares only.

For residents and non-residents, the ratable allocation table was amended and shares can only be vested if the annualized growth rate per share is greater than or equal to 2%.

Conditions of employment

All shares vested as a result of grants made under the 2006-2010 plans are subject to employment conditions (with exceptions made for retirement, economic layoff, disability and death).

Refer also to Note 5 to the consolidated financial statements (Section 20.3.1.5).

21.1.4.3.1 Performance share rights outstanding as of December 31, 2010 and February 28, 2011

Date granted	Number of rights granted	o/w rights granted to Executive Committee members	Initial benchmark share price (used to assess performance) (in €)	Number of rights outstanding at December 31, 2010	Number of rights outstanding at February 28, 2011
November 22, 2006	527,112	211,500	41.46	0	0
January 24, 2007	49,152	0	41.46	0	0
November 14, 2007	552,491	260,480	43.65	0	0
January 31, 2008	90,860	40	41.57	0	0
November 27, 2008	513,775	173,890	33.17	0	0
December 18, 2008	45,350	110	33.17	0	0
November 26, 2009	536,116	165,835	38.96	528,418	526,276
December 18, 2009	65,640	195	38.96	62,235	61,890
November 25, 2010	893,458	341,800	48.01	893,458	893,458
December 20, 2010	74,355	195	48.01	74,355	74,295
TOTAL	**3,348,309**	**1,154,045**		**1,558,466**	**1,555,919**

21.1.4.3.2 Performance share rights as of December 31, 2010 and February 28, 2011

Performance share rights are presented below:

	At December 31, 2010	o/w in 2010	At February 28, 2011	o/w in 2011
Rights granted[(a)]	3,348,309	967,813	3,348,309	
Rights cancelled[(a)]	702,401	674,478	704,873	2,472
Rights exercised[(a)]	1,087,442	1,084,992	1,087,517	75
Rights outstanding[(a) and (b)]	1,558,466		1,555,919	

(a) As from the November 22, 2006 plan, representing the Company's first performance share plan. Historical information about stock option plans is provided in Section 17.2.2.2.
(b) Representing 0.74% of capital as of December 31, 2010.

21.1.4.3.3 Vesting of performance shares

If the performance shares rights are exercised, grantees will be allocated either existing or new ordinary Essilor shares.

21.1.4.4 OCEANE (bonds convertible into or exchangeable for new or existing shares)

In July 2003, Essilor issued bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE) in the amount of €309 million. The seven-year bonds are redeemable at the holders' option after five years and at the issuer's option subject to certain conditions.

The bond reached maturity on July 2, 2010.

21.1.4.4.1 OCEANE prices

(Source: Euronext Paris)

	Price (in €)			
	Trading session's high	Trading session's low	Closing price[a]	Number of Oceane outstanding at December 31
2010	93.40	75.59	92.00	-
2009	82.22	52.01	80.00	1,006,566
2008	84.00	58.63	62.00	3,280,911
2007	92.50	77.50	82.00	3,459,062
2006	89.10	59.00	82.15	5,249,674

(a) the 2010 closing price is the last quotation, i.e. at June 11, 2010.

21.1.4.4.2 Prices and trading volume

(Source: Euronext Paris; data excludes off-market block trades.)

			Price (in €)	
	In number of securities	In amounts, in € millions	Trading session's high	Trading session's low
2009				
September	255	0.02	76.56	76.56
October	380	0.03	82.22	72.74
November	60	0.00	78.50	75.05
December	595	0.05	80.00	75.15
2010				
January	408	0.03	82.40	75.59
February	449	0.04	82.00	78.25
March	128	0.01	82.00	79.20
April	144	0.01	89.00	85.00
May	100	0.01	87.00	87.00
June	208	0.02	93.40	92.00

21.1.4.4.3 OCEANE conversions

Unconverted bonds were redeemed on July 2, 2010 at a price of €53.54 each, representing a premium to par of roughly 104.7%.

Until June 23, 2010, bondholders could ask for their bonds to be converted or exchanged for shares at a ratio of two Essilor International shares for one bond, based on the new par value of the shares as at July 16, 2007.

Since the issue date, 4,767,150 bonds have been converted, including 913,504 in 2010, 1,180,000 bonds have been bought back by the Company for cancellation, and 93,062 bonds have been redeemed.

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

The following table lists the shareholder authorizations to issue shares, with or without pre-emptive subscription rights, currently in force and use.

Date of the Shareholders' Meeting authorization	Type of authorization and ceiling	Duration	Expiration date	2010 usage
May 11, 2010				
14th resolution	Issue of shares to members of the Essilor employee stock ownership plan or plans set up by related companies. Maximum: **2% of the capital**. Art. L.225-129 and L.225-138 of the French Commercial Code and Art. L.3332-18 *et seq.* of the Labor Code. The shares may not be offered at more than a 20% discount to the average of the opening prices quoted over the twenty trading days preceding the Board of Directors' decision to carry out the issue or at a premium to this average.	26 months	July 9, 2012	In 2010, €97,518.06 increase excluding premiums, corresponding to the issue of 541,767 new shares, each with a par value of €0.18, to the Essilor 5 and 7-year corporate mutual funds (Essilor FCPE), representing **0.26% of the capital**.
15th resolution	Stock option grants. Maximum 3% of the capital. Art. L.225-177 to L.225-186 of the French Commercial Code. The stock option exercise price and the reference price for the performance share grants corresponds 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 or shares.	38 months	July 10, 2013	634,760 stock options granted to non-resident employees by the Board on November 25, 2010 (exercisable for €0.18 par value share per option).
16th resolution	"Performance" share grants. Maximum 3% of the capital for employees and management. Art. L.225-197-1 *et seq.* of the French Commercial Code.	38 months	July 10, 2013	967,813 performance shares granted by the Board on November 25, 2010. (if vested, exercisable for one share with a par value of €0.18 per performance share).
17th resolution	Overall limit on stock option plans and "Performance" share grants: **3% of the capital**.	38 months	July 10, 2013	2010 grants: Stock options and performance share grants on a total of 1,602,573 shares, representing **0.76% of the capital**.
18th resolution	Issue of shares and share equivalents **with pre-emptive subscription rights**. ▪ Shares: maximum 1/3rd of capital; ▪ Debt securities: maximum €1,500 million; ▪ Greenshoe option: 15%. Art. L.225-129-2 and L. 228-92 of the French Commercial Code	26 months	July 9, 2012	None.

Date of the Shareholders' Meeting authorization	Type of authorization and ceiling	Duration	Expiration date	2010 usage
May 11, 2010				
20th resolution	Issue of debt securities **without pre-emptive subscription rights** but with an optional priority subscription period, up to €1 billion: ▪ Resulting share issues capped at 10% of the capital; ▪ Greenshoe option: 15%. Art. L.225-129-2, L.225-135 and L.228-92 of the French Commercial Code. The issue price of shares and share equivalents comparable to equity securities should be at least equal to the minimum price stipulated by legal and regulatory provisions (currently the weighted average of the price on Euronext's Eurolist over the three trading days preceding the establishment of the exercise price of the share issue, minus a potential maximum discount of 5% in accordance with Art. L.225-136 and Art. R.225-119 of the French Commercial Code.	26 months	July 9, 2012	None.
22nd resolution	Capital increase to be paid up by capitalizing reserves: maximum €500 million.	26 months	July 9, 2012	None.
23rd resolution	Issue of shares and share equivalents **with pre-emptive subscription rights** up to 10% of the capital as payment for a capital contribution in kind. Art. L.225-147 Paragraph 6 of the French Commercial Code.	26 months	July 9, 2012	None.
24th resolution	Issuance of subscription warrants to be granted to the shareholders without consideration in the event of a takeover bid for the Company. Capital increase not to exceed 25% of capital. Art. L.233-32 and L.233-33 of the French Commercial Code.	18 months	Nov. 10, 2011	None

21.1.6 CAPITAL OF ANY MEMBER OF THE GROUP UNDER OPTION OR AGREEMENT

Under its acquisitions strategy and in order to build loyalty among the management teams of the acquired companies, Essilor generally starts by acquiring 75% to 90% of the companies concerned and then establishes reciprocal put and call options on the remaining shares, exercisable over periods ranging generally from three to five years.

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 3 to 5-year period or create a 50/50 joint venture.

The liabilities represented by put options granted to minority shareholders are recognized in the consolidated balance sheet at their exercise price (see Section 20.3.1.2).

21.1.7 CHANGES IN SHARE CAPITAL

Change in share capital over the last five years *€ thousands*	Number of shares issued	Par value	Premium	New issued capital	New number of shares outstanding
SHARE CAPITAL AT DECEMBER 31, 2005				**36,122**	**206,412,524**
Subscription of shares reserved for the Essilor FCPE	610,266	107	19,389	36,229	207,022,790
Exercise of stock subscription options	674,082	118	13,699	36,347	207,696,872
Cancellation of own shares					207,696,872
SHARE CAPITAL AT DECEMBER 31, 2006				**36,347**	**207,696,872**
Subscription of shares reserved for the Essilor FCPE	578,917	102	20,303	36,449	208,275,789
Exercise of stock subscription options	931,122	166	19,627	36,615	209,206,911
Cancellation of own shares	(700,000)	(126)	(19,139)	36,489	208,506,911
Issuance of shares on conversion of OCEANE bonds	2,772,404	499	73,272	36,988	211,279,315
Capital increase paid up by capitalizing reserves		1,042	(1,042)	38,030	211,279,315
SHARE CAPITAL AT DECEMBER 31, 2007				**38,030**	**211,279,315**
Subscription of shares reserved for the Essilor FCPE	720,144	130	21,102	38,160	211,999,459
Exercise of stock subscription options	452,913	82	10,071	38,241	212,452,372
Cancellation of own shares	(1,600,000)	(288)	(53,721)	37,953	210,852,372
Issuance of shares on conversion of OCEANE bonds	167,550	30	4,432	37,984	211,019,922
Capital increase paid up by capitalizing reserves				37,984	211,019,922
SHARE CAPITAL AT DECEMBER 31, 2008				**37,984**	**211,019,922**
Subscription of shares reserved for the Essilor FCPE	662,646	119	18,329	38,103	211,682,568
Exercise of stock subscription options	778,714	140	18,497	38,243	212,461,282
Cancellation of own shares	(1,500,000)	(270)	(54,179)	37,973	210,961,282
Issuance of shares on conversion of OCEANE bonds	4 548 690	819	120,909	38,792	215,509,972
Capital increase paid up by capitalizing reserves				38,792	215,509,972
SHARE CAPITAL AT DECEMBER 31, 2009				**38,792**	**215,509,972**
Subscription of shares reserved for the Essilor FCPE	541,767	98	20,192	38,889	216,051,739
Exercise of stock subscription options	1,912,549	344	56,201	39,234	217,964,288
Cancellation of own shares	(6,312,636)	(1,136)	(267,115)	38,097	211,651,652
Issuance of shares on conversion of OCEANE bonds	3,690	1	98	38,098	211,655,342
Capital increase paid up by capitalizing reserves				38,098	211,655,342
SHARE CAPITAL AT DECEMBER 31, 2010				**38,098**	**211,655,342**

In application of the resolutions of the Shareholders' Meeting of May 11, 2007, in July 2007 the Group increased the shares' par value to €0.36 (from €0.35) and then carried out a two-for-one stock-split by reducing the par value to €0.18. The numbers of shares presented above for 2005 to 2006 have been adjusted to take into account this stock-split.

Details of changes in share capital in 2010 are presented in Section 21.1.1.2.

21.1.8 FINANCIAL AUTHORIZATIONS TO BE PUT TO THE VOTE AT THE EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 5, 2011

The Board is seeking authorization to issue new shares for cash and to grant newly issued shares or share equivalents to employees, in accordance with the law including 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 made to members of an Employee Stock Ownership Plan set up by Essilor International or a related company, within the meaning of Article L.225-180 of the Commercial Code. Shares issued under this authorization would not exceed the equivalent of 2% of the capital.

For information about the proposed renewal of the share buyback authorization tabled at the Ordinary Shareholders' Meeting of May 5, 2011, see Section 21.1.3.1, "Share buyback programs" and for the "Breton" warrants see Section 21.2.4.2.

Details of the use made of the current authorizations to issue shares, with or without pre-emptive subscription rights, are provided in Section 21.1.5.

21.2 Bylaws (Memorandum and Articles of Association)

21.2.1 CORPORATE PURPOSE

See Section 5.1.4 regarding this matter.

21.2.2 PROVISIONS RELATING TO MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

See Section 16.1.2 regarding this matter.

21.2.3 RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHING TO EACH CLASS OF SHARES

See Section 18.2 regarding this matter.

21.2.4 CHANGES IN SHAREHOLDERS' RIGHTS

21.2.4.1 Dividend and voting rights

See Section 18.2 for information on voting rights and Section 20.7 of this Registration Document for information on dividends.

21.2.4.2 Resolutions related to shareholders' rights tabled at the Extraordinary Shareholders' Meeting of May 5, 2011

Essilor is committed to maintaining a high quality shareholder base and creating value for external and employee shareholders.

The Board of Directors is presenting a resolution authorizing the issuance of stock warrants in the case of a takeover bid for the Company (so-called "Breton warrants"). The warrants would be issued to shareholders without consideration, on the basis of one warrant per share. The total number of warrants would not be exercisable for shares representing more than 25% of the issued capital. The warrants would be exercisable on preferred terms for the subscription of Company shares. This measure would enable the Board of Directors – the majority of whose members are independent directors – to negotiate with the bidder or bidders in the best interests of shareholders. We are therefore recommending that, on the basis of a report drawn up by a designated bank approved by the majority of Essilor International's independent directors, the Board should be required to report to shareholders when the warrants are issued to explain why the takeover bid is not considered as being in the shareholders' best interest and to justify the issuance of such warrants as well as the criteria and methods applied to set their exercise price.

Refer to Section 18.4 of this Registration Document for information on:

- Arrangements resulting in a change in control of the Company;
- Shareholder pacts;

Contracts containing a change of control clause (Article L.225-100-3 of the Commercial Code).

21.2.5 SHAREHOLDERS' MEETINGS

21.2.5.1 Notice of meeting

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

Shareholders' Meetings are called and conduct business in accordance with the applicable laws and regulations.

21.2.5.2 **Participation in meetings**

To participate in a Shareholders' Meeting in person or by proxy:

- Holders of registered shares must be listed as the shareholder of record in the Company's share register at midnight, Paris time, on the third business day before the Meeting date ("record date").
- Holders of bearer shares must be listed as the shareholder of record at midnight, Paris time, on the fourth business day before the Meeting date ("record 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 fourth business day before the date of the Meeting.

Shareholders may give proxy only to their spouse, to another shareholder or to an individual or legal entity of their choosing in accordance with 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 limit.

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. 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 fourth business day preceding 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 transmit their votes in accordance with the applicable laws and regulations.

21.2.5.3 **2011 Shareholders' Meeting**

The Combined Ordinary and Extraordinary Shareholders' Meeting will be called on May 5, 2011.

For information about the financial authorizations to be put to the vote as extraordinary resolutions at the Shareholders' Meeting on May 5, 2011, see Section 21.1.8.

For information about the proposed renewal of the share buyback program, to be put to the vote as ordinary resolutions at the Shareholders' Meeting on May 5, 2011, see Section 21.1.3.1, "Share buyback programs."

Refer also to Section 21.2.4.2, which includes information about certain extraordinary resolutions to be put to the vote at the Shareholders' Meeting on May 5, 2011.

21.2.6 CHANGE OF CONTROL PROVISIONS

Refer to Sections 18.4, 21.2.4.2 and 21.2.7.

21.2.7 DISCLOSURE THRESHOLD PROVISIONS

At December 31, 2010

- In addition to the statutory disclosure thresholds, the Company's bylaws state that any acquisition of 1% of the voting rights or any increase in an interest to 1% of the voting rights must be disclosed to the Company within five days, by registered letter sent to the Company's registered office with return receipt requested. The same formalities are required when a shareholder acquires or raises its interest to 2% of the voting rights or any multiple 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 thresholds.
- Any undisclosed shares in excess of the above disclosure thresholds will be stripped of voting rights in accordance with the law at the request of one or several shareholders together holding at least 5% of the capital.

Refer also to Section 21.2.4.2, "Resolutions related to shareholders' rights tabled at the Shareholders' Meeting of May 5, 2011."

21.2.8 CONDITIONS GOVERNING CHANGES IN CAPITAL

The Company's bylaws do not contain any restrictions over and above the applicable legal provisions in relation to capital increases.

22 MATERIAL CONTRACTS

See Section 6.4. “Dependence on patents, licenses, contracts and manufacturing processes” in this Registration Document.

Refer also to Section 18.4 “Agreements resulting in a change in control of the Company and shareholders’ pacts”.

23 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST

23.1 Expert statements or reports

None.

23.2 Information from a third party

When information has been sourced from a third party, it has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

24 PUBLIC DOCUMENTS

The bylaws and other corporate documents are available for consultation at the Company's headquarters (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 headquarters. Paper copies of the 2010 Registration Document and Annual Report will be available as of the date of the Annual Shareholders' Meeting on May 5, 2011.

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 *Bulletin des Annonces Légales Obligatoires* (BALO) are available (in French only) by searching under Essilor International or the Company's SIREN (registration) number: 712049618 at http://balo.journal-officiel.gouv.fr/.

All periodic and standing information filed with the Autorité des Marchés Financiers can be downloaded (in French) from **the website:** www.info-financiere.fr.

Information available on **the Group's website** www.essilor.com includes:

- 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 certain analyst meetings, when available;
- Financial news releases and, when available, webcasts of analyst conference calls;
- Annual Reports and Registration Documents (containing historical financial information) for the last five years;
- Information on Shareholders' Meetings, including notices of meeting, draft resolutions, instructions on how to attend meetings and results of voting on resolutions;
- Information on sustainable development.

ANNUAL INFORMATION DOCUMENT

Information published or disclosed by the Company in the past year in accordance with Article 451-1-1 of the French Monetary and Financial Code and Article 222-7 of the AMF's General Regulations.

Information published or disclosed between January 11, 2010 and March 3, 2011.

1. INFORMATION AVAILABLE ON THE GROUP'S WEBSITE www.essilor.com UNDER "PUBLICATIONS"

News releases

Date	Subject	Title
January 11, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of December 31, 2009
January 14, 2010	Liquidity contract	Half-yearly report on liquidity contract transactions
January 22, 2010	Acquisitions	Essilor steps up its international development with ten new partnerships
February 8, 2010	Creation of a joint venture	Luxottica and Essilor form a joint venture for the Australian and New Zealand markets
February 8, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of January 31, 2010
March 4, 2010	2009 Results	A remarkable year in the context of 2009
March 8, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of February 28, 2010
March 8, 2010	Liquidity contract	Termination of liquidity contract
March 8, 2010	Liquidity contract	New liquidity contract established
March 8, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
March 15, 2010	Acquisition	Essilor acquires FGX International, becoming a major player in a new fast-growing market

Date	Subject	Title
March 23, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
March 31, 2010	Life of the share	Essilor supports the planned friendly bid for Sperian Protection
March 31, 2010	Proxy information	Procedure for requesting or viewing proxy information for the Combined Ordinary and Extraordinary Annual Meeting on May 11, 2010
March 31, 2010	Publication of a document	2009 Registration Document filed
April 2, 2010	Acquisition	Essilor acquires Signet Armorlite, exclusive manufacturer of Kodak lenses
April 6, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
April 8, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of March 31, 2010
April 23, 2010	First-quarter report	A solid first quarter, with revenue up 7.8%
May 5, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of April 30, 2010
May 5, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
May 11, 2010	Annual Shareholders' Meeting Meeting	2010 Combined Ordinary and Extraordinary Annual Shareholders'
May 11, 2010	Stock issue	Employee stock issue
May 19, 2010	Life of the share	Essilor sells its stake in Sperian Protection
May 21, 2010	Oceane	Repayment modalities for OCEANE
June 10, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
June 3, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of May 31, 2010
June 10, 2010	Life of the share	Essilor to appeal against the BKA's decision on anti-cartel rules
July 6, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of June 30, 2010
July 8, 2010	Liquidity contract	Half-Year results of the liquidity contract
July 13, 2010	Share cancellation	Essilor cancels four million shares
August 3, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
August 23, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of 31 July 2010
August 27, 2010	First-half 2010 results	A very good first half
August 27, 2010	Publication of a report	Publication of the Interim Financial Report
September 1, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
September 3, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of August 31, 2010
October 7, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of September 30, 2010
October 12, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
October 15, 2010	Signature of an agreement	Kibbutz Shamir and Essilor sign agreement – Essilor to acquire 50% of Shamir Optical
October 22, 2010	Third-quarter 2010 report	Nine-month revenue up +17.6% – Strong sales in emerging markets and the Equipment division
November 2, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
November 4, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of October 31, 2010
November 25, 2010	Stock issue	Employee stock issue
November 29, 2010	Appointments	Paul du Saillant and Laurent Vacherot appointed chief operating officers
December 1, 2010	Share buyback program	Monthly disclosure of treasury stock transactions
December 3, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of November 30, 2010

Date	Subject	Title
January 10, 2011	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of December 31, 2010
January 13, 2011	Creation of a joint venture	Essilor steps up its development in China by creating a joint venture with Wanxin Optical, a local optical industry leader
January 27, 2011	Acquisitions	Essilor forges eight new partnerships worldwide
February 1, 2011	Share buyback program	Monthly disclosure of treasury stock transactions
February 4, 2011	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of January 31, 2011
March 2, 2011	2010 revenue and earnings	A year of rapid development
March 3, 2011	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of February 28, 2011
March 3, 2011	Share buyback program	Monthly disclosure of treasury stock transactions

Registration Documents

Date	Type of document
March 30, 2010	2009 Registration Document – filed with the AMF under No. D.10-0189.

2. INFORMATION PUBLISHED IN THE BULLETIN DES ANNONCES LÉGALES ET OBLIGATOIRES (BALO) (IN FRENCH ONLY)

Date	Issue no.	Subject
January 18, 2010	Bulletin No. 8	Notice to OCEANE bondholders
March 24, 2010	Bulletin No. 36	Notice of General Meeting
May 24, 2010	Bulletin No. 62	Notice to OCEANE bondholders/redemption
May 31, 2010	Bulletin No. 65	Approval of the 2009 financial statements/Statutory Auditors' report
July 12, 2010	Bulletin No. 87	Stock issue through OCEANE conversions

25 INFORMATION ON OWNERSHIP INTERESTS

See Notes 32 to 35 to the consolidated financial statements in Section 20.3.1.5 of this Registration Document.

26 APPENDICES TO THE 2010 REGISTRATION DOCUMENT

Appendix 1 Chairman's Report

On Corporate Governance and Internal Control and related Auditors' Report

To the shareholders:

In accordance with Article 117 of France's Financial Security Act (Act No. 2003-706), Article 62 III of the French Employee Stock Ownership Act (Act No. 2006-1770 of December 30, 2006), Article 621-18-3 of the French Monetary and Financial Code and Article 26 of Act No. 2008-649 of July 3, 2008 adapting various provisions of French company law to comply with European Union legislation, and in application of Article L.225-37, paragraphs 6 to 10, of the French Commercial Code, I present below my report regarding:

- the membership of the Board of Directors and the preparation and organization of Board meetings during the year ended December 31, 2010;
- the Company's internal control and risk management procedures;
- any restrictions on the powers of the Chief Executive Officer decided by the Board of Directors;
- the corporate governance code adopted by the Company, any provisions of that code not applied by the Company and the reasons for not applying them;
- specific procedures for shareholder participation in General Meetings;
- the principles and rules applied by the Board of Directors to determine the senior corporate officer's compensation and benefits;
- contracts containing a change of control clause;

The purpose of this report is to help shareholders understand our Company's management processes and methods.

It was prepared after certain procedures had been performed, in particular by the Corporate Senior Vice President, Legal Affairs. Section 2 was prepared in close collaboration with the Internal Audit department based on written consultations and discussions with the heads of the various departments involved in internal control at the corporate level. It was presented to the Audit Committee (on February 28, 2011) before being presented to the Board of Directors. 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. We also relied on the principles of the AMF reference framework for risk management and internal control procedures for listed companies for the preparation of this report. Finally, the contents of this report were approved by the Board of Directors on March 1, 2011.

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 Board committees, but also as regards the Company's internal control procedures.

PREPARATION AND ORGANIZATION OF MEETINGS OF THE BOARD OF DIRECTORS

1. CORPORATE GOVERNANCE CODE

In application of the law of July 3, 2008 adapting various provisions of French company law to comply with European Union legislation and which transposed European directive 2006/46/EC dated June 14, 2006 into French law, at its meeting on March 4, 2009 the Board of Directors formally decided to adopt the December 2008 AFEP/MEDEF "Corporate Governance Code for Listed Corporations." This Code is based on the 2003 AFEP/MEDEF consolidated report and the AFEP/MEDEF recommendations of January 2007 and October 2008 on the compensation of senior corporate officers of listed companies. It can be downloaded from the MEDEF website at http://www.medef.fr/main/core.php.

2. DIRECTORS' CHARTER

The Directors' Charter adopted for the first time by the Board on November 18, 2003 describes the rights and obligations of the members of the Essilor Board. It was updated by the Board on January 27, 2005, to reflect the provisions of the Market Abuse Directive (2003/6/EC) dated January 28, 2003 on insider dealing and market manipulation, and the disclosure by executive directors of their transactions in the issuers securities and those of any closely related persons. For more information, refer to Section 16.1.2 of this Registration Document.

The charter requires each Board member to commit to remaining independent, to regularly attend Board meetings and Shareholders' Meetings, and to notify the Chairman of the Board of any potential or actual conflict of interest and – at the Chairman's discretion – either leave the meeting while the matter concerned by the conflict of interest is discussed or abstain from voting on said matter. Board members must consider themselves subject to an obligation of professional secrecy – which goes further than the obligation to be discreet provided for in Article L.225-37-4 of the French Commercial Code – with regard to non-public information that comes into their possession in their capacity as a Board member.

The charter also stipulates that each Board member:

- is entitled to receive, when first elected and throughout his or her term, any and all training that he or she considers necessary to independently exercise his or her judgment. The training is organized, offered and paid for by the Company;
- must be given all relevant information about the Company; and
- may participate in meetings to examine in detail the matters put before the Board.

This charter was amended again:

- on November 26, 2009 to reflect the change in the Company's bylaws following the two-for-one stock split, as a result of which each Board member is now required to hold 1,000 Essilor International shares, and also to stipulate that each Board member has the right to meet with Company senior managers on a one-to-one basis, provided that senior management is informed of the meeting;
- on November 25, 2010, in order to harmonize the provisions of stock market ethics that it already contains with the AMF recommendation of November 3, 2010 relating to the prevention of insider trading offenses attributable to senior managers of listed companies. Accordingly, the black-out periods have been increased from 21 to 30 days before the release of privileged information and of annual, semi-annual, and, as the case may be, quarterly financial statements and are set at 15 days before financial information meetings; the date of publication of such information is now also included in the black-out periods.

3. BOARD OF DIRECTORS' INTERNAL RULES

The procedures of the Board of Directors and the Committees of the Board are governed by internal rules adopted by the Board on November 18, 2003, and revised on several occasions.

After the first assessment of the Board's practices, the results of which were presented and discussed at the Board meeting of November 18, 2004, the following stipulations were added to the internal rules:

- "Directors shall receive training in the financial and legal aspects of the matters put before the Board;
- The members of the Committees of the Board may be given the opportunity to compare notes with their counterparts at other listed companies;
- Site visits will be organized for Board members and special presentations will be made to them by members of the Executive Committee."

The purpose of the revision carried out by the Board of Directors at its meeting on November 26, 2009 was to:

- ensure that the internal rules are fully aligned with the provisions of the AFEP/MEDEF corporate governance code;
- set the monetary thresholds above which proposed acquisitions must be submitted to the Board for approval. Essilor acquires around twenty businesses each year;
- allow Board members more time to examine meeting documents before Board meetings;
- align the internal rules with the legal provisions related to audit committees following the transposition into French law of European Directive 2006/43/EC of May 17, 2006 concerning the audit of the individual company and consolidated financial statements;
- allow the Audit Committee to retain the services of external consultants, within a budget set by the Board;
- specify the terms of reference and procedures of the Appointments Committee that will meet for the first time in 2010.

The most recent revision to the rules of procedure took place at the Board meeting of November 25, 2010. The purpose of this revision was to clarify that the Audit Committee is to issue in its summary report the opinions that it deems appropriate regarding:

- the ability of various processes and the overall procedure to achieve their goal of controlling information and risks;
- the effective implementation of the procedures in place and, where appropriate, the measures implemented to achieve them;
- the financial position, cash position and commitments of the Company.

The main internal rules governing the Board's practices are set out in Section 16.1.2 and those governing the Committees of the Board are presented in Section 14.1.2.

The internal rules also stipulate that:

"Each Board member shall ensure that he or she has all essential information to enable the Board or the Committees of the Board to engage in an informed discussion and make informed decisions. If any information is not made available, or if the director believes that information may have been withheld, he or she shall ask for it to be supplied. The request shall be made to the Chairman of the Board (or the Chief Executive Officer if the two positions are separated), who is under the obligation to ensure that directors are able to fulfill their duties."

4. MEMBERS OF THE BOARD OF DIRECTORS

As of December 31, 2010

Xavier Fontanet, Chairman of the Board of Directors

Hubert Sagnières, Chief Executive Officer

Philippe Alfroid, Chief Operating Officer until June 30, 2009, has remained on the Board after retiring from the Company.

Independent directors:

At its meeting on November 25, 2010, after examining the situation of each director in relation to the independence criteria set out in the Bouton corporate governance report (as reproduced in the AFEP/MEDEF Corporate Governance Code), the Board decided that of the 15 members of the Board as of December 31, 2010, 9 were independent, as follows:

Alain Aspect

Benoît Bazin

Antoine Bernard de Saint-Affrique

Yves Chevillotte

Mireille Faugère

Bernard Hours

Maurice Marchand-Tonel

Olivier Pécoux

Michel Rose

The AFEP/MEDEF Code recommends that in companies with a broad shareholder base and no controlling shareholder, at least half of the Board members should be independent directors. Essilor International is in this case, as about 90% of its capital is held by the public. For more information, see "Board decisions and information," paragraph 3 "Annual review of directors' independence."

Board members representing employee shareholders:

Aïcha Mokdahi

Yves Gillet

Yi He

Each Board member must hold at least 1,000 Essilor International shares.

5. CALLS TO MEETING

In accordance with the Board's internal rules, calls to meeting were sent to Board members by email, confirmed by letter sent by regular mail, at least seven days before each meeting. The Auditors were asked to attend the Board meetings called to review the interim and annual financial statements, as provided for in Article L.225-238 of the French Commercial Code.

6. FREQUENCY OF BOARD MEETINGS

In 2010, the Board held six scheduled meetings on the dates planned in 2009 (January 27, March 3, May 11, July 13, August 26) and November 25, 2011. Each meeting lasted an average of two and a half hours. One unscheduled meeting was held on October 14, 2010.

7. ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Company's bylaws state that Board members may participate in certain meetings by videoconference or other telecommunications link. Under the Board's internal rules, Board members who participate in meetings in this way are included in the calculation of the quorum and voting majority for the meeting. The average attendance rate at Board meetings was more than 95% in 2010 (unscheduled meeting included). The Auditors attended the two Board meetings to which they were invited. As in prior years, the Labor-Management Committee representatives on the Board attended all Board meetings held in 2010.

Thirteen of the fifteen Board members attended the Combined (Ordinary and Extraordinary) Shareholders' Meeting held on May 11, 2010.

8. INFORMATION MADE AVAILABLE TO BOARD MEMBERS

All necessary documents to inform the Board members about the matters to be discussed at Board meetings are enclosed with the notice of meeting or sent, handed to or otherwise made available to them reasonably in advance of the meeting. In 2010, as in prior years, Board members were informed of the black-out periods for 2011, during which they are banned from trading 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.

9. MINUTES OF BOARD MEETINGS

The draft minutes of each Board meeting were sent to all Board members at the latest with the call to the next meeting.

10. COMMITTEES OF THE BOARD

In 1997, based on a recommendation by the Chairman, Essilor set up three Committees of the Board – the Audit Committee, the Remunerations and Appointments Committee and the Strategy Committee.

In late 2009, it was decided to create a fourth permanent special committee: the appointments committee, which began its activities in 2010 and whose membership is in accordance with the provisions of paragraph 16 of the AFEP/MEDEF Code, i.e., it is chaired by the Chairman of the Board of Directors and is also composed entirely of independent directors.

All four Committees are tasked with making recommendations to the Board in their respective areas of competence. The rules governing their membership and terms of reference are set out in the internal rules adopted on November 18, 2003, which are regularly updated – most recently at the Board meeting held on November 25, 2010. Extracts from the internal rules are presented in Sections 14 and 16 of this Registration Document.

Audit Committee

The audit committee met on two occasions regarding the 2010 financial statements; on August 23, 2010 to review the interim consolidated financial statements and on February 28, 2011 to review the annual consolidated financial statements. The Chief Financial Officer and the external Auditors attended both of these meetings, to present the accounts and answer the Committee's questions.

The Chairman of the Committee had lengthy discussions with the Chief Financial Officer prior to each of these meetings to review the consolidated financial statements and operating highlights in detail, as well as with other risk management executives including the Corporate Senior Vice President, Legal Affairs and the Vice President, Internal Audit.

The Audit Committee also met on May 3, July 13 and December 6, 2010.

The following topics were discussed at these various meetings:

- the planned reorganization Group product flows and services;
- monitoring of risk management;
- summary report of the 2009 audit engagements;
- insurance management;
- contingent liabilities;
- presentation by the statutory auditors of the audit strategy, their work schedule, and the planning for their work;
- monitoring of litigation;
- review of the allocation of the purchase price for new acquisitions;
- timetable and organization of the compliance department.

In addition, the internal audit director presented to the committee the progress of the audit plan for 2010 and work performed in the area of internal controls, as well as a summary of various missions outside of the audit plan conducted by his department during four interventions in March, May, August, and December 2010. The 2011 audit plan was submitted to the Audit Committee in December 2010. Similarly, the internal audit director presented the work done on risk management within the Group, including the risk identification process instituted in 2009.

The audit committee also met with the statutory auditors with the Group representatives not present.

The Committee's work was presented to the Board of Directors by the Chairman of the Committee, Yves Chevillotte.

In line with AFEP/MEDEF recommendations, the Audit Committee will consider the recommendations to be made concerning the prior approval of services provided by the Company's auditors that are related to or represent an extension of their audit of the accounts, such as acquisition audits.

In accordance with the AMF Recommendation dated July 22, 2010, we inform you that the tasks of the audit committee are carried out based on the report of the AMF working group regarding audit committees.

The attendance rate at Audit Committee meetings in 2010 was 92%.

Appointments Committee

The committee met on February 3, July 21, and December 8, 2010. The purpose of the December 8 session was the examination of the skill sets to be gathered on the board. A number of criteria to guide the committee in its search for new Board members were discussed at the meeting. Moreover, the Corporate Senior Vice President, Legal Affairs gave a presentation on governance within the board and its specialized committees and in particular on the draft law respecting the equal representation of women and men on boards of directors.

The attendance rate was 100%.

Remunerations Committee

The Remunerations Committee met four times in 2010 to examine:

- 2009 incentive bonuses and the 2010 bonus targets and other conditions;
- the proposed creation of an Appointments Committee and the type of work undertaken by the Remunerations Committee;
- the allocation of roles and responsibilities between the Chairman and the Chief Executive Officer;
- the 2011 compensation of the Chairman of the Board of Directors and the Chief Executive Officer;
- the operations of the Board of Directors;
- the situation of each Board member in relation to the independence criteria set out in the corporate governance code.

The attendance rate at Remunerations Committee meetings was 100% in 2010.

The Committee Chairman, Michel Rose, presented reports that allowed the Board primarily to determine the amount of the variable portion of the remuneration of the Chief Executive Officer for 2010, in line with the principles decided in 2009, and to determine the principles and rules governing senior management compensation for 2011 based on Article L.225-37, paragraph 7, of the French Commercial Code. In accordance with Article 21.1 of the AFEP/MEDEF corporate governance code, the components of management compensation were disclosed on the Company's website following the Board meeting of November 25, 2010 at which they were decided.

At the August 26, 2010 meeting, the Board members were given a questionnaire to help them review the status of Board members based on the independence criteria stipulated in the Bouton corporate governance report and taken up in the 2003 AFEP/MEDEF consolidated report, which continues to serve as the French reference on this subject as it was folded into the AFEP/MEDEF Corporate Governance Code.

The Remunerations Committee then prepared an executive summary of the survey results. Lastly, at the November 25, 2010 Board meeting, the Remunerations Committee presented the results of the directors' self-assessment of the Board's practices.

Principles and rules for determining senior management compensation in 2011

For 2011, the Board decided to keep separate the functions of Chairman of the Board of Directors and Chief Executive Officer, which has an impact on the remuneration structure of senior corporate officers.

The Board of Directors decided that the Chairman of the Board will receive compensation including a fixed component and that there will be no "long-term incentive." He will continue to enjoy the same benefits in kind and other compensation as in previous years (see Section 15.1 of this Registration Document for details).

As previously, the Chief Executive Officer will receive compensation including a fixed component (base salary) and a target-based variable component (contractual bonus). The bonus may increase to up to one-and-a-half times the contractual amount if the targets are exceeded.

For 2011, the bonus objectives, as well as their measurement method, weighting and amount will be decided by the Board in March 2011.

The Board of Directors may grant performance shares or stock options to the Chief Executive Officer, who will continue to receive the same benefits in kind and other forms of compensation as in prior years (see Section 15.1 of this Registration Document for details).

In line with the AFEP/MEDEF's recommendations issued in October 2008 as transposed into the Corporate Governance Code, on November 27, 2008, the Board of Directors enacted rules governing stock subscription option and performance share (referred to as "bonus share") grants to senior corporate officers, which are reviewed every year, as follows:

- The value (under IFRS) of stock options and/or performance shares granted to each senior corporate officer may not exceed the sum of his or her contractual annual compensation (fixed + bonus);
- The aggregate amounts granted to all senior corporate officers may not exceed 20% of the total grants made by the Company (options + performance shares).

Performance conditions:

- The annual performance index, expressed as a percentage, is determined by applying the performance criteria weightings used to calculate corporate officers' bonuses;
- The vested portion of the grant is then determined by reference to the arithmetical average of the performance indices for the fiscal years in the period between the year of grant and the year when the option becomes exercisable, with a cap of 100%.

If corporate officer retires, only his or her years of active service are taken into account in the calculation.

In addition, since the December 30, 2006 Employee Profit-Sharing and Stock Ownership Act came into effect on December 31, 2006, Essilor's corporate officers have been required to retain a certain number of registered shares obtained on exercise of stock subscription or purchase options or performance shares (known as "bonus shares") for as long as they remain in office.

For grants made since 2007, at the end of the lock-up period specified in the rules of the plan concerned, senior corporate officers are required to retain, in registered form:

- one third of their vested performance shares, or
- one third of the shares acquired on exercise of stock options, excluding those shares sold immediately to finance the exercise price and the tax due on the capital gain;
- the lock-up ceases to apply to new share acquisitions when the cumulative number of shares subject to the lock-up represents the equivalent of two years' cash compensation;
- in line with the AFEP/MEDEF corporate governance code, the equity risk has not been hedged;
- for a long time now, many Essilor employees in France and abroad have been awarded stock subscription or purchase options or performance shares (known as "bonus shares"). In 2010, 9,457 employees participated in these plans, up from 8,557 in 2009. Around 3% to 5% of annual stock option or performance share grants are made to senior corporate officers who reinvest the bulk of their capital gains in Essilor shares, thereby sharing the same risks and rewards as the Company's other shareholders. The stock option and performance share grants for management and employees are decided in November of each year by the Board of Directors and do not include any discount. In addition, in the last four years, all employees of Essilor and its French subsidiaries have participated in collective performance share plans. To place senior managers and employees on the same footing as other shareholders, these grants are subject to performance conditions linked to gains in the Essilor share price. It is noted that the definitive allocations to senior corporate officers are also subject to additional performance conditions (see Chapter 15 of this Registration Document). Moreover, to protect the interests of external shareholders, management has given a commitment to offset the dilutive effect of these grants to Essilor executives and employees by canceling, on a one-for-one basis, Essilor shares bought back on the market for this purpose.

Supplementary defined benefit loyalty-based retirement plans

Senior corporate officers are covered by Essilor's "Article 39" supplementary pension plan for category III C senior executives, as defined in the collective bargaining agreement of the metallurgy sector. The plan is governed by Article 137-11 of the French Social Security Code as well as by a company agreement dated November 2, 2000 and its addenda.

The plan provides additional pension benefits over and above the benefits received under the Social Security and government-sponsored ARRCO and AGIRC schemes, equal to 10% of their reference salary beyond 10 years of service, plus:

- the equivalent of 1% of their reference salary per additional year of service, up to a maximum replacement rate of 20%;
- the equivalent of 1.5% of the portion of their salary above the "Tranche C" band for social security contributions per year of service between 10 and 20 years, capped at 5% of the reference salary defined in the pension plan rules.

In all, for Essilor senior corporate officers with at least 20 years' service with the Company, the supplementary benefit plan pays pension benefits of up to 25% of their reference salary.

Strategy Committee

The Strategy Committee met four times in 2010. This entity is becoming increasingly important in the governance of the Group. The proposals of themes come from the directors and management. Our inspiration also comes from questions from the financial market; the agenda is set by the Chairman of the Board with the approval of the Chief Executive Officer. After each of its meetings, a summary of presentations and various discussions was presented to the Board of Directors by its Chairman.

At the meeting of January 27, the following main points were discussed:

- markets in Europe and the developments planned for the next three to five years;
- after polling the Board members, about ten topics were requested for the Strategy Committee.

At the meeting of March 3, 2010, the main topics were:

- an analysis of a competitor in terms of positioning, portfolio activity, consumable and vision care;
- the situation of our prescription activities;
- the proposed acquisition of 50% of the group Shamir.

The meeting of July 13, 2010 focused on two presentations. The first presentation concerned the development of activities in the United States and strategies developed by the Group for the future. The other concerned Satisloh and the optical instruments department.

At the meeting of November 25, 2010, the Corporate Senior Vice President, Worldwide Operations presented a 20-year overview of industrial projects strategy; he explained the strategy of the Group's laboratories and started the reflection process for future organization.

The attendance rate at Strategy Committee meetings was 95%.

REPORT ON ESSILOR INTERNATIONAL S.A. INTERNAL CONTROL PROCEDURES

1. INTERNAL CONTROL OBJECTIVES

Internal control is a process designed to provide reasonable assurance regarding the achievement of the following objectives:

- compliance with the applicable laws and regulations;
- application of senior management strategies and guidelines;
- the proper functioning of the internal processes of the Company, including those contributing to the safeguarding of its assets, even if it must constantly adapt to changes in the Group and its environment;
- reliable financial information.

More generally, internal control contributes to the disciplined management of the business, the effectiveness and efficiency of operations and the efficient use of resources. Our internal control is geared to the Company's situation. The parent company ensures that adequate systems of internal control exist within the subsidiaries. These systems are developed based on each subsidiary's individual characteristics and on relations between the parent company and the subsidiaries.

In practice, the purpose of internal control is to ensure that:

- all acts of management, all transactions, and the behavior of all Company employees, comply with the general strategic guidelines established by the Board of Directors, applicable laws and regulations, and the Company's corporate values, standards and internal rules;
- all accounting, financial, legal and management information reported to the Board of Directors, the regulatory authorities, shareholders or the public presents fairly the Company's business and financial position;
- the Company's internal policies and procedures provide reasonable assurance that the business is managed efficiently and effectively.

One of the objectives of internal control is to prevent and limit business, financial and legal risks, including the risk of errors and fraud, to which the Company and its subsidiaries are exposed in France and abroad. However, no system of controls can provide an absolute guarantee that all such risks have been completely avoided, eliminated or entirely brought under control, or that the Company's objectives will be met. This is because of the probability of meeting these objectives depends on a number of factors such as the uncertain external environment, uncertainty arising from economic cycles, regulatory uncertainty, the exercise of judgment or malfunctions due to human error, fraud or straightforward mistakes.

Additional information on risks that the Company may face is provided in Section 4 of this Registration Document.

The charter of Valoptec, an association made up of active and retired Essilor employees, states that the association's purpose is to "promote the adoption by Group companies of sound business practices and human resources management policies." The charter upholds the values of respect and trust among individuals. Although employees are not asked to sign the charter, its principles permeate the Essilor corporate culture. The members of Valoptec and other employee shareholders together hold 13.8% of the Company's voting rights. The association's bylaws are regularly updated and reviewed to ensure they are aligned with its development.

A roadmap for Compliance to competition law and a trio of "Essilor principles" were established (see the "legal" paragraph below).

2. INTERNAL CONTROL PRINCIPLES

Our system of internal control is rooted in:

- 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 to enable each individual to fulfill his or her responsibilities;
- the identification and analysis of the main risks that could prevent the Company from fulfilling its objectives, and 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 process and regular reviews of its effectiveness.

The Board of Directors and senior management of Essilor International consider that an effective system of internal control is of critical importance and this is borne out by the Audit Committee's attention to internal control issues and the wide range of matters examined by multidisciplinary teams. Senior management defines the general principles of internal control and ensures that they are fully implemented within the Group. Support is provided by various staff and line executives who are members of the Executive Committee, based on their respective areas of competence and according to an organization structure by country, by region and by technical area. The Chief Financial Officer and the Corporate Senior Vice President, Legal Affairs, who have front-line responsibility for internal control, are members of the Executive Committee.

3. OVERALL ORGANIZATION OF INTERNAL CONTROL BY THE BODIES AND DEPARTMENTS OF THE COMPANY

Internal control is a process that ensures that the standards and procedures defined at corporate level are consistent with the strategies followed by senior management.

The departments with specific responsibility for internal control are as follows:

Internal Audit

Following the appointment of two new Senior Vice Presidents, the Internal Audit Director was placed under the authority of one of the Senior Vice Presidents. This new hierarchy preserves the mental independence and freedom necessary for the success of the position of Internal Audit Director. He has no authority over, or responsibility for, the audited operations. He also reports on his department's activities to the Audit Committee and presents an executive summary each year to the Executive Committee. The department is organized on a decentralized basis, with teams based at Company headquarters (responsible for auditing corporate units and operations in Europe and South America), in the United States (covering North America) and in Singapore (covering the Asia-Pacific and Middle East regions).

The main role of the internal auditors is to ensure that internal control procedures are properly applied throughout the organization, by checking that practices comply with internal rules and procedures, verifying the reliability of accounting information and reviewing the efficiency of internal processes.

Internal audits are planned on the basis of identified process risks, according to a cycle covering all subsidiaries, with special audits added to the program at the request of Company senior management or a regional President. Certain audits are carried out by multidisciplinary teams comprising auditors, tax and legal specialists. The annual audit program is approved by Company senior management and the Audit Committee.

Internal audits are carried out according to the same methodology in all host countries. At the end of each audit, a report is issued setting out the internal auditors' findings and recommendations for improvement. The audited units are responsible for implementing the recommendations. The internal auditors ensure that their recommendations are acted upon, by reviewing implementation of the action plans decided jointly with the management of the audited units.

A copy of their report is given to the management of the audited unit, the regional President, Company senior management and the Chief Financial Officer, and an executive summary is given to the heads of the operating and corporate units concerned. Each year, a summary of the internal auditors' findings and recommendations is presented to the Chief Executive Officer and the Audit Committee.

The responsibilities, powers and objectives of the internal audit team are set out in an internal audit charter, which describes the rules of professional conduct that internal auditors have to follow, as well as the methodology to be used when auditing a unit. According to the charter, the Internal Audit department can audit any of the Group's activities, corporate functions or legal entities.

The Internal Audit department is also overseeing an internal control self-assessment process that began in 2004 in various Group units.

In 2010, the internal audit continued to lead a risk management centralization unit, which consists of members of the legal, sustainable development, and internal audit departments. The main risks identified and summarized resulted in interviews of the various managers responsible for these risks, including the audit committee and the board of directors.

Consolidation

The Consolidation department is responsible for defining consolidation rules and methods that comply with the applicable standards, to be applied throughout the Group, and preparing quarterly and annual consolidated income statements and balance sheets in accordance with the Group's general policies. It also leads and coordinates the financial reporting activities of the consolidated entities.

It produces the consolidated financial statements based on the accounts of the various subsidiaries, as adjusted to comply with Group accounting policies, and analyzes quarterly accounting data for each legal entity included in the scope of consolidation. Regular reconciliations of statutory and management reporting data help to guarantee the consistency of financial information and also to swiftly identify and resolve any errors or inconsistencies.

The Consolidation department informs all consolidated companies on a timely basis of new and amended rules affecting the preparation of the financial statements. Changes in accounting methods resulting from the adoption of new standards are presented to the Audit Committee before being applied.

Business Analysis

Each Group entity has its own management accounting team responsible for analyzing the entity's performance, with guidance from the regional or divisional management accounting department. Corporate Accounting Control performs consistency tests on management reporting data, to check the overall reliability of the information. It also oversees a network of management accountants, provides decision-making guidance and monitors the monthly management results of each Group entity or business unit. Corporate Accounting Control produces the monthly consolidated management accounts and the consolidated budget, performs monthly variance analyses and checks the consistency of transfer prices. The accounting controllers report to both line and staff management.

Sustainable Development

This cross-functional unit is primarily responsible for anticipating and influencing foreseeable changes in the business, and analyzing the economic, human and environmental consequences, to enable the Company, its stakeholders and the community to benefit from the opportunities that arise and to warn management of possible risks. The unit is also responsible for producing the Group's non-financial disclosures.

Health, Safety and Environment (HSE)

The HSE department is responsible for applying the Company's safety strategy to protect individuals and assets, prevent industrial risks, preserve employees' health and protect the environment. The head of the HSE department (titled "Global HSE Department") reports directly to the Corporate Senior Vice President, Global Engineering (a member of the Executive Committee) and also has a dotted-line reporting relationship with the Vice President, Sustainable Development. The department leads the network of HSE correspondents and sets up programs and systems to ensure regulatory compliance and continually improve the Group's HSE performance. It also provides technical expertise in the areas of REACH compliance, chemical products management, fire protection, equipment safety, transportation hazardous materials, ergonomics, etc., to the Group's other departments, as required.

Legal Affairs

The Legal Affairs department offers advice and assistance to all departments of the Group and its subsidiaries in preventing claims and litigation. It is responsible for negotiating and drafting contracts and other legal documents relating in particular to business acquisitions, in order to ensure that the warranties obtained are aligned with the related risks.

As part of its risk management strategy, the department ensures that contracts include an arbitration clause whenever possible. It also ensures that the Group's intellectual property rights are monitored and protected and initiates legal proceedings in the event that the rights are breached. In addition, the department plays a key role in legal and regulatory compliance programs.

It advises the Group and the Board of Directors (as well as its special committees) on good corporate governance practices. It also takes part in Audit Committee meetings. It ensures that executives throughout the organization are aware of potential liability risks and proposes legal solutions that contribute to strengthening the control environment. It provides answers to all legal questions raised by the various departments of the Group in an international legal and regulatory environment that is increasingly complex and burdensome. As examples, the Industrial Property Department has prepared a briefing note on the legal risks associated with the establishment of technical analysis for patents, along with a computer systems security policy that defines roles and responsibilities and principles and processes of the required implementations (such as privacy management) for the Group computer systems.

Regional legal teams that have a dotted-line reporting relationship with the Corporate Senior Vice President, Legal Affairs, issue legal guidelines for line managers on safety and compliance issues and also prepare legal and compliance guides for employees in their region.

The Legal Department provides training in contractual and commercial practices as well as in the avoidance of competition law breaches, for Executive Committee members, regional Presidents and the Corporate Senior Vice Presidents. Lastly, an audit of European sales contracts was launched at the end of 2009.

Legal Affairs ensures that the Group fulfills its more than ten thousand contractual obligations, with the help of 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, industrial property disputes, tax audits or claims), and posts information memoranda on its intranet site announcing changes in legal, tax or insurance rules or practices. To help enhance the reliability and quality of legal and financial information on the many subsidiaries, the department has integrated a new web-enabled intranet application to manage and update this information.

The insurance department, which is part of Legal Affairs, 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.

At the end of 2009, a legal compliance unit was set up within the Legal Affairs department, responsible for training, audit and prevention programs. A roadmap was developed and approved by senior management and the executive committee that covered 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. A survey of legal briefs, and guides, charters, and manuals available to employees was made. Training sessions in competition law were widely conducted. Audits of commercial agreements and business practices in France in 2010 were followed by the establishment of an audit plan in the European subsidiaries, which will be implemented in 2011.

Our compliance policy is a first step in sensitizing executives and managers through actions to raise awareness of legal risks to ensure the real effectiveness of this policy by gradually building a culture of compliance within the Group.

In this context, actions to raise awareness of competition law have been conducted within the head office departments and all of the subsidiary and area managers in Europe and their management committees, which comprise major account, business, financial, marketing, production, and computer managers. Notes on the basic rules of competition law were presented on a global scale and for Europe, Asia and India. A three-pronged summary of these rules has been circulated. More than one hundred managers have benefited from this awareness campaign.

These actions were supplemented by documentation specific to the educational content in order to be accessible to all employees. It also consists of audio kits, electronic media for awareness actions, briefing notes, PowerPoint presentations, fact sheets and guides to good practices, and lists of do's and don'ts. All of this documentation has been posted on the legal department intranet site in a section dedicated to compliance for wide dissemination and consultation on an ad hoc basis.

The audio kits will evolve towards e-learning modules for training tailored to local laws, practices, and languages under the responsibility of the human resources department and accessible via the LOFT platform.

The results of these awareness-raising actions with a reporting of identified legal risks and actions to implement (legal audits, implementation of compliance programs, good practices guide) were presented to the executive committee by the group legal director, who may also have topics or reports registered on the executive committee agenda in order to raise the appropriate level of awareness. The compliance roadmap was released in internal publications (Connection, Essilook, etc.) and at R&D days.

Given the Group's business activities, confidentiality is also an important topic for compliance. Awareness-raising actions for good practices were carried out especially for the Operations Management and R&D teams. This presentation was covered in an e-learning module for the Global Engineering teams but is also available for R&D teams.

As part of the responsible purchasing policy, a section on compliance rules and good practices relating to supplier compliance was included in the awareness-raising actions conducted with the purchasing department teams worldwide. This compliance component covers not only issues of competition law/business practices and confidentiality, but also corruption and conflicts of interest, issues that were discussed for a lay audience on electronic audio kit media. Specific documentation (briefing notes, fact sheets, "Do's and Don'ts") is also available on the legal department intranet site. Finally, a roadmap for risk analysis related to personal data protection was produced in collaboration with the computer security manager.

Lastly, other compliance procedures are gradually being deployed throughout the Group, relating mainly to Group-wide agreements and charters such as the charter for the prevention of all forms of unlawful discrimination, the "Essiboomers" agreement on the development and enhancement of the third phase in employees' careers and the agreement on the employment of people with disabilities, which was renewed for the 2010 to 2012 period. Information memoranda have been available for a number of years on the Legal Affairs intranet site regarding compliance with securities legislation, anti-money laundering and corruption legislation, competition law and other trade practices and principles. The memorandum on securities legislation is reviewed at least once a year (with the first review taking place in November 2010) and more often in the event of a legal or regulatory change. It urges directors, Executive Committee members, employees, employees' relatives and other individuals with access to inside information to exercise caution when trading in the Company's shares and emphasizes that insider dealing is subject to sanctions. The appendix to the memorandum provides a schedule detailing the periods in which Company shares may not be sold, bought or transferred.

Quality

The Quality and Customer Satisfaction department is responsible for establishing and upgrading a quality system designed to continuously enhance satisfaction levels for all customer categories. Led and coordinated by a small central team, the department's decentralized organization is closely aligned with the market structure and helps to reduce response times. Its four core aims are to:

- enhance satisfaction with products and services, taking into account the diverse expectations of the various customer segments;
- improve the efficiency and consistency of internal processes, aligning them with the overall strategic objectives and developing techniques to measure their efficiency;
- ensure that decision-making processes are results-oriented, particularly by contributing to the establishment of indicators, based where possible on comparable company and related business activities benchmarks in this industry;
- encourage the involvement, motivation and personal development of employees.

Mergers and Acquisitions

The Vice President, Merger and Acquisitions and his team report to one of the two Senior Vice Presidents and define the Group's external growth strategies and coordinate the strategic growth initiatives undertaken by subsidiaries. They also analyze, monitor and validate the financial aspects of the Group's various planned business acquisitions, and have the authority to approve the financial terms of such acquisitions or divestments. Under no circumstances may Essilor entities decide alone to acquire outside companies or to sell all or some of the shares in a subsidiary. All acquisition (and divestment) projects may be submitted to the Board of Directors prior to being implemented. Projects representing 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 authorized in advance by the Board of Directors.

Group Treasury

The department is in charge of the financing, risk hedging and cash flow management to the Group. It also provides a general advisory and assistance role for the Group subsidiaries for these missions. It reports to the Corporate finance department.

The bulk of medium- and long-term financing and short-term liquidity are centralized on the mother company, through bank loans, medium-term confirmed credit lines, or commercial paper. Cash pooling and short- and medium-term loans established with major Group subsidiaries provide a gradual centralization of liquidity.

Cash investments are subject to a policy that encourages safety and liquidity on the return. Cash surpluses are invested only in short-term formats (mutual funds, certificates of deposit), thus excluding 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 concentration of the bulk of foreign exchange risk on a small number of entities. Those companies that are exposed to significant currency risk are hedged with the support of the Group Treasury department. The risk to other subsidiaries, if reduced, is nonetheless monitored centrally.

The interest rate management policy is to minimize the cost of financing while protecting the Group against an adverse change in interest rates. Since the vast majority of funding is concentrated on the Group's parent company, the 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 to financial instruments.

4. REFERENCE TEXTS, STANDARDS, PROCEDURES, AND MEMBERSHIP IN BODIES THAT STRUCTURE THE INTERNAL AUDITS

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

The procedures are organized by process, including fixed assets, inventories, sales/receivables, treasury, purchasing, on- and off-balance sheet commitments, tax, R&D and production start-up costs, production accounting, fraud prevention, insurance, human resources, legal affairs, consolidation and acquisitions of companies, assets and businesses. Available for on-line consultation on the Company's intranet, in French and English, the Group Finance Manual provides essential guidelines for the preparation of the accounts and to maintain an appropriate control environment at all units. It is regularly updated to take into account changes in regulations and the Group's needs, as well as to incorporate new international standards applicable to the Group. It is currently being adapted to include, among other things, new Group businesses ("Readers" and "Equipment").

The latest developments in Group rules are covered by a specific release at the time of inclusion in the manual (newsletter and intranet announcement).

The manual also includes a section devoted to the Group's principles of ethical business practice, focusing on four main areas: human rights, working conditions, the environment and the fight against corruption.

The finance director of each entity or business unit is responsible for ensuring that these rules and procedures are fully and properly applied.

b) The quality and reliability of financial information is guaranteed by the use of an integrated management and statutory reporting system, FIGURES. Local accounting data are entered in the system either directly or via an interface, according to a detailed reporting timetable issued by Corporate Finance at the beginning of each year.

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

The glossary and all reporting instructions are available for consultation on the Group's intranet. 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 FIGURES comply with the Group accounting policies and procedures. The use of FIGURES guarantees consistent accounting treatment of transactions and enables us to exercise close control over the preparation of the accounts of the various units.

The unified reporting system now includes a twinned application, "Sustainability," which can be used to report economic, social and environmental data as well as to produce the schedules containing non-financial data reported by the Sustainable Development 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.

c) We have numerous information systems to manage, monitor, analyze and control both upstream activities (production/logistics) and downstream activities (prescription/distribution). In addition, an international intranet charter has been drawn up to coordinate the circulation and sharing of information via the Essilor intranet.

d) Essilor is included in five sustainable development indices: ASPI Eurozone®, FTSE4Good, Dow Jones Sustainability Index (DJSI), Ethibel Excellence and ECPI® Ethical Index €uro.

e) Essilor supports the Global Compact initiative and is committed to embracing and enacting its ten universal principles within its sphere of influence. The Company regularly reports its achievements and progress to the Global Compact Office at UN Headquarters in New York.

f) Attentive to the consequences of climate change, Essilor supports the Carbon Disclosure Project and Caring for Climate initiatives. The production of a pair of corrective lenses generates only a few hundred grams of CO_2 equivalents. Used for many months, these small, light objects do not consume any energy.

g) All Essilor plants (excluding Nikon-Essilor) have ISO 9001-certified quality management systems, ISO 14001-certified environmental management systems and OHSAS 18001-certified workplace health and safety systems.

5. DESCRIPTION OF INTERNAL CONTROL SYSTEMS

Internal controls are based on an organization structure and specific methodologies. They concern all Group entities and are monitored by the individuals or structures responsible for control activities, in accordance with Group standards and procedures, enabling the Group to classify the various strategic risks and opportunities in order to set priorities.

An overall risk management strategy is developed based on analyses performed by each department of the specific risks associated with its activities during the medium-term plan preparation process for the internal audit. Essilor is capable of reacting swiftly to any change of circumstances or any incident that could severely affect the Company's ability to fulfill its objectives, by adjusting the overall strategy or the strategy followed in a given area. At local level, identifying risks is the responsibility of the regional Presidents and the management of the subsidiaries. All information about risks and related protection is reported to the members of the Executive Committee. At the end of 2009, an assessment of these risks, calculated on a consolidated basis, was presented to the Executive Committee by the Vice President, Internal Audit. The information provided included details of their scope and nature, the name of the Executive Committee member responsible for their management, a description of the risk management methods and control processes, as well as details of any action plans in progress or to be implemented.

In 2010, we have some 300 legal entities and units combined, the majority of which are direct subsidiaries of the parent company. Levels of needs-adapted authority and accountability are clearly defined for each management level, with very strong cross-functional relations, and the heads of the subsidiaries are informed of the procedures for carrying out their obligations. Certain Corporate functions, such as Purchasing, Internal Audit, Business Analysis, Legal Affairs and Human Resources, have a dual reporting relationship, with local management and with the Corporate Senior Vice President who heads the department concerned. On the operations side, each plant manager reports to the regional Production Director who in turn reports to the Corporate Senior Vice President, Operations. On the sales side, the manager of each subsidiary reports to the regional President.

The various reporting packages and the various monthly or quarterly external controls enable us to monitor and analyze the activities of subsidiaries in the areas of finance, commercial activities, workplace accidents, occupational health and safety audits, APAVE inspections, ISO certification, sustainable development, logistics (monthly reporting), insurance claims, other claims, etc.

6. INTERNAL CONTROL PROCEDURES RELATING TO THE PRODUCTION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Each operating division draws up its own five-year business plan setting strategic objectives based on the overall strategy decided by the Company's senior management. The business plan submitted to senior management reflects these strategic objectives and the related action plans.

The budgeting process begins in July, 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 entity's budget is prepared on the basis of objectives and guidelines issued by the regional or operating division, and of the entity's own strategy for the coming year.

The budgets are presented to the Group's senior management at budget review meetings held at the end of the year. The consolidated budget is produced at the end of November and the final budget is issued in December.

The annual budget is updated in August of the budget year and again in November, when the following year's budget is prepared.

The process, which concerns all Group units, 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 FIGURES reporting system, which is used not only for business analysis but also for statutory consolidation. All units are managed by the system to maintain strict control over accounting and financial information.

For statutory consolidation purposes, balance sheet data are reported on a quarterly basis, in addition to the monthly reporting. The Consolidation Department checks the figures entered in the system and ensures that they comply with Group policies.

The aims of consolidation procedures are to:

- guarantee compliance with the applicable rules (IFRS, Group policies, AMF guidelines, etc.) through the implementation of general 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 programmed into the system or performed by the various Finance departments (business analysis, consolidation, treasury) within the required timeframes;
- guarantee data integrity through high-level systems security.

Specific instructions are issued to reporting entities before each consolidation exercise, including a detailed reporting timeline.

The procedures for monitoring off-balance sheet commitments and assets are included in the Group Finance Manual. They stipulate the types of commitments to be recorded on- and off-balance sheet. Full information about these commitments is provided by the reporting system.

The budgeting process and consolidation procedures enable us to constantly monitor the performance of the various units and to swiftly identify any variances from budget in order to take immediate corrective action.

All of the procedures set out in the Group Finance Manual apply to all Group companies, whether or not they are consolidated, and the internal auditors' work plans include checking that the procedures are implemented. The external Auditors review accounting and internal control systems in order to plan their audit engagements and determine their audit approach. The Audit Committee meets twice a year to review the annual and interim financial statements. The meetings are attended by the Chief Financial Officer and the external Auditors, who present the accounts and discuss with the Committee all material transactions and the main accounting options selected to address potential risks.

Lastly, although not part of the internal control process, the external Auditors are responsible for expressing an opinion as to whether the financial statements have been properly prepared and present fairly the assets and liabilities, financial position and results of operations of the Essilor Group, in accordance with generally accepted accounting principles. The accounts of all consolidated and non-consolidated entities are audited by local auditors, most of whom are members of the networks of the accounting firms that audit the Group's consolidated accounts.

7. INTERNAL AUDITS CARRIED OUT IN 2010 AND FUTURE DEVELOPMENTS

Essilor has launched a voluntary project to assess the level of compliance of its internal procedures. Overseen by the Internal Audit department, the project began at the end of 2003 with a review of the control environment and was pursued in 2004 with the introduction of a self-assessment process at certain entities. The project continued in subsequent years, with the definition of new processes.

The various stages of the project include:

- identifying critical processes within the organization;
- analyzing the risks associated with these processes;
- identifying the controls required to manage these risks;
- testing the controls (internal auditors);
- identifying control points that need to be improved and determining the necessary corrective measures.

The six processes thus defined (purchases, sales, inventories, fixed assets, treasury, reporting) were re-assessed in 2010. The six self-assessment questionnaires, which were sent to the consolidated subsidiaries, reflect the principles described in the AMF's internal control framework and accompanying guidelines. The Web tool can be used not only to answer each question online, but also to attach any necessary documentation corresponding to each control point and describe action plans for those controls that require improvement.

The internal auditors checked the reliability of the answers and the status of the action plans of a certain number of selected units.

An executive summary by subsidiary was sent to each subsidiary concerned and a Group-level executive summary was presented to the Chief Executive Officer and to the Audit Committee.

In 2010, the internal auditors continued to ensure that action plans had been implemented to address any weaknesses revealed by the self-assessment exercise. The results were presented at regular intervals to the Audit Committee and to the Chief Executive Officer.

This approach, which forms part of a process of continuous improvement, helps us to guarantee the quality and reliability of financial information by strengthening procedures applied throughout the organization on a consistent basis.

The work done by the internal audit teams showed improvements in internal control management. The integration of new entities (all of which had different requirements in terms of internal controls prior to their integration) is being monitored closely as part of the audit plan.

MATTERS SUBMITTED TO THE BOARD AND RELATED DECISIONS

A provision of the Code of Corporate Governance is rejected and the reasons why this occurred are as follows:

At its meeting on November 27, 2008, the Board of Directors discussed and adopted the AFEP/MEDEF recommendations of October 2008 concerning the compensation of senior corporate officers of companies listed for trading on a regulated market, which are consistent with Essilor's long-standing corporate governance policies.

Generally speaking, Essilor has always had a policy of transparency and moderation with regard to executive compensation.

However, concurring with the position of the Remunerations Committee, the Board expressed reservations about the "requirement" that would be imposed on a corporate officer to terminate his or her employment contract when appointed Chief Executive Officer or Chief Operating Officer.

While it would appear reasonable not to give an employment contract to a corporate officer newly recruited from outside the company, the requirement is difficult to accept in the case of a manager who has been asked to take on higher responsibilities after a long and successful career within the organization.

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.

It would also open up a breach between corporate officers and the managers below them that would work against the principles of internal promotion and sustainable management that we consider to be instrumental in building powerful and stable companies.

The Board of Directors of Essilor will therefore continue to suspend senior managers' employment contracts when they are appointed Chief Executive Officer or Chief Operating Officer, if they have been with the Company for at least ten years at the time of their appointment. The AMF has recognized the validity of this position.

Having played a pioneering role in promoting employee stock ownership, Essilor has long preferred to promote executives from within, thereby encouraging them both to take a long-term view and to share in the entrepreneurial risk. Their ownership of significant Essilor shareholdings is a clear demonstration of our success in this area.

ANNUAL REVIEW OF EACH BOARD MEMBER WITH REGARD TO INDEPENDENCE CRITERIA

In 2005, the Board reviewed for the first time the situation of each Board member with regard to the independence criteria established in the AFEP/MEDEF's 2003 corporate governance report. Then, each year, the Board considered the situation of each director in light of the independence criteria contained in the 2008 code, and most recently at its meeting on November 25, 2010.

After conducting this thorough review, the Board determined that all of the Board members were independent, except for Xavier Fontanet, Philippe Alfroid and Hubert Sagnières, who are all, or were, the three senior corporate officers, and Aïcha Mokdahi, Yves Gillet and Yi He, who represent the employee shareholders on the Board.

Olivier Pécoux was considered independent according to AFEP/MEDEF criteria, despite having belonged to an M&A team and being a managing partner of a financial institution, Banque Rothschild & Cie, as Essilor's transactions with the bank are not material in relation to both parties' total volume of financial transactions.

Yves Chevillotte retired from Crédit Agricole in January 2004 and was only appointed to the Board – and subsequently Chairman of the Audit Committee – after his retirement.

SELF-ASSESSMENT OF BOARD OPERATIONS

A formal evaluation of the operations of the board of directors has been conducted each year since 2004. These have often led to the amendment of the rules of procedure of the board of directors and the member's charter. In 2010, a new formalized self-evaluation was initiated and the summary report on the questionnaires completed by the corporate officers committee resulted in the following findings by the Board:

Points of progress compared to last year:

- expansion of the strategic committee to all board members;
- certain topics covered at the meetings of the Strategy Committee were selected by mutual agreement between management and the board members;
- the Strategy Committee meetings are a great vehicle for information and training and enable genuine contribution by the directors;
- recent creation of the Appointments Committee;
- logistically speaking, noting the great progress that was acknowledged in the sending of documents before Board and special committee meetings;
- continued regular updates on competition.

Points for improvement:

- continue the balancing between financial reporting and strategic issues; Board members would like an even greater involvement by the Chief Executive Officer in the presentation of these strategic issues;
- present the HR strategy to deal with the growth ambitions of the Group;
- present the marketing and services strategy in the context of value capture;
- give an overall annual update of strategic priorities and their development.

In conclusion, this most recent self-evaluation demonstrated that the Board members consider the Board to be very well prepared and very well supervised and that its effectiveness has shown further improvement.

The aim of the self-assessments is to review Board procedures and check that all important issues are properly prepared and discussed. However, the Company does not have a formal system to measure the individual directors' contribution to the Board, taking into account their specific areas of competence. Since 2006, the independent directors also meet privately, without the presence of senior managers, employees and directors representing employee shareholders.

The matters discussed by the Board in 2010 and the decisions taken covered a wide range of areas, including:

- the Group's business performance;
- competition;
- strategic choices;
- sale of the stake in Sperian Protection;
- the interim, annual, and estimated consolidated financial statements;
- annual budget;
- press releases announcing the 2009 annual results and first-half 2010 results;
- presentations and reports by the Audit Committee and the Remunerations and Appointments Committee;
- the Company's dividend policy;
- draft resolutions to be submitted to the Shareholders' Meeting;
- reports to shareholders;
- acquisitions and other strategic projects, especially the planned equity investment in Shamir;
- share cancellations;
- related party agreements to be authorized and those to be disclosed;
- changes in financing;
- the amount of guarantees given by the Company;
- employee share issues and matching payments by the company;
- performance share and stock subscription option grants;
- the share buyback program;
- senior management compensation;
- allocation of directors' fees;
- corporate governance issues;
- stock market ethics;
- membership of the committees of the Board following changes in Board membership;
- creation of an Appointments Committee;
- alignment of the Board's internal rules with French law;
- the main employee-related issues;
- press articles and financial analysts' research reports;
- the makeup of the Essilor shareholder structure;
- delegations and sub-delegations of authority to the Chief Executive Officer;
- the dates of Board meetings and the Annual General Meeting in 2011.

Additional information on corporate governance and the Board of Directors' internal rules is presented in Sections 14, 15 and 16 of this Registration Document.

POWERS OF THE CHIEF EXECUTIVE OFFICER

The board has decided, with effect from January 1, 2010, to separate the roles of chairman and Chief Executive Officer without limiting the powers of the CEO. However, the restructurings and significant non-strategic investments announced will continue to be subject to prior approval of the Board, as stated in the original rules of procedure of November 2003. In addition, the CEO is assisted by two senior vice presidents.

This dissociation was studied extensively by the appointments and remunerations committee, as was the distribution of functions that enabled the CEO to assume the full measure of all strategic, operational, and functional aspects of the Group while having at his side a Chairman experienced in all these functions and capable of ensuring the continuity of leadership of the Board of Directors and the Shareholders' Meeting while continuing to promote the governance of Essilor.

SPECIFIC RULES GOVERNING SHAREHOLDER PARTICIPATION IN GENERAL MEETINGS

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

The rights of shareholders to be represented by proxy 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.

The Company's bylaws (Section V – General Shareholders' Meetings) include the following provisions concerning the organization of general meetings, the meetings' main powers and the rights of shareholders, which are in compliance with the law:

Article 24 – General rules

5) Shareholders' right to information

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 made available to shareholders are determined according to the relevant laws and regulations.

Article 25 – Ordinary Shareholders' Meetings

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

The Ordinary Shareholders' Meeting makes all decisions that exceed the powers of the Board of Directors and do not lead to a change in 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 decision of the court.

Ordinary Shareholders' Meetings can 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 meetings held on second call. Resolutions of the Ordinary Shareholders' Meeting are adopted by a majority of the votes cast by the shareholders present or represented, including ballots cast by mail.

Article 26 – Extraordinary shareholders' meetings

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 for 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 life or wind it up in advance, or change its legal form.

The Extraordinary Shareholders' Meeting may validly conduct business provided that the shareholders present, represented or voting by post hold at least one quarter of the voting shares 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.

Exceptionally, resolutions concerning the capitalization of reserves, earnings or additional paid-in capital are subject to the quorum and voting majority rules applicable to Ordinary Shareholders' Meetings.

The Extraordinary Shareholders' Meeting may also amend the rights attached to shares in different classes. However, any such change will require ratification by a Special Meeting of holders of the class of shares concerned. Said Special Meeting will be subject to the legal and regulatory provisions applicable to Extraordinary Shareholders' Meetings. If none of the Company's directors holds shares in the class concerned, the Special Meeting elects its own Chairman.

CONTRACTS CONTAINING A CHANGE OF CONTROL CLAUSE

In application of Article L.225-37, paragraph 9, of the French Commercial Code, the information required under Article L.225-25-3 of the Code is presented in the management report and in Section 18.4 of this Registration Document.

Charenton, March 1, 2011

Xavier Fontanet

Report of the Auditors

Prepared in application of Article L.225-235 of the French Commercial Code on the report of the Chairman of the Board of Directors of Essilor International

Year ended December 31, 2010

Dear Shareholders,

In our capacity as statutory auditors of ESSILOR INTERNATIONAL SA, and as required by Article L.225-235 of the French Commercial Code, we report to you on the report for the year ended December 31, 2010 prepared by the Chairman of your Company in accordance with Article L.225-37 of the Commercial Code.

The Chairman is responsible for preparing and submitting to the Board of Directors for approval a report describing the Company's internal control and risk management procedures and setting out the information about the corporate governance system and the other disclosures required by Article L.225-37 of the Commercial Code.

Our responsibility is to:

- Report our observations on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- Certify that the report contains the other disclosures required by Article L.225-37 of the Commercial Code, without being responsible for verifying their fairness.

We conducted our audit in accordance with professional standards applicable in France.

Information about internal control and risk management procedures relating to the production and processing of financial and accounting information

The standards of our profession applicable in France require us to plan and perform an audit to assess the fairness of the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information. The audit notably consisted of:

- Obtaining an understanding of internal control and risk management procedures relating to the preparation and processing of financial and accounting information supporting the information provided in the Chairman's report and reviewing existing documentation;
- Obtaining an understanding of the work performed to support the information given in the Chairman's report and the existing documentation;
- Determining whether major internal control weaknesses that we would have detected as part of our audit, in relation to the preparation and processing of financial and accounting information, have been appropriately disclosed in the Chairman's report.

On the basis of our audit, we have no matters to report in connection with the information on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information contained in the report of the Chairman of the Board of Directors in accordance with Article L.225-37 of the Commercial Code.

Other information

We hereby certify that the report of the Chairman of the Board of Directors includes the other disclosures required by Article L.225-37 of the Commercial Code.

Neuilly-sur-Seine and Courbevoie – March 17, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Christine Bouvry	Pierre Sardet

Appendix 2 Social and Environmental Policies

(France's New Economic Regulations Act)

In order to ensure that the information disclosed in this Registration Document is consistent with the information provided in the corporate report on employment and working conditions (*Bilan Social d'Entreprise France*), Essilor has elected to report on the features of its social and environmental policies, as required by paragraph 5 of Article 225-102.1 of the French Commercial Code, with a scope that substantially corresponds to the parent company.

The report in Appendix 2 follows the guidelines of France's New Economic Regulations (NRE) Act.

Disclosures with a broader scope properly including Essilor's legal entities worldwide are presented in **Appendix 3** of this Registration Document. The report in Appendix 3 follows the guidelines of the Global Reporting Initiative (GRI).

SOCIAL POLICY

Essilor's policy seeks to contribute to the personal development and fulfillment of its employees by offering them career opportunities in a global, multi-cultural and decentralized organization; providing a working environment that respects their physical and moral integrity, whatever their origins; treating all employees fairly, in all circumstances; enhancing their employability, inside and outside the organization, by facilitating their access to training throughout their career, as well as by increasing their empowerment and responsibilities in order to deepen their experience; and helping them become company shareholders, by implementing a responsible employee stock ownership policy.

Disclosures concerning social information at the Essilor Group companies worldwide reported in accordance with the guidelines of the Global Reporting Initiative (GRI) in order to present the social features of the Group's global contribution to sustainable development are made in Appendix 3 of this Registration Document as part of the "Report on the Group's economic, human and environmental contribution to sustainable development".

1.

1.1

Parent company workforce

2,978 permanent employees + **181** fixed-term employees = **3,159** (total France) + **214** (Essilor Industries) = **3,373**.

Out of the **181** fixed-term employees as of December 31, 2010, **143** (**79%**) were young people in training (under alternating work-study programs) with qualifications ranging from vocational diplomas to graduate degrees.

New hires

89 permanent employees + **130** fixed-term employees = **219** in total.

Terminations

No lay-off plans involving more than 9 employees were implemented in France in 2010.

Twenty-nine employees were terminated for other reasons (poor performance, medical unfitness or misconduct) and **2** were laid off.

Overtime

In 2010, employees in France worked a total of **59,754** hours overtime.

The new rules concern full-time employees on an hourly wage, part-time employees on an hourly wage and employees receiving a fixed wage for a 37 ½-hour week (See Section 2 below: Organization of working hours).

Of the 59,754 overtime hours worked in 2010, 31,800 were included in the fixed wage paid for a 37 ½-hour week.

Temporary staff and subcontractors

In France, temporary employees represented the equivalent of **276** full-time employees in 2010, calculated on a monthly average basis. **54%** of these employees replaced permanent employees on leave of absence and **46%** were taken on to cope with surges in business activity. **Nine** temporary employees were subsequently hired under fixed-term contracts and **16** under permanent contracts.

In addition, **468** employees of subcontractors worked for the Company in 2010. They included **110** facilities maintenance employees, **159** IT engineers, **38** security guards, **28** company restaurant staff, **2** security officers and **131** persons performing other functions.

Since 2002, Essilor International enforces a charter covering the employment of temporary staff.

1.2 Information about lay-off plans and measures to protect jobs, job transition assistance rehire of employees previously laid off and other support measures

Not applicable. No lay-off plans involving more than 9 employees were carried out in France in 2010.

2.

Organization of working hours

Working hours at Essilor are defined in the working time planning and reduction agreement of March 30, 2000, which came into effect on September 1, 2000.

Working hours

The **1,127** monthly-paid employees work a 36-hour week, the **664** shift-workers work a 33 ½-hour week and the **269** hourly-paid employees work a 38 ½-hour week (in all cases the hours refer to effective working time). Employees in all three categories are also entitled to **6** working-time-reduction (WTR) days off per year and their effective average working week is therefore 35 hours, 32 ½ hours and 37 ½ hours respectively. The **934** employees whose working time is determined on the basis of days rather than hours work **217** days per year; they are entitled to between 9 and 13 WTR days off, depending on the year. Senior managers and sales representatives – representing **165** people in total – are not covered by working time regulations, but are entitled to **10** days off per year in addition to their paid vacation. **338** employees work part time, including **131** employees in progressive retirement under the working-time-reduction agreement.

Absenteeism

In 2009, the absenteeism rate was **5.6%**. The causes were sick-leave of less than 6 months (**67.3%**), maternity leave (**15.1%**), authorized leaves of absence (**5.3%**), leaves of absence for personal reasons (**4.8%**), workplace accidents (**4.1%**), paternity leave (**2.5%**), and commuting accidents (**0.9%**).

3.

Compensation

The total payroll in 2010 amounted to **€157,673 thousand**.

Payroll taxes and other employee benefits expense

Payroll taxes and other employee benefits expense, excluding discretionary profit-sharing, amounted to **€79,270 thousand** in 2010.

Compensation increases

Average compensation increases – all employee categories combined – stood at **3.4%** in 2009 and 2010.

Employee incentive plans

A discretionary profit-sharing plan (*plan d'intéressement des salariés aux résultats de l'entreprise*) and employee stock ownership plans (*plans d'épargne enterprise*) have been set up in France in accordance with the requirements of Titre IV, Livre IV of the French Labor Code.

Gender equality

"The gender equality agreement" was signed by Senior Management and trade union representatives at the Company on December 18, 2009.

The priority in 2010 was to implement provisions with regard to parenting. From now on, all fathers receive their full salary during paternity leave.

Thirty percent of parents with children under the age of 12 have received funding from the Company for 50% of the cost of Casual Labor Vouchers, thus encouraging recourse to personal services and home assistance (childcare providers, nannies, babysitting, day care, etc.).

4.

Industrial relations

Local-level employee and labor-management committee representatives meet on a monthly basis, while the company-wide labor-management committee meets up to five times a year.

Trade union and employee representatives participate very actively in working groups to develop projects to improve working conditions, leading in some cases to the negotiation of company-wide agreements.

Collective bargaining agreements

The following collective bargaining agreements were signed in 2010:

- framework agreement on the prevention and handling of psychosocial risks;
- company-wide agreement regarding the development of employment opportunities for people with disabilities;
- incentive agreement;
- addendum to the agreement on pension benefits for Essilor International managers, manager-level class employees and sales representatives of November 2, 2000;
- addendum to the company-wide agreement on health, disability and death insurance of December 10, 2001;
- addendum to the June 1, 2004 company-wide agreement relating to the management of Essilor employees near retirement;
- agreement on the allocation of performance share rights granted by the Board of Directors on November 25, 2010.

Occupational Health and Safety

OHSAS 18001 certified occupational health and safety management systems are set up and maintained at all the upstream production sites (100%). The management systems of the three production sites in France are certified, like the other production sites in the rest of the world. (For more details, see item 9 below, "Objectives set for foreign subsidiaries" under "Environmental Policy").

5.

Workplace Accidents

In 2010, **39** accidents with lost work time and **29** accidents without lost work time were reported involving Essilor employees in France, together with **1** accident with lost work time and **8** accidents without lost work time involving temporary staff.

Occupational illnesses

13 cases of occupational illness were reported in France in 2010. They were "Table 57" illnesses (musculoskeletal disorders caused by work-related movements and postures).

6.

Training

In 2010, Essilor's training budget for all French entities represented **4.1%** of total payroll.

For several years, Essilor has remained committed to spending 4% or more of payroll on employee training, despite a more challenging economic environment that calls for cost control. Our training program plans for and supports technical, technological and organizational changes for each of our business lines. This comprehensive policy platform in respect of forward-looking employment and skill set management (GPEC) is a management tool to help improve company performance.

The training program tailors employees' skill sets and qualifications to their job, their career development and any changes in their environment, and is a means of implementing strategy and change management over the short and medium term.

It also helps further employees' skill sets, qualifications, mobility and career development.

Lastly, it contributes to the transfer of know-how and expertise by providing a process structure that capitalizes on core business competencies.

Essilor has long been committed to supporting staff performance at all levels and to that end insists that management make employee training a priority, with particular focus on:

- guaranteeing all employees access to training that is essential for ensuring their skills and qualifications are suited to their job and professional environment, regardless of their age, gender, position, classification or status;
- priority targeting of employees who have not received training for several years;
- creating consistency between proposed training initiatives and employees' professional or personal development goals;
- ensuring that employees are available to attend training, once the training courses have been defined.

For several years, HR teams have been working with the departments to help them plan training more effectively. In 2009, training priorities were discussed in depth to ensure that the acquisition of core competencies continued to be promoted so as not to compromise the Company's future development.

2010 was devoted to consolidating the initiatives launched in previous years in the areas of customer relationship management, customer-centric services, support for new tools and technologies, ongoing improvement, and high quality. The training topics of communication and management, particularly in the context of change, have broadened substantially in order to support staff with their initiatives.

Since 2007, considerable emphasis has also been placed on training production employees, particularly at France's Dijon facility, with the organization of 4 to 5 training days involving the entire staff and based on topics regarded as a priority for the site and the Company. One of the topics developed in 2010 for a wide audience was health-capital management, so that employees could successfully adapt to new environments.

For compliance reasons, Essilor began an initiative mid-year to educate relevant managers about the critical rules of competition law. This will be followed in 2011 by a broader training program for operating staff. Essilor has chosen to run customized, more practical programs adapted to the individual environment to create greater efficiency.

More than 1,800 Essilor employees in France attended at least one training course in 2010, i.e. more than **57%** of total staff. More than **60,000** hours of training were given in seven main areas:

Communication/Management Skills (**23%** of training hours, **23%** of trainees), Administration/Sales/ Management (**13%** of training hours, **16%** of trainees), Language Skills (**13%** of training hours, **13%** of trainees), Information Technology/Office Systems (**11%** of training hours, **16%** of trainees), business-specific Technologies/Techniques (**10%** of training hours, **11%** of trainees), Environmental Protection/Quality/Workplace Health and Safety (**4%** of training hours, **8%** of trainees), and General Skills (**2%** of training hours, **9%** of trainees).

In addition to the above, workstation training initiatives have been organized as part of ongoing development. Our desire to support these initiatives through individual performance evaluations has led to the award of diplomas to in-house operators and trainers, thus optimizing the education process. More than **150** employees have benefited from customized training initiatives over more than **1,600** training hours, no mean feat given its impact on the organization of production work.

The numerous safety training initiatives undertaken at the Company's various facilities are not included in the data provided in this report as they correspond to legal obligations.

Certification training programs accounted for almost **23%** of total training hours and had **70** participants, including young people on alternating work-study programs. **15** Company employees enrolled in the production skills certification program to obtain a professional qualification. Lastly, Essilor is supporting the certification training programs of a number of our employees whose desire for career advancement is closely aligned with their prospects within the Company.

Almost **230** people requested personal training plans under France's right to individual training or *Droit Individuel à la Formation* (DIF) legislation (training outside of normal business hours). Most requests concerned languages and personal growth and fulfillment, but there was also demand for office systems or job training (in some cases to prepare for transfer or reassignment), and training to obtain a diploma recognizing workplace-acquired skills.

18 skill-set assessments were completed during the year under the training program and **4** under the DIF, representing the first step in a career development plan.

As well as training our permanent employees, Essilor also employed **239** people under alternating work-study programs, including **200** apprentices at all diploma levels, from the vocational diplomas to graduate degrees. **92** new contracts were signed in 2010, including **32** continuing education contracts. These figures attest to our commitment over more than 20 years to helping students to gain work experience.

This same commitment to training and career development for recent graduates is also reflected in our support of the Volunteer for International Experience program, under which every year Essilor offers several dozen 1 to 2-year assignments at our international subsidiaries.

7.

Employment and integration of people with disabilities

In 2010, Essilor employed **151** people with disabilities in France, including **115** administrative and production employees and **36** managers and supervisors, of which **8** are management grade.

Disability Project

The second company-wide agreement on the employment of people with disabilities covering the period 2010 through 2012 was signed unanimously by management and labor. It was approved by the employment authorities (*Direction du travail*) on July 8, 2010.

Essilor International's commitment involves hiring **8** people with disabilities over the term of the contract.

Once again we are determined to pursue initiatives outside of the contract's text to ensure that jobs, work schedules and other requirements are such that the employees concerned can remain in their jobs under optimum conditions.

Information regarding the renewal of this agreement was provided internally in a booklet featuring 10 drawings to illustrate the chapters. The booklet's content was produced by our Vice President – Human Resources, who is also a member of the Essilor International Executive Committee, in an indication of Management's commitment to this issue.

A partnership with the disabled sector's national group was signed at the end of the year and will enable us to increase the volume of our solidarity purchasing.

8.

Health and welfare benefits

In France in 2010, Essilor paid **€5,936,001** to finance employee benefit plans (liability, health, short- and long-term disability, and death insurance) and **€2,298,459** to finance supplementary pension plans, the latter amount returning Supplementary pension plan costs to historically low levels. The sharp drop compared with 2009 stemmed from the exceptional provision recorded in application of IAS 39.

The Company's statutory contribution to employee commuting costs amounted to **€2,757,865** and the cost of meal vouchers issued to employees was **€1,248,223**.

The total budget awarded to the various Labor-Management Committees to finance employee leisure activities was **€1,629,486**, representing 1.15% of the total payroll in France, and a further **€285,300** were paid to cover the Labor-Management Committees' administrative costs.

Match-funding payments to the Vacation Vouchers plan covering **672** employees amounted to **€564,824**.

Since September 2010 a payment matching 50% of the face value of Casual Labor Vouchers (CESU) has been granted to employees with at least one child under 12 years of age. This amounted to **€134,218** and applied to **324** employees.

The 0.45% government housing subsidy came to **€617,468**.

The cost of employee medical visits was **€289,514**.

Essilor also supplies optical equipment to employees, according to specific rules, and pays the cost of long-service awards and optical industry long-service awards, adding a further bonus determined according to a set scale. Lastly, the Company pays days off granted to mothers or fathers to take care of a sick child, according to specific rules.

9.

Impact on regional employment and development, use of subcontractors, compliance by subsidiaries with the fundamental conventions of the International Labor Organization (ILO)

In early 2003, Essilor pledged support for the Global Compact initiative, which was launched by the United Nations (UN) with the aim of enabling all communities to reap the benefits of globalization and uniting global markets around the key values and practices necessary to meet the world's socio-economic needs.

As part of the initiative, the UN Secretary General asked private sector companies and their directors to "embrace, support and enact" ten universal principles relating to human rights, labor, the environment and anti-corruption.

These principles were derived from four different texts: the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

Although the fundamental conventions of the International Labor Organization (ILO) have not all been ratified in all the countries in which Essilor operates, the Group promotes compliance with these principles through our international coordination of human resources at the highest level (Executive Committee) and our regional and business-level management structure. The Group also monitors the Global Reporting Initiative (GRI, G3) indicators HR4, HR5, HR6 and HR7, which correspond to the four fundamental ILO conventions that inspired four of the ten Global Compact principles.

Essilor participates in the development of the regions both upstream, where the production sites (manufacturing plants) are located and downstream (prescription labs), enhancing the skills and quality of life of the men and women employed by the Essilor and those of their families. More generally, we also contribute to the advancement of the people working and living in our host communities through local sourcing of part of our product and service needs.

All production facilities manage human resources information according to the same structure as the corporate report on employment and working conditions in France.

In 2010, payments to sub-contractors represented 12.5% of purchases.

The Essilor European Dialogue and Information Committee (EEDIC) held a plenary session in 2010 in Milan, where the Essilor Italia head office is located. The subsidiary hosted the Committee's 18 members for the first time.

This major meeting was an opportunity to pay tribute to the work of **Henri Vidal**, Vice President – Human Resources, upon his departure from the Group, extend warmest gratitude to him, and welcome his successor, **Marc François-Brazier**. The new Vice President – Human Resources, who will also sit on the Essilor International Executive Committee, presented the human resources policy he implemented when taking up his position in March 2010. It continues in the same vein as before while constantly adapting to the new challenges generated by the accelerated and continual increases in the Group's size and scope.

Bertrand Roy, President – Europe Region, presented Essilor's 2009 results and outlined the key challenges for 2010. A broad discussion ensued between EEDIC members and Senior Management in a spirit of attentiveness, transparency and openness. The discussion focused essentially on the reorganization and overhaul of the European entities in response to the changes accompanying the Group's sustained development in emerging markets.

Cyrille de Montvalon, Vice President – Southern Europe, introduced this region, which comprises Spain, Italy and Portugal, and discussed its specific characteristics before handing over to **Marco Caccini**, Managing Director of Essilor Italia, who outlined the subsidiary's activities and challenges.

EEDIC members were then invited to visit the subsidiary's prescription lab.

In addition to this plenary session, the officers of EEDIC met on two other occasions in 2010, in July and October.

The rest of the time, the Committee – a forum for ongoing direct discussions with European management – was kept informed in real time of any significant changes occurring throughout the year, such as the introduction of a new European management division and major local-level reorganization.

10.

Responsible shareholders and employee share ownership

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 share ownership, proposing various options to employees according to the country in which they work.

More than **11,500** employees worldwide currently hold Essilor shares.

ENVIRONMENTAL POLICY

Essilor is committed to participating in sustainable development initiatives by helping to protect the environment and promoting recyclable products, and to complying fully with all applicable environmental regulations in all host countries throughout the world.

By its very nature, our business has only a limited impact on the environment. Nevertheless, a voluntary process has long been in place to accurately determine the environmental impact, however slight, of our activities. Essilor manages several hundred thousand stock-keeping units and our products must be kept immaculately clean throughout the production process. By optimizing the use of natural resources, water and energy on an ongoing basis, and by keeping premises clean and orderly, our environmental management systems contribute significantly to plant efficiency.

Disclosures concerning the environmental policy of the Essilor Group companies worldwide reported in accordance with the guidelines of the Global Reporting Initiative (GRI) in order to present the Group's global environmental contribution to sustainable development are made in Appendix 3 in "Report on the Group's economic, human and environmental contribution to sustainable development".

1.

Use of natural resources, waste, discharges and disamenities

Water

329,390 m³ (2009: 362,316 m³). Water consumption in 2010 fell by 9.1%, despite a broader reporting scope and increased volume. With the exception of the previous fiscal year, where an increase of 4.6% was caused by a one-off event, this steady decline in the quantity of water used per lens produced corresponds to ongoing improvement in water use as a result of programs introduced to reduce, recycle and reuse this resource.

Raw materials

The main raw materials used by Essilor in France in 2010 were CR 39 monomers (**808** metric tons vs. 738 metric tons in 2009) and polycarbonate pellets for Airwear® lenses (**668** metric tons vs. 447 metric tons in 2009). The year-on-year increases were largely due to changes in Airwear® inventory (2008 Airwear® 623 metric tons).

Energy

110.4 GWh. (Electricity: **75.1** GWh, / Gas: **35.0** GWh, / Fuel oil: **0.4** GWh) (2009: 100.3: GWh). The year-on-year increase was essentially due to a broadening of the reporting scope to include new entities, which represented 8.6 GWh. The increase of 1.5 GWh on a like-for-like basis corresponds to a 1.5% change in relative value that is below the increase in produced volume. The steady improvement in energy efficiency per lens produced was also a feature of 2010.

Selective waste disposal

All of Essilor's production facilities in France and worldwide have selective waste disposal systems, in addition to compulsory systems to separate ordinary industrial waste from potentially harmful waste.

Waste water treatment

All the plants in France and worldwide treat wastewater before it is released into the environment. Treatment processes range from simple neutralization, decantation, de-oiling, or a combination of these processes, to complete purification stations.

Toxic matter retention

All chemicals are stored in a manner to prevent polluting products from leaking into the soil or the aquatic environment in case of an incident.

Noise

No complaints concerning noise have been received.

Odors

No complaints concerning odors have been received.

2.

Biological balance, natural environment and protected species

Our environmental management systems include measures to avoid upsetting the biological balance, or harming the natural environment or protected animal and plant species.

The United Nations has declared 2010 the "International Year of Biodiversity" and Essilor has decided to support this initiative by including a special category in its 2010 Grand Awards of the lenses – Medals of Corporate Sustainability. These Awards recognize the best sustainable development practices promoted by the Group's employees around the world. Some one hundred applications were received and assessed by a panel of judges, two-thirds of whom were independent of the Group. Around fifteen applications were shortlisted – up to three in each of the five categories, these being the economic, human (social and societal), environmental and biodiversity contributions to sustainable development.

3.

Certifications

The Group has established and maintains ISO 14001-certified environmental management systems at all of its plants worldwide, including the three plants in France (100% certificate rate). (For more details, see item 9 below, "Objectives set for foreign subsidiaries" under "Environmental Policy").)

4.

Compliance

Our certified environmental management systems include measures to guarantee compliance with all applicable environmental laws and regulations.

5.

Environmental expenditure

Expenditure made in 2010 to prevent any damage to the environment totaled **€1,808,000** (2009: €2,112,000).

6.

Environmental organization and management systems

In 2010, in order to take greater account of the key role played by global coordination, the Corporate Health, Safety and Environment Department was changed to become the "Global EHS Department." Staffed with experts in occupational health and safety, chemical management, ergonomics and the environment, it provides the network of EHS correspondents throughout the organization with assistance and support in these areas. In 2010 it held its international conference in the Paris region, which brought together some fifty participants to discuss EHS issues relevant to 2010, including managing safety data sheets in the new Globally Harmonized System (GHS), implementing CLP (Classification, Labeling, Packaging) regulations, and updating the medium-term EHS rolling plan.

In line with our decentralized management policy, which focuses on empowering local front-line managers, the individual entities have their own health, safety and environment experts.

Annual target-based action plans are drawn up to help prevent and reduce environmental risks. Lastly, despite the very low risk, each site has set up a structure to deal with pollution incidents that could have consequences – however small – on the environment beyond the Company's facilities.

The ISO 14001 program provides for the introduction of an environmental policy at each site. One of the recurring aims of this policy is to improve training and internal communication on environmental issues.

In 2010, a work group continued to implement action plans that successfully brought Essilor into compliance with REACH. Made up of managers and/or experts in purchasing, legal affairs, sustainable development, the environment, workplace health and safety and R&D, the group was assisted by an external consultant. It will continue to monitor REACH compliance over the long term, undertaking upgrade programs as required. The work group members include a representative of the instruments division.

7.

Provisions and warranties

Essilor has not recorded any provisions for environmental risks. These risks are self-insured.

8.

Indemnities

Essilor has not been required to pay any court-ordered indemnities for environmental damage and are not required to conduct any rehabilitation work.

9.

Objectives set for foreign subsidiaries

The main objective for foreign subsidiaries is to comply fully with the applicable regulations.

Environmental management systems that address local objectives are set up and maintained at Essilor's 13 upstream production facilities worldwide (wholly-owned entities). All of the production facilities worldwide, i.e. – in Brazil (**1**), China (**1**), France (**3**), Ireland (**1**), Mexico (**1**), the Philippines (**2**), Puerto Rico (**1**), Thailand (**1**) and the United States (**2**) – were ISO 14001-certified as of December 31, 2010 and, in fact, have been since December 31, 2005. In 2010, planned inspection audits were carried out.

The certification ratio of the Environmental Management Systems of the upstream production facilities of the Group stays at its maximum level of **100%** (13/13).

Likewise, occupational health and safety management systems that address local objectives have been set up and maintained at Essilor's 13 upstream plants (wholly-owned entities). The production facilities – in Brazil (**1**), China (**1**), France (**3**), Ireland (**1**), Mexico (**1**), the Philippines (**2**), Puerto Rico (**1**), Thailand (**1**) and the United States (**2**) were OHSAS 18001-certified as of December 31, 2010 and, in fact, have been since December 31, 2008. This result is in line with objectives and takes the certification ratio of occupational health and safety management systems of upstream production facilities to 100% (13/13). In 2010, inspection audits were carried out.

The certification ratio of the Occupational Health and Safety Management Systems of the upstream production facilities of the Group has now reached its maximum level of **100%** (13/13).

Quality management systems set up and maintained at all of our plants are ISO 9001: 2000-certified, representing a **100%** certification rate, which is maintained through regular audits.

<u>Note:</u> Essilor's upstream production facilities in India were switched to a downstream production facility in 2010, which explains the change from **14** plants recorded in the previous report to **13** herein.

The plant has retained its Quality, Environmental and Occupational Health and Safety Management Systems

Appendix 3 Report on the Group's economic, human (social and societal) and environmental contribution to sustainable development.

Appendix 3 includes the information that is part of what is generally referred to as a **sustainability report**. It is intended to supplement the information provided in Appendix 2 of this Registration Document ("Social and Environmental Policies (France's New Economic Regulations Act)").

In fact, to ensure that the information disclosed in this Registration Document is consistent with the information provided in the corporate report on employment and working conditions, Essilor has elected to report on the features of its social and environmental policies, as required by paragraph 5 of Article 225-102.1 of the French Commercial Code, with a scope that substantially corresponds to the parent company.

For that reason, disclosures with a broader scope properly including Essilor's legal entities worldwide had to be made in an appropriate format. Appendix 3 has been created for that purpose.

In 2003 and 2006, this information was presented in a separate document entitled "Seeing the World Better (2003, 2006). Our Contribution to Sustainable Development." The corresponding information for 2004 and 2005 was provided in those years' annual reports. Since 2007, it has been part of the Registration Document.

In future years, Essilor reserves the right to publish the same type of information in a different document, as needed.

Non-financial data is collected and consolidated for reporting purposes through a dedicated reporting application that has been based on the **Global Reporting Initiative** (GRI) Guidelines since 2003 and more specifically on the G3 Guidelines since 2006.

The application is a **twin version** of the application used for financial reporting. Core indicators recommended by the GRI are monitored. Only certain relevant indicators are published. In some cases, indicators are divided into numerous sub-categories. For example, the indicator for materials used (EN01) is used to collect information about several dozens of products selected based on their role in the production process of corrective lenses.

The Group's finance departments are responsible for entering the data that they collect from specialists within each unit. These specialists rely on local reporting systems to process non-financial data, which they measure and monitor as part of their daily operational management duties. The decision to use existing reporting channels, aside from guaranteeing simplicity, reliability and efficiency, presents the following four main advantages:

- Each unit's finance and accounting teams are the best equipped to handle non-financial data reporting, due to their familiarity with the Group's reporting systems and procedures;
- The finance and accounting teams have the skill sets and experience to report the necessary data in compliance with standard quality criteria;
- Each unit's finance teams, working in close cooperation with senior management, are no longer confined to working solely on financial data. These teams are better informed, involved and aware and participate in the search for new ways to improve the economic, human (social and societal) and environmental features of sustainable development;
- Experts in each unit continue to use the day-to-day operational management tools that are familiar to them and are often designed for and always geared to their specific needs.

Essilor belongs to one of the specific sub-sectors in the **APE/NAF 33 sector**, which covers the manufacture of medical, precision and optical instruments, and to **sub-sector 4537 "medical supplies"** of the **"Industry Classification Benchmark"** (ICB) classification. In terms of sustainable development, Essilor deals with specific aspects that are directly linked to the nature of its products and services. It is consequently difficult to make a comparative evaluation of the Group. To overcome this difficulty, Essilor uses the main GRI indicators that are most relevant to its operations.

Since 2006, Essilor has published a **Global Value® rating**, which evaluates the contribution of sustainable development criteria to its overall financial and non-financial performance and ultimately to value creation. The 2010 rating is presented in **Appendix 4** of this Registration Document.

In 2010, the number of business units reporting their non-financial data increased slightly over 2009, due to the addition of two sales offices and three business units in France, plus one business unit in Thailand. However, this year-on-year change, which takes the reporting scope from 91.6% to 92.2%, does not justify establishing three comparison criteria, i.e. previous year, current year on a like-for-like basis, and current year on a Group basis.

Consequently we are only making the comparison between the current and the previous year.

Essilor's sustained acquisition policy has led the Group to define the scope of non-financial reporting, considering on one hand a broad scope and, on the other hand, a relevant scope; the latter has been the scope used since 2008.

As a reminder, the broad scope corresponding to the total headcounts of all the business units, whatever the control rate, amounted to **42,704** employees in 2010.

Relevant scope is the ratio between the total headcounts of the units included in the non-financial reporting and whose activities, size and degree of control are relevant in terms of non-financial reporting, that is **24,946** out of **27,061** employees in 2010.

The relevant reporting scope in 2010 reached **92.2%** (91.6% in 2009).

The Group would not be in a position to commit itself to a scope of 100% and wishes to maintain a reserve of about 15% due to the fact that certain newly acquired companies may not be able to report their non-financial information at their first year-end.

PROFILE

1. STRATEGY AND ANALYSIS

§1.1	Statement from the most senior decision-maker of the organization	Refer to the corresponding pages of this 2010 Registration Document and/or of the 2010 Annual Report.
§1.2	Description of key impacts, risks and opportunities	Key impacts, risks and opportunities are described in several parts of the 2010 Registration Document. Refer to that document. The greatest challenge for Essilor International in terms of sustainable development is to help as many people as possible "**See the World Better**," to refer to the Group's tagline, and therefore facilitate access to its products and services through the networks of eye care professionals, its customers and prescribers.

2. ORGANIZATION PROFILE

§2.1	Name of the organization	Essilor International
§2.2	Primary products, and/or services and corresponding brands	Refer to this 2010 Registration Document and/or the 2010 Annual Report. **World leader in ophthalmic optics**, Essilor researches, develops, produces and globally markets a wide range of corrective lenses to improve and protect vision. Its flagship brands are **Varilux®**. **Crizal®**, **Essilor® Definity®** and **Xperio™**. Lenses from the **Airwear®** range of products are made from a thermoplastic material which can be **recycled** at the end of its life cycle for the production of objects other than corrective lenses.
§2.3	Operational structure of the organization	Refer to the corresponding pages of this 2010 Registration Document.
§2.4	Location of organization's headquarters	147, rue de Paris - F 94227 Charenton-le-Pont - Cedex - France
§2.5	Number of countries where the organization operates	Refer to the corresponding pages of this 2010 Registration Document.
§2.6	Nature of ownership and legal form	Refer to the corresponding pages of this 2010 Registration Document.
§2.7	Markets served	Refer to the corresponding pages of this 2010 Registration Document.
§2.8	Scale of the reporting organization	Refer to the corresponding pages of this 2010 Registration Document. For the year 2010, the total headcounts of the company worldwide all units included was **42,704** employees (broad scope).
§2.9	Significant changes during the reporting period	Refer to the corresponding pages of this 2010 Registration Document.
§2.10	Awards received during the reporting period	No exceptional awards are to be noted for 2010.
		The United Nations has declared 2010 the International Year of Biodiversity and Essilor has decided to support this initiative by including a special category in its 2010 Grand Awards of the Lenses – Medals of Corporate Sustainability. These Awards recognize the best sustainable development practices promoted by the Group's employees around the world. Some one hundred applications were received and assessed by a panel of judges, two-thirds of whom were independent of the Company. Around 15 applications were shortlisted – up to three in each of the five categories, these being the economic, human (social and societal), environmental and biodiversity contributions to sustainable development.
		The Essilor Vision Foundation stepped up its action in 2010 by broadening the reach of its Adopt-a-School and Kids Vision for Life programs. For the Adopt-a-School program, several dozen new teams were created across the United States comprising more and more volunteers, among them Essilor of America employees and customers plus other company stakeholders. The Kids Vision for Life program, already firmly established in the Dallas-Fort Worth area, benefited in 2010 from the participation of Alcon and additional team members, turning this huge metropolitan area into a sort of "Vision capital." The program continued its expansion throughout the state of Texas by launching initiatives in two other large metropolitan areas – Austin, the state capital, and Houston, the fourth largest metropolitan region in the United States by number of inhabitants.

3. REPPORT PARAMETERS

Report profile

§3.1	Reporting period for information provided	January 1, 2010 to December 31, 2010
§3.2	Date of most recent previous report (if any)	Appendices 2, 3 and 4 of the 2009 Registration Document. Background information about Essilor International's contribution to Sustainable Development can also be found in the permanent documents, "Seeing the World Better 2003. Our contribution to sustainable development" and "Seeing the World Better 2006. Our contribution to sustainable development."
§3.3	Reporting cycle	Annual
§3.4	Contact	Mr. Claude Darnault, Chief Sustainability Officer

Report scope and boundary

§3.5	Process for defining report content	Responsibility for the Corporate Sustainability Department, via the network of subsidiaries using the "Hypérion® Sustainability" reporting system.
§3.6	Boundary of the report	Essilor Group with the exception of associate companies on a relevant scope of **92.2%** of the employees. [(24,946 / 27,061 (relevant scope)]. (91.6% in 2009).
§3.7	State any specific limitations (…) on the scope or boundary	Related companies
§3.8	Basis for reporting on joint ventures, subsidiaries (…)	Not applicable. Joint ventures are not included in the scope of non-financial reporting. To facilitate comparisons, non-financial reporting of the Essilor Group comprises previous year indicators and current year reported indicators.
§3.9	Data measurement techniques and the bases of calculations	Through direct measure readings or accounting data. Application of the GRI guidelines (G3 Guidelines since 2006) and use of its core indicators. The "Hyperion® Sustainability" non-financial reporting system is a twin application of the "Hyperion® Figures" financial reporting system.
§3.10	Explanation of the effect of any re-statements of information	Provided as needed
§3.11	Significant changes from previous reporting periods	No significant change. The addition of two sales offices and three business units in France plus a business unit in Thailand takes the relevant reporting scope from 91.6% in 2009 to 92.2% in 2010.

GRI content index

§3.12	Table identifying the location of disclosures	Appendix 3 adopts sustainable development reporting guidelines but does not include a table identifying the location of the standard disclosures. For this, refer to the general index of this Registration Document.

Assurance

§3.13	Policy and current practice with regard to seeking assurance for the report	Refer to the summary note regarding the Global Value® rating in Appendix 4 of this Registration Document. The rating is based on the analysis of the Group's 2010 performance with regard to sustainable development. 2010 non-financial information has been audited.

4. GOVERNANCE, COMMITMENTS AND ENGAGEMENTS

Governance

§4.1	Governance structure of the organization	Refer to the corresponding pages of the 2010 Registration Document.
§4.2	Indicate whether the Chairman of the Board of Directors is also an executive officer	Refer to the corresponding pages of the 2010 Registration Document.
§4.3	(…) indicate the number of independent and/or non-executive board members	Refer to the corresponding pages of the 2010 Registration Document.
§4.4	Mechanisms (…) for providing recommendations or directions to the Board of Directors.	Refer to the corresponding pages of the 2010 Registration Document.
§4.5	Linkage between compensation (…) and the organization's performance	Refer to the corresponding pages of the 2010 Registration Document.
§4.6	Processes implemented by the Board of Directors to avoid conflicts of interest	Refer to the corresponding pages of the 2010 Registration Document. Group Board members, executives and other senior managers are prohibited from trading during specific periods that are set and announced each year.
§4.7	Process for determining the qualifications and expertise	Refer to the corresponding pages of the 2010 Registration Document.
§4.8	Statements of mission or values, codes of conduct and principles	Valoptec Association charter of values. Essilor International Profile.
§4.9	Procedures defined by the Board of Directors for overseeing	The Corporate Sustainability Department regularly reports its actions to the Executive Committee of the Group and to the Audit Committee of the Board of Directors.
§4.10	Process for evaluating the board of directors' own performance	Refer to the corresponding pages of the 2010 Registration Document.

Commitments to external initiatives

§4.11	Explanations regarding the position of the organization	Continuous improvement in managing and preventing risks is achieved through various quality, environmental and occupational health and safety management systems. An **EFQM** excellence model is implemented within the Worldwide Operations. A Hygiene, Safety and Environment Charter and its associated Guide have been enforced for all projects since 2002. The eco efficiency / eco-conception approach has been enforced since 2004. Essilor International has signed the UN Global Compact and belongs to five major Social Responsibility Indices: ASPI Eurozone®, ECPI® Ethical Index EURO®, FTSE4Good, Dow Jones Sustainability Index (DJSI) and Ethibel Excellence.
§4.12	Externally developed charters, principles and other initiatives	Since 2003, Essilor International is a member of the Global Compact. The Group embraces, supports and enacts, within its sphere of influence, a set of core values based on the Universal Declaration of Human Rights (1st and 2nd principles), ILO Conventions relating to the Freedom of Association, Right to Organise and Collective Bargaining (3rd principle), to the Abolition of Forced Labour (4th principle), to the Effective Abolition of Child Labour (5th principle), to the Elimination of Discrimination in Respect of Employment and Occupation (6th principle), the Rio Declaration on Environment and Development (7th, 8th and 9th principles) and the UN convention against corruption (10th and last principle). Essilor is a member of Transparency International®. Other numerous initiatives can be found in the permanent documents "Seeing the World Better 2003. Our contribution to sustainable development" and "Seeing the World Better 2006. Our contribution to sustainable development." Please refer to these documents.
§4.13	Memberships in associations	Not applicable

Stakeholder engagement

§4.14	List of stakeholders engaged by the organization	The Group has undertaken numerous actions with its stakeholders. Besides its customers, its employees, its shareholders, its suppliers and the communities where its employee live and work, the Group has relations with numerous non-governmental organizations such as **Helen Keller international**, the **Lions Club International** or **Special Olympics**. Essilor has invested in the company "**Investisseur et Partenaire pour le Développement**," an entity with two main activities, one directed to finance micro-financing institutions, the other directed to advise, support and co-finance local entrepreneurs in French-speaking West African countries.
§4.15	Basis for identification and selection of stakeholders with whom to engage	Actions are generally undertaken with stakeholders that are interested in the Group's operations or that can develop synergies with it.
§4.16	Approaches to stakeholder engagement, including frequency of engagement	Wherever and whenever necessary
§4.17	Key topics and concerns arising from stakeholder engagement	Developing networks of eye care professionals worldwide, access to their services, early detection of eye problems in children, raising awareness about the importance of good vision and the relationship between sight and development. As a member of the UN Global Compact, Essilor International has formed relationships and/or launched programs with organizations such as the **World Health Organization** (WHO) and **UNESCO**. Other numerous partnerships can be found in the permanent documents "Seeing the World Better 2003. Our contribution to sustainable development" and "Seeing the World Better 2006. Our contribution to sustainable development." Please refer to these documents.

ECONOMIC PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation and other community investments, retained earnings and payments to capital providers and governments	The Group's economic value breaks down into many components (sales, operating expenses, employee expenses, donations, income and payroll taxes, dividends, etc.) that are itemized in this 2010 Registration Document. Please refer to the corresponding pages. Essilor's socio-economic footprint can be summarized by the following items in decreasing order of importance: Sales €**3,892** million, Suppliers €**1,795** million, Employees €**1,202** million, Tax €**167** million, Shareholders €**149** million, Financial Expenses €**2** million.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	The Group is not unusually exposed to natural risks. It is not concerned by emissions licenses. Nevertheless, the Group is participating in the "**Carbon Disclosure Project**" and "**Water Disclosure Project**" initiatives and is one of the early signatories of the "**Caring for Climate**" initiative. Opportunities relating to the protection of the eye 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 enough precision.
EC3	Coverage of the organization's defined benefit plan obligations	The Group offers employees a wide variety of benefit, pension and savings and investment plans worldwide. Refer to the corresponding pages in the 2010 Registration Document.
EC4	Significant financial assistance received from government	The Group enjoys total operational independence.

MARKET PRESENCE		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	In order to ensure consistency in its supplies and in its international quality and respect for its universal good production practices, Essilor has a centralized purchasing policy. This policy generally encompasses different materials and supplies entering in the production of corrective lenses. Besides, the Group generates significant business flows with local suppliers of goods and services on a quasi exclusive base for all purchases out of the scope of this central referencing.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	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 management hire from the local community at locations of significant operation exceeds 80%.
INDIRECT ECONOMIC IMPACTS		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	The global indicator EC8 is not relevant to the Group's industry segment. It is therefore not reported.

ENVIRONMENTAL PERFORMANCE INDICATORS

			2010	2009
MATERIALS				
EN1	Materials used by weight	Raw materials standard substrates	**5,066** t	**4,663** t
		Raw materials other substrates	**7,098** t	**5,463** t
EN2	Percentage of materials used that are recycled input materials		The Group does not use recycled material for the production of its corrective lenses. It recycles all input materials that can be realistically recycled, sometimes in very significant proportions (e.g. 95% for elastomeres used for the production of gaskets). For reasons of quality, recycled organic raw materials cannot be used in the manufacture of ophthalmic lenses, but can be used for other types of products.	
ENERGY				
EN3	Direct energy consumption by primary energy source	Electricity	**382.8** GWh	**365.7** GWh
		Gas	**73.3** GWh	**62.6** GWh
		Liquid fuel	**6.7** GWh	**7.6** GWh
EN4	Indirect energy consumption by primary energy source		The evaluation of energy consumed in transportation is based on the calculation of CO_2 emissions by four types of transportation: primary (from a production unit to a distribution center), secondary (from a distribution center to a subsidiary), tertiary (from a subsidiary to its customers) and business travel. In 2010, the calculations for the two first categories have been performed and their translations in terms of CO_2 equivalent show in indicator **EN17**. The indicator **EN17** also shows the measurement of emissions linked to occupational transportation recorded for a population of about 1,500, around 700 of whom are considered "frequent travelers". Differences in infrastructures and geography between countries and continents do not allow any reliable extrapolation to a larger scope at this point. This type of measurement will therefore be extended. The use of corrective lenses **does not require any energy source**. Their end of life impact is **negligible**.	
WATER				
EN8	Total volume of water withdrawn	Total water consumption	**2,398,173** m^3	**2,300,525** m^3
BIODIVERSITY				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		**0** m^2	**0** m^2
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		Refer to Note[(a)]	Refer to Note[(a)]

(a) Finding potential significant impacts on biodiversity is one of the aims of environmental management systems. No such significant impact has been identified at this time. Should a potential significant impact come to be identified following a change of the existing conditions, any environmental management systems used for that purpose will also be used immediately to conduct analyses and then to implement target and objective-based action plans; the new situation will be automatically incorporated into the continuous system improvement process aimed at finding efficient solutions.

		2010	2009
EMISSIONS, EFFLUENTS AND WASTE			
EN16[a]	Total direct and indirect greenhouse gas emissions by weight (t CO_2 eq.)	The conversion of energy consumption into equivalent CO_2 emissions is estimated at **35,810** tons for 2010, with a mean conversion factor of 1 kWh = 50 g for electricity, 1 kWh = 200 g for gaseous fuel and 1 kWh = 300 g for liquid fuel (2009: 33,085 tons).[a]	
EN17[a]	Other relevant indirect greenhouse gas emissions by weight (t CO_2 eq.)	Equivalent CO_2 emissions linked with primary transportation (from a production unit to a distribution center) in 2010 amounted to **4,736** tons (2009: 8,414 tons). Equivalent CO_2 emissions related to secondary transportation (from a distribution center to a subsidiary) in 2010 amounted to **9,491** tons (2009: 7,734 tons). Equivalent CO_2 emissions related to a portion of professional transportation amounted to **3,820** tons in 2010 (information not gathered in 2009).[a]	
EN19	Emissions of ozone-depleting substances by weight	**0** t	**0** t
EN20	NOx, SOx, and other significant air emissions by type and weight	Refer to note[b]	Refer to note[b]
EN21	Total water discharge by quality and destination	The Group has full control of water discharges. Suspended materials, COD, 5-day BOD, heavy metals and other general characteristics like pH or more specific ones depending on the requirements of local water agencies are monitored through the environmental management systems. The consolidation of indicator EN21 is not considered relevant information. Essilor water discharges are treated in compliance with local regulations.	
EN22	Total weight of waste by type and disposal method — Total quantity of solid waste	**20,480** t	**17,334** t
EN23	Total number and volume of significant spills	**1**[c]	**0**
PRODUCTS AND SERVICES			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	The wide range of **Airwear®** ophthalmic lenses includes corrective lenses made from a thermoplastic **recyclable** material. For quality reasons, the recycled material cannot be used to manufacture new lenses, but it can be used for other products.	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	The Group has undertaken sustainable actions to reduce, reuse and recycle its packaging materials. Some customers of Essilor have put into place systems to collect used eyewear. The elimination of eyewear at the end of the life cycle is not a significant environmental nuisance.	
COMPLIANCE			
EN28	Monetary value of significant fines — Significant fines	**0**	**0**
	Total number of non-monetary sanctions for non-compliance with environmental laws and regulations — Non-monetary sanctions	**0**	**0**

(a) The total of both indicators **EN16** and **EN17** amounts to 35,810 + 4,736 + 9,491 + 3,820 = **53,857** tons of CO_2 equivalent for 2010.

(b) The Group's NOx and SOx emissions are negligible. This indicator is not currently part of non-financial reporting.

(c) Accidental spill – quickly contained – of 200 liters of water- and glycol-based cooling liquid, which was immediately cleaned and properly disposed of.

SOCIAL PERFORMANCE INDICATORS

			2010	2009
LABOR PRACTICES, LABOR/MANAGEMENT RELATIONS AND DECENT WORK				
Employment				
LA1	Total workforce by employment type, employment contract, and region	Women	**13,326 (53%)**	**12,642 (54%)**
		Men	**11,620 (47%)**	**10,936 (46%)**
		Total	**24,946**	**23,578**
LA2	Total number and rate of employee turnover by age group, gender, and region	In Percentage	**8.80%**	**8.60%**
Labor/Management relations				
LA4[(a)]	Percentage of employees covered by collective bargaining agreements		This indicator is not consolidated as of today. The Group has a wide variety of employee representative bodies.[(a)]	
LA5	Minimum notice period(s) regarding significant operational changes, including whether specified in collective agreements		Notice is generally provided more than 6 months in advance.	
Occupational health and safety				
LA7	Rates of workplace accidents, occupational illness, lost work days, absenteeism and number of work-related fatalities	Accidents with lost work time	**172**	**133**
		Accidents without lost work time	**339**	**403**
		Fatal accidents	**0**	**0**
		Lost work days	**3,205**	**3,085**
		Rate of absenteeism	**4.80%**	**4.80%**
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious illness		The Group takes action in this area whenever necessary. In 2005, it formed an health watch unit charged with monitoring avian flu. In 2009, the watch unit established an action plan to monitor changes in influenza type AH1N1 and provide support as necessary. Still on the alert in 2010, the watch unit continues to work closely with contracted health experts who follow the recommendations of the World Health Organization. The watch unit is equipped to immediately spring into action in the event of a new crisis.	
Training and education				
LA10	Average hours of training per year per employee by employee category	Number of employee hours	**479,050**	**402,440**
		Number of management hours	**217,034**	**186,481**
		Total	**696,084**	**588,921**
Diversity and equal opportunity				
LA13[(b)]	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other diversity indicators		This indicator is not covered at this time.[(b)]	
LA14[(b)]	Ratio of basic salary of men to women by employee category		This indicator is not covered at this time.[(b)]	

(a) As a signatory of the Global Compact, Essilor embraces, supports and enacts, within its sphere of influence, the Universal Declaration of Human Rights (and for indicator LA4, more specifically Article 20: 1. Everyone has the right to freedom of peaceful assembly and association. 2. No one may be compelled to belong to an association) together with the eight ILO Conventions (for indicator LA4, more specifically fundamental convention No. 87 relating to Freedom of Association and Protection of the Right to Organise and fundamental convention No. 98 relating to the Right to Organise and Collective Bargaining).

(b) As a signatory of the Global Compact, Essilor embraces, supports and enacts, within its sphere of influence, the eight ILO Conventions (for indicators LA13 and LA14, more specifically fundamental convention No. 100 relating to Equal Remuneration and fundamental convention No. 111 relating to Non Discrimination (Employment and Occupation).

		2010	2009
HUMAN RIGHTS			
Investment and procurement practices[a]			
HR1[a]	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	**0%**	**0%**
HR2[a]	Percentage of major suppliers and contractors that have undergone screening on human rights and actions taken	**0%**	**0%**
Non-discrimination[b]			
HR4[b]	Total number of incidents of discrimination and actions taken	**0**	**0**
Freedom of association and collective bargaining[b]			
HR5[b]	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	**0**	**0**
Child labor[b]			
HR6[b]	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to elimination of child labor	**0**	**0**
Forced and compulsory labor[b]			
HR7[b]	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to elimination of forced or compulsory labor	**0**	**0**
SOCIETY			
Community			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations in communities, including entering, operating and exiting	The Group is aware of its role in the communities where its employees live and work. Its presence generates work for local businesses. Environmental commitments and impacts are assessed in the context of the ISO 14001 certified environment management systems. Numerous examples of contributions to the communities where Group employees live and work can be found in the permanent documents “Seeing the World Better 2003. Our contribution to sustainable development” and “Seeing the World Better 2006. Our contribution to sustainable development.” Please refer to these documents.	
Corruption[c]			
SO2[c]	Percentage and total number of business units analyzed for risk-related to corruption	**0%**	**0%**
SO3[c]	Percentage of employees trained in organization’s anti-corruption policies and procedures	This indicator is not measured at this time.[c]	
SO4[c]	Actions taken in response to incidents of corruption	Termination for cause. Sanctions are listed in the Internal Rulebooks and/or other relevant documents.[c]	
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying	The Group is not involved in political activities. It collaborates with public sector stakeholders as and where necessary. It participates in the compilation of international standards and in other global activities of interest to its business.	
Compliance			
SO8	Monetary value of significant fines — Significant fines	**0**	**0**
	and total number of non-monetary sanctions for non-compliance with laws and regulations — Non-monetary sanctions	**0**	**0**

(a) The sector in which Essilor operates is fortunately considered an industrial and retail sector (eye care professionals) in which Human Rights issues are not typical. This does not prevent Essilor from embracing, supporting and enacting, within its sphere of influence, the Universal Declaration of Human Rights. Essilor pays very close attention to the selection of its local suppliers in countries considered more exposed to Human Rights challenges.

(b) As a signatory to the Global Compact, Essilor embraces, supports and enacts, within its sphere of influence, the eight ILO Conventions, and 1) for indicator HR4, more specifically fundamental convention No. 100 relating to Equal Remuneration and fundamental convention No. 111 relating to Non Discrimination (Employment and Occupation), 2) for indicator HR5, more specifically fundamental convention No. 87 relating to Freedom of Association and Protection of the Right to Organise and fundamental convention No. 98 relating to the Right to Organise and Collective Bargaining, 3) for indicator HR6, more specifically fundamental convention No. 138 relating to Minimum Age and fundamental convention No. 182 relating to Worst Forms of Child Labour, and 4) for indicator HR7, more specifically fundamental convention No. 29 relating to Forced Labour and fundamental convention No. 105 relating to Abolition of Forced Labour.

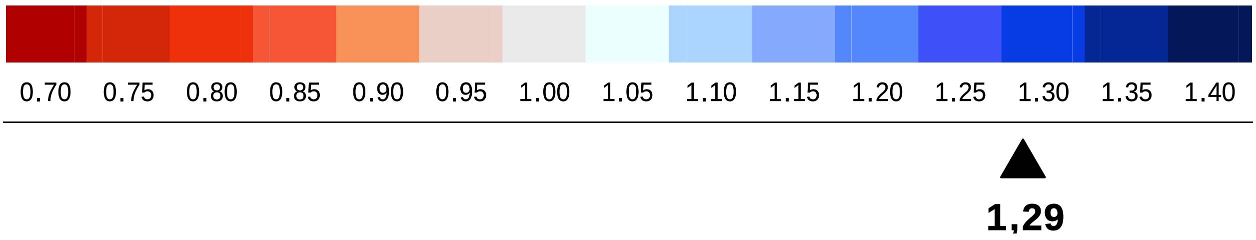
(c) The sector in which Essilor operates is fortunately considered an industrial and retail sector in which corruption issues are not typical. This does not prevent Essilor from taking action, within its sphere of influence, against all forms of corruption, including extortion and bribery. A signatory to the Global Compact and member of Transparency International®, Essilor embraces, supports and enacts the UN convention against corruption.

		2010	2009
PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS			
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvements, and percentage of significant products and services categories subject to such procedures	Hygiene, health and safety aspects are taken into consideration both upstream and downstream for all the categories of products and services.	
Products and services labeling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Each of the distribution subsidiaries has multiple forms of local language information about all the products and services it offers.	
Marketing communications			
PR6	Programs for adherence laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Each of the distribution subsidiaries monitors its own compliance with local applicable laws, standards and voluntary codes.	
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	**0**	**0**

Appendix 4 Global Value® Rating

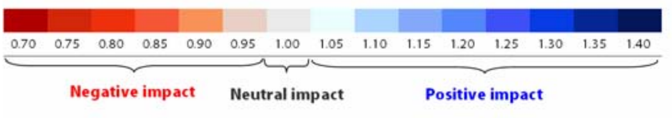
Paris, March 4, 2011

The extra-financial rating agency BMJ Ratings assigns to Essilor International a global performance index of 1.29.



The Global Value® rating

The Global Value® model allows the association of financial and extra-financial elements, and identifies the impacts of non-financial aspects on economic results.



The Global Value® index illustrates how the firm's sustainability policy contributes to its economic performance.

A global index valued at 1.00 results from a non-significant impact of the corporate responsibility policy on the economic performance.

A global index above 1.00 indicates that the decisions linked to the corporate responsibility policy contribute to a better economic performance.

A global index lower than 1.00 indicates that the decisions linked to the corporate responsibility policy are not efficient and limit the economic performance.

Global Index of performance

BMJ Ratings maintains Essilor International's global performance index. The agency has noticed that the Group's initiatives in the fields of corporate responsibility contribute to a reinforced economic performance. The performance index is stable in comparison with the previous rating. It is set at 1.29 on a scale ranging from 0.70 to 1.40.

ESSILOR INTERNATIONAL consolidates its leadership position as regards the benefits derived from its environmental, social and governance-related commitments.

Validity of assessment

The rating of Essilor International is produced for a one-year period starting from March 4, 2011.

The assessment does not take into account any element that may have been decided upon after this date.

Pascal Bello,

Chief Executive Officer

The Global Value® assessment methodology

The methodology implemented to measure the global performance of ESSILOR INTERNATIONAL is based on the Global Value® model developed by BMJ Ratings.

Global Value® is a model which measures the contribution of extra-financial criteria to the economic performance of companies.

The assessment given by the agency results from an analysis based on the consultation of strategic documents and the conducting of interviews with the company's management.

The Global Value® model matches financial data with non-financial data through a unique rating tool. It is built following a twofold requirement:

- It integrates the economic dimension alongside the different fields of corporate responsibility that are traditionally taken into account by non-financial rating (environment, human resources, communities & civil society, marketing & sales, procurement, governance).
- It analyzes the interactions which exist between the different criteria, and assesses their contribution to the economic performance of the corporation through partial indices.

11 partial indices, related to ESSILOR INTERNATIONAL's sectorial issues, are evaluated and consolidated for the determination of the global performance index.

These partial indices are calculated according to an exhaustive series of items, each of them being qualified as either a positive or negative contributor to the consistency and the efficiency of the corporation's activities.

This calculation method guarantees the sharpness and the objectivity of the evaluation.

Assessment summary

Essilor International's Global Value® rating is set at 1.29 which accounts for a high level of extra-financial performance. Some partial indices have increased while others have stabilized. Indices range from 1.15 to 1.38 and consolidate into a global performance index of 1.29, stable in comparison with the previous assessment.

The evaluation in the field of corporate governance has kept improving and strongly contributes to the Group's high level of global performance. Positive actions have been noticed notably as regards the dissociation of direction and control functions, as well as the transparency of corporate communication. Top executives' leadership in terms of business ethics stand as a solid ground for the implementation of a corporate responsibility policy. The Group ought to pursue its efforts aiming at integrating diversity among governance bodies.

In the field of human resources, the agency notices a progression of the contributions to environmental and economic performance. The renewal of the Board coincides with a balanced positioning in several areas which constitute levers for social performance. The analysis shows a continuous commitment as concerns the investment in training and recruitment. The agency also underlines the reinforcement of the Group's EHS policy through the organisation in place at the international level, the various training programmes and the deployment of OHSAS 18001 management systems in production units. The Group pursues the implementation of its diversity policy, as can be seen by the numerous agreements that were signed in 2010.

In the environmental field, the agency renews its observation of a high level of control of impacts and associated risks. Essilor International reinforced in 2010 the management of the environmental performance of its business units. The Group pursues its 2 priority objectives relating to energy efficiency and reduction of water consumption in its production units, and progressively extends this approach to prescription laboratories. As for the integration of environmental issues in contractual relationships, the agency underlines that the Group has reinforced its processes concerning chemical risks. However the carbon intensity of the Group's global logistics stand as a mid-long term area of vigilance.

Essilor International is engaged in numerous projects in connection with its core business along with civil society, in the field of visual correction and education. This account for a positive contribution on the Group's reputation capital, though communication on these actions could be improved. In its international development, the Group strives to preserve local culture and to favour communities' integration. All of these societal actions lead to a positive impact in terms of management and business development, and therefore contribute to the Group's economic performance.

In the field of contractual relationships, the Group pursues its international development and reinforces innovation through a proactive acquisition approach. Products' quality and innovation constitute the fundamental ground of the Group's client orientation. The partnership approach with prescription laboratories and opticians allow a finer knowledge of customers. The Group's effort in terms of research and development reinforces its leadership and contribute to new products adapted to customers' needs. Besides, the Group has developed strategic partnering relationships with suppliers which reinforce its innovation capacity and secure the durability of its activities. All of these actions contribute positively to the Group's economic performance.

The Registration Document and the Annual Report were prepared by the Investor Relations and Financial Communications department.

The information presented in this Registration Document was mainly prepared by the Financial, Legal Affairs and Investor Relations and Financial Communications departments of Essilor International.

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