2011 REGISTRATION DOCUMENT

essilor

Seeing the world better

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 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 consolidated financial statements for the year ended December 31, 2010 and Auditors' report on the consolidated financial statements for the year ended December 31, 2010 presented on pages 79 to 135 and 164 to 165 of the 2010 Registration Document filed with the AMF on March 29, 2011 under No. D.11-0193.

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 2011.

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 ForteTM UV, Crizal® Sapphire™, Essilor®, Essilor® Azio® 360°, Eyecode™, Kappa Ultimate Edition™, M'Eye Touch™, Mr Blue®, Varilux®, Mr OrangeTM, Optifog™, 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.

Anateo®, Anateo® Mio, Neva® Max are trademarks registered in the name of BBGR. Transitions® and Transitions® VantageTM are trademarks filed or registered in the name of Transitions Optical Inc. Global Value® is an analysis model registered by BMJ Ratings. Kodak is a trademark of Kodak, used under license by Signet Armorlite, Inc. Foster Grant. Microvision and Lightspecs™ are trademarks of FGX International. OBMTM On-Block Manufacturing is a trademark of Satisloh.

Registration Document
& Annual Financial Report

2011

The French version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF) on March 28, 2012 under no. D.12-0227, 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 2011 ANNUAL FINANCIAL REPORT

MANAGEMENT REPORT

FINANCIAL STATEMENTS

1 Persons responsible

1.1 Person responsible for the Registration Document

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

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, 2009 incorporated herein by reference includes an emphasis-of-matter paragraph. The report, which contains two observations, may be found on pages 176 and 177 of the 2009 Registration Document filed with the AMF under No. D.10-0189.

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. The report, which contains two observations, may be found on pages 164 and 165 of the 2010 Registration Document filed with the AMF under No. D.11-0193.

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 28, 2012

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

Statutory Auditors

PricewaterhouseCoopers Audit

63 rue de Villiers

92200 Neuilly sur Seine

First appointed: June 14, 1983

(Befec Mulquin et Associes, first appointed on June 14, 1983, merged with Price Waterhouse and was renamed Befec-Pricewaterhouse in 1995, and subsequently merged with Coopers & Lybrand to become PricewaterhouseCoopers Audit in 2002.)

Reappointed by the Annual Shareholders' Meeting on May 11, 2007 for six years.

PricewaterhouseCoopers Audit is represented by Christine Bouvry (registered member of the Compagnie Régionale des Commissaires aux Comptes de Versailles).

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

Mazars

61 rue Henri Regnault

92075 La Défense cedex

First appointed: May 11, 2007

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

Mazars is represented by Pierre Sardet (registered member of the Compagnie Régionale des Commissaires aux Comptes de Versailles).

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

2.2 Information about Auditors who resigned, were removed or not reappointed

No auditors resigned in 2011.

3 Selected Financial Information

3.1 Selected historical financial information

MAIN CONSOLIDATED FINANCIAL DATA

€ millions, excluding per share data	**2011**	**2010**
INCOME STATEMENT		
Revenue	4,190	3,892
Contribution from operations[(a)]	748	705
Operating profit	683	618
Profit attributable to Group equity holders	506	462
Basic earnings (attributable to Group equity holders) per ordinary share, in €	2.44	2.20
Diluted earnings (attributable to Group equity holders) per ordinary share, in €	2.41	2.18
BALANCE SHEET		
Share capital	39	38
Equity attributable to Group equity holders	3,325	3,001
Net debt	506	296
BALANCE SHEET TOTAL	**6,158**	**5,213**
CASH FLOW STATEMENT		
Net cash from operating activities	668	619
Net cash used in investing activities	(586)	(536)
Net cash used in financing activities	(59)	(114)
Net increase/decrease in cash and cash equivalents	23	(30)
Cash and cash equivalents at the end of the period	363	346

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

Excerpts from the management report of the Board of Directors of February 29, 2012.

In 2011, the ophthalmic optics market regained strength in the developed countries and remained dynamic in fast-growing countries. In that environment, Essilor has relied on its innovation in products and services as well as on the efficiency of its production processes to win market shares, particularly in the mid-range segment. The Group also accelerated its acquisitions strategy, allowing it to extend its presence in fast-growing markets and to reinforce its positions in the three divisions in which it operates.

The highlights of 2011 were:

- rise in volumes and sharp growth in revenue excluding currency movements (9.7%);
- launch of 235 products in all market segments;
- launch of the Optifog anti-fog lenses;
- implementation of long-term lens sales contracts with the major optical chains;
- rapid expansion in fast-growing countries;
- excellent performance of the Laboratory Equipment business;
- consolidation of Shamir Optical, an innovative ophthalmic optics provider positioned in mid-range products;
- acquisition of Stylemark, an American leader in the pre-mounted glasses market;
- continuation of the acquisition program, with 29 transactions, including 20 in high-growth markets, representing a total of €383 million in full-year revenue;

- maintenance of a contribution margin[(a)] of 17.9% of revenue and a 10.7% increase in net earnings per share;
- cash flow[(b)] up by 7.0% to €723 million;
- maintenance of a solid balance sheet with a net debt[(c)] to equity ratio of 15 %.

The Group's consolidated financial statements are presented in Section 20 of this Registration Document and revenues are presented in detail in Section 6 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, 2011 were released on August 26, 2011. The press release, the consolidated balance sheet, the consolidated income statement, and the consolidated cash flow statement as of June 30, 2011, and the first-half 2011 results presentation may be downloaded from www.essilor.com in the Reports and Publications section.

(a) Contribution from operations: operating profit before share-based payments, restructuring costs, other income and expenses, and before depreciation of goodwill.

(b) Cash flow: flows from operations excluding changes in WCR

(c) For more information, refer to Note 22 to the consolidated financial statements in Section 20.3.1.5.

4 Risk Factors

4.1 Operational risks

Operational risks are managed by the operating units concerned. They are tasked with anticipating, to the extent possible, and actively monitoring changes in such risks in order to reduce their potentially negative impact and, if necessary escalate them to the Executive Committee. The risks set out below can be inherent in our industry (such as substitution risk where raw materials are concerned), or specific to our Group (such as the risks in implementing the Group's external growth strategy).

Group risks linked to economic conditions in mature markets

The Group's sales are closely linked to fluctuations in average per capita purchasing power and to the economic conditions in its main markets. In 2011, 85% of Essilor's sales were in "mature" markets. Given the high degree of uncertainty in how the sovereign debt crisis will develop, especially in Europe, as well as the depressed macroeconomic fundamentals in a certain number of these countries, the Group cannot exclude the possibility of having to face a contraction in consumer sales or changes in consumer behavior.

To benefit from the opportunities associated with fast growing markets and to diversify its geographic risk, the Group reorganized itself in 2011, setting up a new entity covering the "AMERA" region (Asia, Middle East, Russia, Africa) and a second entity covering Latin America. Essilor's growth in these regions is especially strong, sustained by demographic fundamentals, the rise in purchasing power and the Group rolling out into those markets an adapted mid-range product offering. As a result, the fast growing markets are an increasing part of the Group's sales.

Another line of Essilor's strategy is focused on capturing the full potential of mature markets, primarily through a policy of continuous innovation, stimulating upscale demand by launching new differentiated products, and developing customer services and solutions.

Risks linked to substitutions of raw materials and consumables

Changing regulations (especially in the European Union, regulations governing the "Registration, Evaluation, Authorization and Restriction of Chemicals" or REACH) may force us to find new alternatives for raw materials and consumables. Changing the raw materials or consumables used in our glass manufacturing processes can theoretically lead to the inability to produce, temporarily or permanently, certain types of products or treatments.

In order to anticipate any impact, to define priorities and to review current action plans, a Critical Raw Materials and Consumables Committee ("MPCC") meets on a monthly basis chaired by a member of Essilor Executive Committee. This multidisciplinary committee includes, in particular, R&D, Procurement, Logistics, Engineering and Health & Safety departments. It reviews the assumptions underlying our priorities (criticality of change, time available to find a solution, impact on our processes) in terms of possible or confirmed changes, establishes action plans and follows up these plans for key points.

Risks linked to the growing importance of retail chains

Retail chains offering ophthalmic optical equipment to end consumers are playing an increasing role in a certain number of the Group's essential markets. Given the ability of these chains to attract a growing number of consumers into their stores (existing or potential), the Group could lose market shares if it ignores this distribution channel.

To respond to these challenges, Essilor has a highly diversified portfolio of products and services, as well as a strong capacity for innovation and adaptation, allowing it to offer and implement solutions adapted to these chains' particular needs. In a competitive context conducive to the destruction of value, the Group thus has advantages that give it the capacity to create, offer and implement new innovative business models, thereby creating long-term differentiation against its competitors.

In addition, the Department of Strategic Key Account Partnerships (under the responsibility of an Executive Committee member) develops a strategic overall vision of the key multinational accounts and provides support to local teams to allow them to develop better-adapted responses to the demands and strategies of their business partners. This organizational structure also allows it to better manage the complexity that some commercial agreements involve.

Risks linked to logistics chain management

The Group's quality of service relies on a sophisticated logistics chain which aims to control, on very short time cycles, complex flows (mass production plants, laboratories, transporters, distribution centers) and an extremely large number of possible product combinations (over 630,000 references to suit indices, materials, the unique prescription of every glasses wearer, treatments chosen, color, personalization markings, etc.).

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

To reduce this inherent risk in our industry, Essilor has implemented a diversified industrial strategy aimed at spreading risk across 19 production plants around the world and at setting up distribution centers on every continent. Furthermore, with over 390 laboratories across all continents, the Group has the capacity to reorient its flows quickly in the event of crisis. Lastly, the Group's logistics department as well as its regional counterparts are responsible for implementing substitution and business continuity solutions, especially in regard to what it considers to be the most sensitive sites.

Risks linked to the availability and security of information systems

The Group's activity depends in part on its information systems, particularly for ensuring the proper functioning of production, distribution, billing, reporting and consolidation, as well as for effectively organizing internal and external communications. A failure (whether due to malfunction or malice, internal or external), or even a total system shutdown, could translate into loss or corruption of sensitive data, delivery delays, loss of market shares and could adversely impact the Group's reputation. Moreover, the capacity to link or integrate with the existing systems of new acquired entities is a key factor in achieving the projected synergies.

The Group's information systems department and its local units contribute, through various strategies, to reducing the possibility that this risk would occur. These include, in particular, publishing an Information Systems security policy, distributing regulations – such as the protection of personal data – implementing system backup rules, network access, as well as technical architecture principles aimed at ensuring enhanced system integrity and robustness.

Risks linked to the implementation of its external growth strategy

In the context of increasing concentration in our industry, the Group's strategy consists of acquiring equity interests (generally majority interests) in well-defined target companies, with the objective of helping them grow profitably and to be able to benefit from that growth. Essilor therefore needs to put in place the necessary resources to achieve the projected synergies, and oversee that these acquired partner companies develop in accordance with forecasts and operate appropriate governance policies.

Although it cannot guarantee to achieve these objectives, Essilor capitalizes on its extensive experience of welcoming new companies into the Group and promoting its values – including entrepreneurial spirit, respect and trust – to maximize its chances of success in fostering its acquisitions. Partners are thus invited, by various means, to invest and participate in the Group's development – including discussion meetings with the Executive Committee. The Group also pays particular attention to the shareholders pact with each acquired company.

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 financing policy is based on security: security over time through long-term financing, security in terms of the amounts available, and security in the diversity of its financing sources.

Much of the medium- and long-term financing and short-term liquidity is centralized at the parent company through bank loans, private placements, 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, 2011, 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.

As of that date, 69% of the investments realized by Group subsidiaries had long-term Standard & Poor's ratings of A-.

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)

The accounting principles followed for risk provision are presented in Section 21.3.1.5 of Note 1.32 of the accounting principles in the Notes to the consolidated financial statements. Furthermore, Note 5.1 of the financial statements at December 31, 2011 presents other operating income and expenses in detail, Note 21 presents changes in provisions and Note 28 presents Litigation.

Germany

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

Following the investigation, on June 10, 2010, the BKA levied fines on the main players in ophthalmic optics in Germany. Our two subsidiaries received formal notice of penalties totaling nearly €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.

Following the notification received from the BKA, the Group constituted €50.7 million in provisions in its consolidated financial statements at December 31, 2010.

Since that date, there have been no further developments in proceedings. In the absence of any new information, the provisions made in the consolidated financial statements at December 31, 2010 remained unchanged at December 31, 2011.

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, 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.

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

Other disputes

Essilor International has received a notice of tax 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 2011 amounted to €32.6 million.

To the best of the Company's knowledge, there are no other current or pending 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.

4.4 Industrial and environmental risks

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.

To the Company’s knowledge, the acquisitions made in activities significantly different from the Company’s traditional activities, particularly in instruments and machine tools or pre-mounted glasses, have not led to any specifics in their industrial activities that would expose the Company to any new specific risks.

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.

Environmental risks

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

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.

As part of the gradual widening of the boundaries of environmental reporting within the Group's consolidated companies, the Company has begun establishing regular relationships with selected new companies and operating departments in the Group, notably but not only with the Global Environment, Hygiene and Safety Department (Global EHS Department) which is situated within the Global Operations Department. The Company can thus allow these new entities to benefit from its experience and expertise in these fields so as to extend the culture of environmental risk prevention along with oversight of certain management procedures and systems and the sharing of best practices use by the Group.

Refer to Section 8.2 for more information on "Environmental risks."

Refer also to the report on social and environmental policies in Section 26.2 of this document and the sustainability report in Section 26.3 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 certain construction projects and other major works as necessary. The projects are reviewed and adjusted to take into account both the needs of the Group and the prevention targets set jointly with the insurers. Physical assets are regularly valued by independent experts.

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 covering also biodiversity and the cost of depolluting sites, as well as the responsibility incumbent on Essilor and its subsidiaries to transport raw materials, waste and products).

Under the laws of certain countries, insurance cover must be taken out with local insurers, in which case 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.

Despite its presence in certain recently damaged countries in Asia (Japan, New Zealand and Thailand), no major damage was recorded in 2011 and no company of the Group was involved in significant insurance disputes.

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.

In 2011, the maximum insurance cover for transportation risks was €1.5 million and the cover for property and casualty risks and business interruption was increased from €150 million to €200 million.

The total cost of the Group policies was €4.11 million in 2011. This was higher than the previous year as the scope increased greatly during the 2010-2011 period, due to the Group's external growth and actions to integrate them into its insurance program.

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 of the registered office is: +33 (0)1 49 77 42 24.

The telephone number of the Essilor International 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. The establishment of stock and prescription lens production plants was accompanied by an expansion of the local distribution base. In some countries, such as Australia and the Netherlands, Essilor bought out its local distributor, while in other countries, including Japan and Canada, local distributors were bought out while new subsidiaries were created.

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).

With the aid of an acquisition and partnership policy with prescription laboratories, this strategy aims to grow and strengthen the Group's positions in developed countries and enables Essilor to affirm its status as a leader in high-growth countries, especially in China, India and Latin America.

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. As a result, in 2010, Essilor finalized the acquisition of Signet Armorlite, one of the largest independent manufacturers of ophthalmic lenses. It is located primarily in the United States and Europe and has a worldwide production and distribution license for Kodak brand lenses. Moreover, in 2011, the Group acquired 50% of Shamir Optical, another independent ophthalmic lens manufacturer.

Creation of two new divisions

Essilor has continued to expand its scope of activity in the optical market.

In 2008, the Group acquired Satisloh, a global leader in prescription laboratory equipment, thus creating its Equipment Division.

In 2010, Essilor gained control of FGX International, North America's leader in non-prescription reading glasses. This acquisition led to the creation of the Readers Division. This acquisition was supplemented in 2011 by the takeover of Stylemark, a major player in the United States with a considerable portfolio of sunglass and eyeglass brands under trademark.

A sustained globalization strategy

2008

Europe

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).

North America

In the 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.

Latin America

In Brazil, acquisition of a 51% stake in Technopark.

Asia-Pacific / Middle East / Africa

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

Europe

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%.

North America

In the United States: the Group acquired majority stakes in the following prescription laboratories: Barnett & Ramel; Mc Leod Optical; Ultimate Optical and Apex Optical; Orion Progressive Lab; Optical Dimensions; Truckee Meadows Optical; Abba Optical; and Vision Pointe Optical. The Group gained 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%.

Latin America

In Brazil, Essilor acquired 51% of GBO, a lens distributor.

Asia-Pacific / Middle East / Africa

In India, Essilor increased its stake in the capital of 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.

2010

Europe

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.

North America

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.

Latin America

In Brazil, Essilor acquired a majority interest in four prescription laboratories: Embrapol Sul, Tecnolens, Farol and Ceditop.

Asia-Pacific / Middle East / Africa

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.

2011

Europe

In Europe, the Group acquired Reize, a major player in the Swiss market with a prescription laboratory.

In the Readers Division, FGX Europe acquired Polinelli, Italy's leader in the distribution of non-prescription reading glasses, and Framed Vision Limited, number two in the British market in non-prescription reading glasses.

In the Equipment Division, Satisloh took a majority stake in CM Equipamentos Ópticos de Precisão, a manufacturer and distributor of ophthalmic lens surfacing machines.

In the Readers Division, FGX International increased from 50% to 100% its stake in AAiJoske's, a distributor of non-prescription reading glasses, in Mexico and certain Latin American countries.

North America

In the United States, the Group acquired majority stakes in the following prescription laboratories: CSC Laboratories; Professional Ophthalmic Laboratories; Caveo Optical.

In Canada, Essilor acquired Fundy Vision Optical Laboratory, a prescription laboratory.

In the Equipment Division, Essilor acquired a majority stake in Bazell Technologies, a company specializing in the treatment of rinse water used in lens production.

In the Readers Division, in the United States, FGX International completed the acquisition of Stylemark, a major player in the design and distribution of non-prescription reading glasses and sunglasses.

Latin America

In Brazil, Essilor acquired a controlling interest in four prescription laboratories: Cientifica; Orgalent; Repro; Comopticos.

The Group also increased its investment in Unilab, a prescription laboratory, from 30.5% to 51%.

Essilor established a presence in the Dominican Republic by gaining a majority stake in Opti Express, a prescription laboratory.

Asia-Pacific / Middle East / Africa

In Israel, Essilor acquired 50% of Shamir Optical, an independent manufacturer of ophthalmic lenses.

In China, Essilor took a majority stake in Jiangsu Youli Optics Spectacles Co Ltd, a producer of ophthalmic lenses.

In India, Essilor took a majority stake in GKB Hi-Tech, a company with a network of prescription laboratories.

In Taiwan, Essilor acquired Trend Optical, a prescription laboratory and distributor.

In Australia, Essilor increased its stake in Precision Optics, a prescription laboratory, from 30% to 60%.

In Morocco, the Group acquired L'N Optic, a prescription laboratory, and took majority stakes in Optiben, a player in the distribution of ophthalmic lenses, and in the prescription laboratory VST Lab.

Finally, Essilor acquired stakes in the following companies that are not within its scope of consolidation: Optik Mekk in Russia; Enterprise Ophthalmics Private Ltd in India; Shandong Wholesaler in China; JWL Phuket Lab in Thailand.

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;
- In 2011, the Group signed a partnership with Shamir Optical in Israel.

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 2011, new surface coatings and new lenses were unveiled. See Section 6.1.2, "New products and/or services." One of the key events of the year was the creation of a new category of lenses with the launch of Optifog, the first long-lasting anti-fog lens.

Two new products were also launched by Satisloh, in the Equipment market, and by FGX International, in the non-prescription reading glass and sunglass market.

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	**2011**	**2010**
Property, plant and equipment and intangible assets	204.7	140.0
Depreciation and amortization	191.7	184.0
Financial investments net of cash acquired	379.5	539.2
Purchases of own shares	147.5	348.9

Purchases of property, plant and equipment

Capital expenditure net of the proceeds from asset sales totaled €192 million (or 4.6% of consolidated revenue) in 2011 compared to €124 million the previous year.

These investments are distributed between lenses (€173 million, of which €43 million Europe, €44 million North America and €86 million for the rest of the world), readers (€15 million) and equipment (€5 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 33 %. The balance was primarily targeted for Instruments, Laboratory Equipment and Readers.

New investments made in the first month of 2012 are estimated at €17 million. The Readers business accounted for €5 million of these new investments, North America for €4 million, and the rest of the world for €8 million.

Financial investments

Financial investments net of cash acquired amounted to €379.5 million in 2011, versus €539.2 million in 2010. These investments mainly related to acquisitions made by the Group.

The Group also spent €147.5 million (net of disposal proceeds) on share buybacks in 2011, compared to €348.9 million in 2010.

In early 2012, 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.”

Principal outstanding investments

Capital expenditure commitments payable represented approximately €89 million at December 31, 2011, corresponding mainly to outstanding orders for equipment, particularly for export laboratories. This amount broke down as follows: €39 million in Europe, €32 million in North America and €18 million for the rest of the world.

Principal future investments

In 2012, 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 finance, the Group will continue its external growth strategy.

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 Businesses

Lenses and optical instruments

Essilor 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-reflective, anti-smudge and anti-static surface coatings;
- Optifog for anti-fog lenses, a new category introduced in 2011;
- Xperio for polarized lenses;
- Nikon, Transitions (photochromatic lenses) and Kodak, brands used under the agreement with Nikon Corporation, Transitions Optical Inc. and Kodak.

Essilor also designs, develops, distributes and maintains a range of lens edging instruments for opticians and prescription laboratories, and vision screening instruments for eye-care professionals, schools, occupational medicine centers, the military and other institutions.

In 2011, the Lens and optical instruments business represented 90.6 % 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 2011, the Equipment business represented 4.4 % of the Group's revenue.

Readers

The Readers segment consists of the American company FGX International, acquired by Essilor in 2010. FGX International is the North American leader in the design and sale of non-prescription reading glasses and is also present in the retail sunglasses market. The division expanded in 2011 after FGX International acquired its competitor, Stylemark.

In 2011, the Readers business represented 5.0% of Group revenue.

Consolidated revenue

€ millions	**2011**	**2010**
Lenses and optical instruments[a]	3,795.8	3,551.0
Equipment[b]	184.6	153.6
Readers[c]	209.1	187.0
TOTAL	**4,189.5**	**3,891.6**

(a) Corrective lenses and instruments for opticians.

(b) Equipment for plants and prescription laboratories, primarily Satisloh. Following an operational reorganization, revenue for National Optronics, which in 2010 was presented under North America and amounted to €10.6 million, is now presented under the Equipment division.

(c) Business from 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>

According to the data available to the Group, the world market for ophthalmic optics represents approximately 1.14 billion lenses or 570 million consumers per year.

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.

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

Essilor conducts this business.

Prescription lens laboratories

Prescription laboratories transform semi-finished lenses into finished lenses corresponding to the exact specifications of an optician or optometrist's order. This customization enables them to deliver the broadest possible array of correction combinations, especially for presbyopia. In the process, they surface and polish the semi-finished lenses and then apply tinting, anti-UV, anti-scratch, anti-reflective, anti-smudge, anti-static, light-filtering, anti-fog and other coatings. Essilor operates in this segment and owns 390 prescription laboratories and edging-mounting centers around the world.

Essilor's **Equipment** business designs equipment lines (primarily machines for surfacing and anti-reflective coatings) and markets consumables for prescription laboratories.

Retailers and optical chains

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

The primary role of eye-care professionals is to advise customers on the choice of lens, based on the prescription, as well as the choice of frame. 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 eye-care 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

Lenses and optical instruments

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

Production plants

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

Plant locations as of December 31, 2011 (city and date of entry in the Group)

North and South America	Europe	Asia-Pacific	Partner production plants
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 - Nasu - 2000 **Korea** Essilor Korea via its subsidiary Chemiglas - Yangsan - 2002 **China** Essilor Korea via its subsidiary Chemilens - JiaXing - 2006 ILT Danyang - Danyang - 2010 Wanxin Optical - Danyang - 2010 **Israel** Shamir Optical - Kibbutz Shamir - 2011

The above totals 19 plants as of December 31, 2011:

- excluding the production units of BNL in France and Specialty Lens Corp in the United States, companies acquired in 2003;
- excluding the plant of Signet Armorlite in Mexico, in which the Group acquired majority interests in 2010.

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 2011, the Group's 390 prescription laboratories and edging-mounting centers were located as follows:

North America	166
Europe	47
Asia-Pacific – Africa – Middle East	153
Latin America	24

Logistics centers

Logistics centers take delivery of finished and semi-finished lenses and ship them to the distribution subsidiaries and prescription laboratories. There are sixteen centers worldwide, six in Asia, five in Europe, three in North America and two 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 anti-reflective machines);
- consumer retail, pharmacies, specialized retail and department stores for readers and sunglasses.

6.1.1.5 2011 business review

Excerpts from the management report of the Board of Directors of February 29, 2012.

Consolidated revenue

Revenue growth between 2010 and 2011	Reported	Like-for-like	Changes in scope of consolidation[(a)]	Currency effect
€ millions	298.0	193.3	186.0	-81.3
In %	7.7%	5.0%	4.8%	-2.1%

(a) The effect of consolidation consists of 2.3% for partnerships and organic acquisitions (acquisitions of prescription laboratories and distributors) and 2.5% for strategic acquisitions (Shamir Optical, FGX International and Signet Armorlite).

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

In 2011, the consolidated revenue of the Essilor Group was €4,189.5 million, an increase of 7.7 %.

On a like-for-like basis, growth in sales was 5.0 %. This increase reflects the momentum of the Lenses business and the strong growth in Equipment business.

The impact of consolidation (+4.8%) reflects both the revenue of Shamir Optical, consolidated as of July 1, 2011, and the contributions of FGXI an Signet Armorlite, acquired in 2010 (+2.5%), and the revenue contributed by the partnerships and organic acquisitions signed in 2010 and 2011 (+2.3%).

The foreign exchange impact (-2.1%) is largely the result of the average depreciation of the US dollar against the euro. The strengthening of the Australian dollar, Swiss franc and Japanese yen was offset by the weakening of the Group's other contract currencies, including sterling.

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 operates thirteen plants throughout the world: four in North America, one in South America, four in Europe and four in Asia. Added to this number are the production units of companies with which Essilor has formed equity partnerships, such as Nikon (Japan), Chemi (South Korea and China), ILT (China), Wanxin (China) and Shamir Optical (Israel). The plants produce finished lenses (mainly unifocals) and semi-finished lenses. The latter are then shipped to prescription laboratories which perform polishing and apply coatings (anti-reflective, anti-smudge and anti-fog, for example) as required by customers.

In 2011, production volumes at Essilor plants reached 240 million lenses and partner plants produced approximately 110 million lenses, making a total of almost 350 million lenses. This figure takes into account the first-time consolidation of ILT, Wanxin and Shamir Optical in 2011. In terms of material, volumes of polarized, polycarbonate, photochromic and high index lenses remained high, while mineral lens volumes continued to decline.

Essilor's manufacturing asset was not affected by the earthquake in Japan or the floods in Thailand.

The Group continued to streamline costs and posted productivity gains of 1.6%, to which should be added the savings achieved under the lens obsolescence reduction program.

Capital expenditure pertained primarily to building extensions at one of the plants in the Philippines.

Global prescription lens production and finishing

Essilor has a network of 390 prescription laboratories and edging-mounting centers around the world. These entities produce custom lenses based on orders from eye-care professionals and which match the consumer's optical prescription. Using semi-finished lenses, the prescription laboratories and edging-mounting centers finish the product with surfacing operations, polishing, treatments (multi-layer coatings) and edging-mounting.

During the 2011 fiscal year, the Group established partnerships with a significant number of laboratories around the world, mainly in high-growth countries (see Section, "Acquisitions and partnerships"). Accordingly, Essilor began to implement a process that involved establishing cooperation and synergies with Shamir Optical, in which the Group took a 50% stake in 2011 and which has nine entities. In parallel, Essilor continued to optimize its network and streamline facilities in the United States and Europe. At the same time, the server laboratories located in Asia and Mexico continued to gain strength and now account for some 20% of the volume of lenses coated by the Group. In terms of investment, the main priorities were server laboratories in China and Thailand and increased handling capacity, particularly for anti-reflective treatment.

Among the year's highlights was the roll-out of the Optifog anti-fog treatment in a number of Group laboratories around the world, which entailed a major effort to train the units concerned in the new technical processes while simultaneously launching the treatment worldwide. As for Essilor plants, natural disasters in Japan and Thailand were well managed by Essilor staff and in consequence had no negative impact on the quality of service offered by the laboratories to eye-care professionals. This was in large part due to the wealth and extent of the Group's global network of prescription laboratories. Lastly, the Group continued to introduce independent laboratories to the Digital-surfacing External Offer (DEO), a partnership offer in digital surfacing, an increasingly widely used technology for lens production and customization.

Logistics

In 2011, as sales and volumes increased, inventory rose slightly in value, both overall and like-for-like, but fell in terms of stock coverage for the same service, demonstrating better operating performance.

The Supply Chain continued to be segmented to better meet customer demands in terms of products and distinctive services. The year was characterized by the success of the implementation in under six months of an inter-continental logistics system for a major retailer that integrated stock lenses, frames and prescription lenses.

The number of managed product items reached 630,000. This increase was driven by new added value products and the integration of Kodak, Signet Armorlite and Nassau products. By contrast, a major effort was made to streamline the range by eliminating 100,000 stock-keeping units.

One of the year's highlights was the global launch of Optifog, which mobilized Logistics division staff.

Flooding in Thailand at the end of 2011 impacted the entire optical industry, but Essilor managed to maintain its level of service to all customers, demonstrating the strength and quality of its global Supply Chain.

Finally, the Group continued its programs for streamlining distribution in the United States and Europe, the goal being to optimize operations and ensure service continuity of its distribution platforms.

2011 acquisitions and partnerships

In 2011 the Group continued its acquisitions and partnerships strategy, signing 29 new transactions representing total revenue of €383 million on an annual basis.

Shamir Optical

As announced on October 15, 2010, Essilor finalized the acquisition of 50% of Shamir Optical, an independent manufacturer of ophthalmic lenses which recorded $158 million in sales in 2010. Essilor has consolidated all Shamir Optical revenue in its financial statements since July 1, 2011.

Stylemark

FGX International finalized the acquisition of the total share capital of Stylemark, a major player in the design and distribution of non-prescription reading glasses and sunglasses with licenses for Nine West®, Dockers®, Reebok®, Hello Kitty® and various Disney® brands. Stylemark distributes more than 30 million non-prescription reading glasses and sunglasses annually, and in North America generates annual revenue of approximately $140 million.

The other 27 partnerships and organic acquisitions represent additional revenue of €169 million.

North America

In the United States, Essilor of America expanded its network of prescription laboratories with:

- a majority equity investment in **CSC Laboratories** (annual revenue: approximately $32 million) in California, strengthening the Group's position in the San Francisco area;
- the acquisition of **Professional Ophthalmic Laboratories** (annual revenue: approximately $3 million) in Virginia;
- an equity investment in **Caveo Optical** (annual revenue: €1.5 million) in Arizona.

In Canada, the Group acquired a majority interest in **Fundy Vision Optical Laboratory** (annual revenue: €0.5 million), a prescription laboratory located in the province of New Brunswick.

Europe

In Europe, the Group acquired a majority interest in **Reize** (annual revenue: approximately €11 million), a major player in the Swiss market with a prescription laboratory.

Latin America

In Brazil, Essilor continued its regional coverage strategy with the acquisition of:

- **Cientifica (annual revenue:** €30 million), one of Brazil's first independent prescription laboratories located in the state of Sao Paulo**;**
- **Orgalent (annual revenue:** €12.7 million), a prescription laboratory located in the state of Porto Alegre;
- **Repro (annual revenue:** €11.9 million), a prescription laboratory located in Florianópolis in the state of Santa Catarina;
- **Comopticos (annual revenue:** approximately €4.5 million), located in the state of Paraná.

The Group also increased its stake from 30.5% to 51% in **Unilab** (annual revenue: €6.3 million), a prescription laboratory located in the north east of the country.

Finally, Essilor began operating in the Dominican Republic after acquiring a majority stake in **Opti Express** (annual revenue: approximately €2.5 million), a prescription laboratory primarily operating in the region of Saint-Domingue.

Asia-Pacific – Africa

In China, Essilor acquired a majority interest in **Jiangsu Youli Optics Spectacles Co Ltd** (annual revenue: approximately €15 million), a producer of ophthalmic lenses located in the city of Danyang and owner of three manufacturing plants.

In India, Essilor acquired a majority interest in **GKB Hi-Tech**, a company with a network of prescription laboratories operating in the domestic and export markets (annual revenue: approximately €15 million).

In Taiwan, Essilor acquired a majority interest in **Trend Optical** (annual revenue: €1.3 million), a prescription laboratory and distributor.

In Australia, Essilor increased its stake from 30% to 60% in **Precision Optics** (annual revenue: €1.3 million), a prescription laboratory.

In 2011 the Group set up operations in Morocco with:

- the acquisition of a majority interest in **L'N Optic** (annual revenue: €2 million), the country's first prescription laboratory based in Tangier;
- a 65% shareholding in **Optiben**, a major distributor of ophthalmic lenses, and a stake in prescription laboratory **VST Lab** (combined annual revenue: €4 million).

<u>Equipment</u>

In the Equipment division, Satisloh acquired a majority interest in **CM Equipamentos Ópticos de Precisão** (annual revenue: approximately €8 million), a regional manufacturer and distributor of surfacing machines for ophthalmic lenses based in Petropolis, Brazil.

Essilor also acquired a majority stake in **Bazell Technologies** (annual revenue: approximately $4 million), a California-based company specializing in the treatment of rinsing water used in lens manufacture.

<u>Readers</u>

In the Readers division, FGX Europe acquired:

- **Polinelli (annual revenue:** €10 million), Italy's leading distributor of non-prescription reading glasses;
- **Framed Vision Limited (Sight Station)** (annual revenue: approximately €2.5 million), number two in the UK for non-prescription reading glasses.

For its part, FGX International increased from 50% to 100% its stake in **AAiJoske's**, a distributor of non-prescription reading glasses, including the Foster Grant brand, operating in Mexico and other Latin American countries.

The Group also acquired shareholdings in the following companies, which are not included in the consolidation scope:

- in Russia, Essilor acquired a minority stake in the leading distributor of ophthalmic lenses, **Optik Mekk** (annual revenue: approximately €14 million);
- in India, the Group acquired a majority interest in **Enterprise Ophthalmics Private Ltd** as part of a joint venture agreement with Enterprise Trading Company, one of the country's leading lens distributors;
- in China, Essilor acquired an interest in **Shandong Wholesaler**, an ophthalmic lens distributor;
- in Thailand, the Group acquired a majority stake in **JWL Phuket Lab**.

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 management report of the Board of Directors of February 29, 2012.

In 2011, the Group introduced 235 new products, a high number due to the development of personalized lenses and the desire to meet specific local demand.

One of the year's highlights was the creation of a new category of lens with the introduction of **Optifog**, the first long-term anti-fog lens. Fogging is a daily annoyance for most eyeglass wearers as soon as they move from a cold environment to a warm one. In a ground-breaking innovation, the Group's engineers managed to combine hydrophobic properties (for anti-reflective and anti-smudge lenses) with hydrophilic properties (for anti-fog lenses) within the same treatment process. Studies conducted by the Group indicated that 75% of eyeglass wearers were waiting for an anti-fog solution, representing a potential market of 1.2 billion customers worldwide. Introduced gradually around the world between late 2011 and early 2012, and winner of the Silmo d'Or award at the international optics trade fair in Paris, Optifog is available for all lenses in the Crizal range.

In terms of design, 2011 saw the introduction of **Varilux Physio 2.0 and Vailux Comfort New Edition** lenses. These progressive lenses have enjoyed huge success worldwide and have replaced all previous versions. Varilux Physio 2.0 offers better vision quality in all lighting conditions. Varilux Comfort, the world's top-selling progressive lens, was recreated with New Edition lenses to offer an expanded field of vision and smoother transition between vision distances.

The Group also continued the deployment of **digital surfacing technology** to create new product ranges allowing for more lens customization for wearers.

Finally, R&D and engineering teams prepared two flagship launches for the 2012 fiscal year. The first, announced at the beginning of the year, is for a new generation of **Crizal** lens offering better UV protection by treating reflections on the back of the lens, and the second is in the **Varilux** range featuring a major technological breakthrough in the design of progressive lenses.

6.2 Principal markets

Excerpts from the management report of the Board of Directors of February 29, 2012.

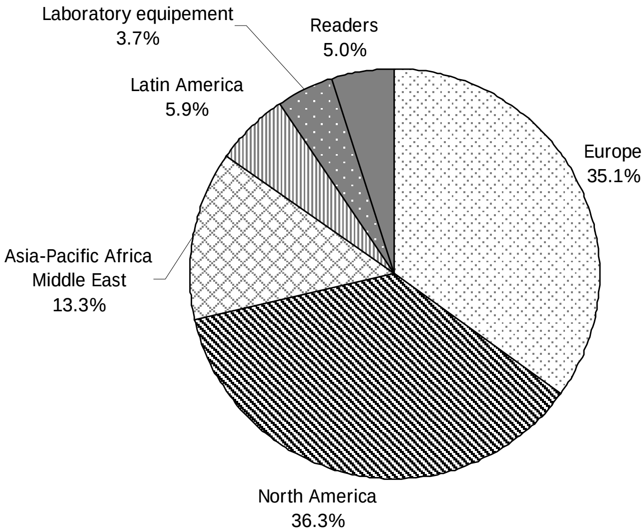
6.2.1 SALES PERFORMANCE BY GEOGRAPHIC MARKET

Revenue growth by region

Revenue *€ millions*	**2011**	**2010**	**Change (reported)**	**Change (like-for-like)**
North America	1,519.0	1,505.0	0.9%	3.8%
Europe	1,471.2	1,402.1	4.9%	1.9%
Asia-Pacific/Africa/Middle East	556.1	450.0	23.6%	13.0%
Latin America	249.5	193.9	28.7%	10.4%
LENSES AND OPTICAL INSTRUMENTS	**3,795.8**	**3,551.0**	**6.9%**	**4.6%**
Equipment[(a)]	184.6	153.6	20.2%	18.2%
Readers	209.1	187.0	11.9%	1.3%
TOTAL	**4,189.5**	**3,891.6**	**7.7%**	**5.0%**

(a) Following an operational reorganization, revenue for National Optronics, which in 2010 was presented under North America and amounted to €10.6 million, is now presented under the Equipment division.

Revenue by region



For more information about the 2011 total revenue, refer to Section 6.1.1.5 of this Registration Document.

6.2.2 LENSES AND OPTICAL INSTRUMENTS

NORTH AMERICA

Essilor had a good year in North America, with sales up 3.8% on a like-for-like basis.

In the **United States**, in a market of moderate growth, Essilor increased its revenue on a like-for-like basis by 4.5%, leading to a greater share of the market. This performance reflected solid growth in the product mix, not just with laboratories and independent optometrists, but also with optical chains.

In 2011 Essilor of America strengthened its ties with key lens distributors, winning major supply contracts. One such contract involved the large-scale deployment of a technological solution allowing a large optical chain to produce anti-reflective lenses at its own outlets.

For its part, the prescription laboratory network used a national advertising campaign to promote the Crizal brand lenses, which also positively impacted sales of Varilux progressive lenses. In a buoyant market, sales of photochromic and polarizing lenses increased sharply. Similarly, the high index lens and polycarbonate lens segments also expanded. The distribution network continued to strengthen, forming three new partnerships, one of which was with CSC, a major prescription laboratory based in California.

Lastly, lens and contact lens distributors (Nassau, OOGP) posted good results.

In 2011 growth was also boosted by initiatives from the "Think About Your Eyes" coalition, public awareness campaigns on the importance of eye health. Cities and states targeted by these campaigns reported higher growth than the rest of the market.

In **Canada** the year was mixed, with growth picking up in the second half.

EUROPE

Sales in Europe rose 1.9% on a like-for-like basis, enabling Essilor to consolidate its holdings. As in 2010, sales were characterized by strong volatility from one month to the next and one country to another.

One of the most dynamic countries was **France**, which continued to build on the professionalism of its distribution networks. In consequence, Essilor increased its sales to independent opticians of high added value products, including the Varilux progressive lenses and Crizal anti-reflective lenses. For its part, BBGR recorded strong sales growth with some retail outlets, while Novacel also posted favorable results.

In a sluggish market in the **United Kingdom**, the Group increased its market share after winning a supply contract with a major optical chain. Sales were also particularly buoyant in the **Netherlands**, primarily with independent opticians, and **Eastern Europe**, where most countries exhibited growth.

In a difficult economic climate in the countries of **Southern Europe**, the Group strengthened its holdings. **Italy** recorded good results thanks to the synergy of its distribution networks. After a tough start to the year, **Germany** began to rebound. All of Europe benefited from the successful launch of the Optifog anti-fog lens at the end of the year.

Finally, the Group stepped up operations in Switzerland with the acquisition of a majority interest in Reize, the long-time distributor of BBGR.

ASIA-PACIFIC – AFRICA – MIDDLE EAST

The Asia-Pacific-Africa-Middle East region expanded at a faster pace in 2011, with like-for-like growth of 13.0%. This performance reflects the robust performance of the developed nations (up by 5.9%) and ongoing good business with high-growth countries (up by 15.5%).

In **Japan**, Essilor enjoyed solid growth thanks to an effective range of products and services that enabled it to increase its market share among key accounts.

In **Australia** and **New Zealand**, where sales of anti-reflective lenses continued to increase, the Group took advantage of new business with independent optometrists and a number of local distribution chains.

In **China**, all distribution channels recorded strong revenue growth. The Group joined forces with one of its partners, Wanxin, to launch the Kodak lens brand on the domestic market. The Varilux range and specialized lenses (Azio, Myopilux) continued to enjoy strong sales. In **India**, where the replacement of mineral lenses with organic lenses is being stepped up, the various market segments expanded rapidly.

In **South Korea**, Essilor sales benefited from growth in progressive lenses. Driven by **Indonesia**, Asian countries posted promising growth in the product mix.

Finally, growth accelerated in the **Middle East**, where deployment of the multi-network strategy has now begun.

LATIN AMERICA

Latin America recorded favorable results (10.4% growth on a like-for-like basis), with most countries contributing to growth.

In **Brazil**, the year was characterized by a new improvement in the product mix in terms of progressive lenses and surface treatments. Anti-reflective lenses in particular benefited from the expansion of the Crizal centers, which provide independent laboratories with easier access to thin film deposit technology. Essilor also gave a further boost to its strategy of partnering with local laboratories: five new partnership agreements were signed in different parts of the country. Essilor thus continues, year after year, to expand its regional coverage, allowing it to accelerate the distribution of its products with high added value.

In **Mexico**, where the penetration rate of progressive lenses remains weak and anti-reflective lenses are under-developed, the Group's strategy to expand the product mix continued with success. Growth exceeded 20% and was also supported by gains in market share among major distributors.

Growth was also very strong in **Argentina**, where the Group won new market share thanks primarily to the success of the Varilux and Crizal lenses.

The year was also characterized by the opening of a subsidiary in **Colombia** to distribute the Group's brands directly.

Overall, other countries in the region recorded very solid performances.

OPTICAL INSTRUMENTS

In 2011, sales of optical instruments were stable.

Following the success of the Mr. Blue grinder in recent years, Essilor launched Mr. Orange, a version that uses the same technology but with a lower level of automation and targeted at a wider customer base. This machine won a Silmo d'Or award at the international optical trade show in Paris was well received by opticians in Europe.

In the United States, the Group relied on Satisloh to develop its own distribution network for the grinders with independent optometrists.

In high-growth markets, Essilor increased its market share, particularly in China, South Korea and Russia, by drawing on a range of more compact grinders.

With regard to sales-support instruments for optical stores, Essilor continued the distribution of Visioffice, particularly in the United States and Brazil. These machines take additional measurements that are necessary in particular when it comes to marketing lenses that use Eyecode technology.

Stereo Optical, a company specializing in vision screening equipment, posted good growth.

6.2.3 EQUIPMENT

The Equipment division recorded an excellent year with like-for-like growth of 18.2% (excluding Essilor). In a market buoyed by the adoption of digital surfacing technology and the dynamic efforts of operators all around the world, the division took advantage of the breadth of its product and service offering to increase its market share.

The positioning within the Consumables business of the 2010-acquired DAC Vision product range, coupled with the integration of the Bazell Technologies (acquired in 2011) solution of treating water used in the lens surfacing process, helped strengthen Satisloh's laboratory equipment offer.

2011 also saw plenty of innovation, with the launch of two new, very promising technologies:

- "fast coating," a technique for depositing thin film by vacuum sputtering, which significantly reduces the manufacturing times involved in applying treatments to lenses. The Group sells the machines that use this technology to a major optical chain in the United States;
- "on-block manufacturing," a complete production chain that is fully integrated and automated and uses a unique lens block operation for each step in the ophthalmic lens manufacturing process, from surfacing to edging-mounting. "OBM" has been very well received by industry professionals.

Lastly, Satisloh substantially strengthened its positioning in Latin America by acquiring a majority stake in CM Equipamentos Ópticos de Precisão (see under "Acquisitions and partnerships" in Section 6.1.1.5), a local surfacing-machine producer that has established solid positions in the region. This alliance should accelerate the rate at which independent prescription laboratories adopt digital surfacing technology.

6.2.4 READERS

The Readers division had a mixed year, posting like-for-like growth of 1.3%, split evenly between non-prescription reading glasses and sunglasses. After a very brisk first half, and despite solid growth in consumer sales in the second half, revenue was impacted by a significant amount of destocking by key customers in the United States.

On a per-business basis, readers continued to benefit from the major success of products in the Microvision and Lightspecs ranges, distributed to most of FGX International's main customers. After being impacted by unfavorable weather conditions in high season, sunglass sales rebounded somewhat at the end of the year.

FGXI continued to expand internationally, developing sales volume with existing customers in Canada and the United Kingdom, and making its first acquisitions in Europe. FGXI began operating in Italy with the takeover of Polinelli, a leading local player, and strengthened its positioning in the United Kingdom with the acquisition of Sight Station, which also introduced it to new markets via duty free store chains (see under "Acquisitions and partnerships" in Section 6.1.1.5). In Latin America, FGXI expanded into Chile and Venezuela via the now wholly owned, Mexico-based FGX Latin America.

Finally, FGXI acquired Stylemark (see under "Acquisitions and partnerships" in Section 6.1.1.5), a key player in the United States with a substantial portfolio of licensed brands of sunglasses and non-prescription reading glasses. This acquisition will allow the company to take advantage of its relationships with its own customers and those of Stylemark, accelerate its expansion into department stores and have a sunglasses offer for children.

6.3 Exceptional factors

No exceptional factors influenced the Group's main businesses or markets in 2011.

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

Lenses and optical instruments

According to the Group's estimates, 4.2 billion people worldwide are in need of vision correction. Among these, 1.7 billion, or 25% of the global population, already have equipment to correct and protect their vision.

The world market for ophthalmic optics represents a total of 1.14 billion lenses per year, or approximately 570 million consumers per year, with an estimated manufacturing value of approximately €10 billion. Its long-term growth, traditionally ranging from 2% to 3%, could accelerate between 3% and 4% under the impact of the high-growth countries and the increasing number of unmet visual needs. Estimated growth for developed countries is between 1% and 2%, while estimated growth for high-growth countries is between 6% and 8%.

In a highly fragmented market comprised mainly of small local competitors, the Group estimates Essilor's market share to be 31% in terms of volume. Essilor's main competitors are Carl Zeiss Vision (Germany) and Hoya (Japan).

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-reflective, anti-smudge and anti-static surface coatings;
- Optifog for anti-fog lenses, a new category introduced in 2011;
- 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 innovation and offering high quality products, services, technology and processes. This is demonstrated by the introduction each year of a substantial number of new products which combine different materials, optical surfaces and coatings. This strategy enriches the Group's product mix, leads to greater segmentation and meets the needs of customers, whether eye-care professionals or consumers.

In 2011, according to estimates produced by the Essilor Group, the global optics market grew by 3%, with volumes driven primarily by strong growth countries in Asia and Latin America.

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-reflective, anti-smudge and variable tint lenses;
- the growth in the developing countries supported by the growth in their middle class.

Essilor's sales by volume for 2011 rose by approximately 3.8% globally, reflecting the Group's strong performance in high and very high index materials, polarized lenses and anti-reflective lenses.

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

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 €400 million and €500 million. Satisloh is the world's leading supplier of surfacing machines and anti-reflective coating units. Its global market share is substantial, particularly in digital surfacing machines, small machines that produce anti-reflective lenses in one hour, and consumables. Satisloh's customers are prescription laboratories, integrated optical chains and lens manufacturers. Its main rivals are Schneider (Germany) in surfacing and Leybold (Germany) in anti-reflective coating machines.

In 2011, the equipment and consumables market grew by some 10% (Satisloh estimates), growth momentum that reflects players' confidence in the potential of the optics market.

Refer to Section 6.2.3, of this Registration Document, “Equipment.”

Readers

In 2010, Essilor entered the Readers market with the acquisition of FGX International, the US number one. This company is also present in the retail sunglasses market.

Internationally, the competitors of FGX International are small local players. Its customers are the large retail companies (e.g. Wal-Mart and Target), pharmacies (e.g. Walgreens and CVS) and specialized retail outlets (e.g. Barnes and Noble). FGX International buys its products from outside manufacturers.

In 2011 FGX International acquired its competitor, Stylemark (see under "Acquisitions and partnerships" in Section 6.1.1.5).

The Readers market is estimated at 220 million pairs per year in volume and is close to €1.1 billion per year in value. FGX International holds a market share of around 20%.

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;
- Plants in China held indirectly via Essilor China Holding Co Ltd;
- Plants and finishing laboratories in Thailand held indirectly via Essidev;
- Finishing laboratories in India held indirectly via Essilor India Pte Ltd;
- Satisloh group subsidiaries, held by Satisloh;
- FGX group subsidiaries, held by FGX International Holding Ltd.;
- Signet Armorlite group subsidiaries held by Signet Armorlite Inc;
- Shamir Group subsidiaries held by Shamir Optical Industry Ltd.

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 €955 million at the end of 2011 (€876 million at the end of 2010). 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 2011, which increased the tangible fixed asset pool of the Company, 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. Aspects related to health, safety and environment (HSE) are mentioned in the HSE Charter for the projects and the HSE project guides related to it. This guide gives teams a reference to 16 HSE categories and enables them to take them into account as they progress in their work.

For many years, Essilor's environmental reporting has covered its companies worldwide and follows the guidelines and base indicators of the Global Reporting Initiative (GRI). This scope is comprised of entities that the Company controls operationally.

As part of the gradual expansion of the boundaries of reporting of environmental information to the scope of the companies consolidated by the Group, starting in 2011, the Company has begun to include several new entities in the Group reporting that use the same reporting tool, the same recommendations and the same basic indicators as the Global Reporting Initiative (GRI).

Refer to Section 26.3 of this Registration Document for more information about the expanded scope of reporting in 2011.

9 Operating and financial review

Excerpts from the management report of the Board of Directors of February 29, 2012

9.1 Financial position

BALANCE SHEET

Goodwill and other intangible fixed assets

Goodwill increased €361.4 million to €1,888.3 million at year end 2011. This increase was the result primarily of the acquisitions of Stylemark and of 50% of the capital of Shamir Optical, as well as certain local partnerships.

The increase in Other intangible fixed assets totaled €80.4 million and was due in particular to the inclusion in the financial statements of the value of customer relationships of certain acquired companies, including Shamir Optical.

Investments

Refer to Section 5.2 of this Registration Document.

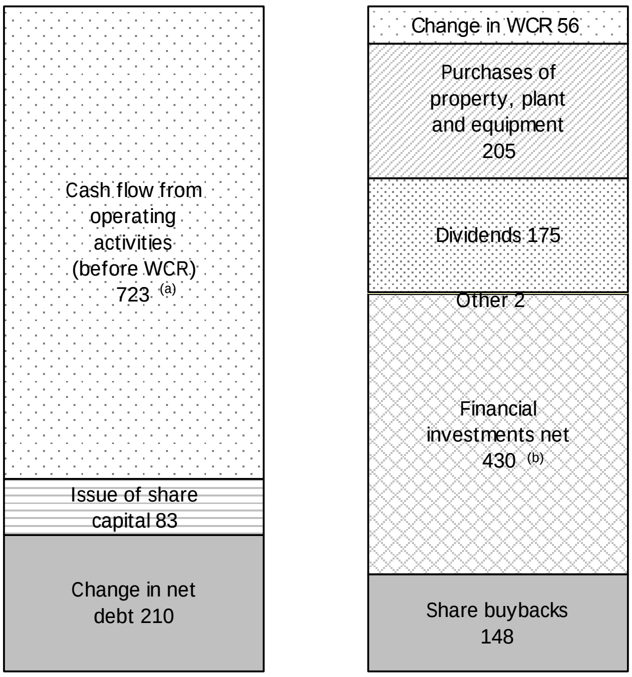
Inventories

At year end 2011, inventories totaled €753 million, an increase of €108 million over the end of 2010. Most of this increase is related to the acquisitions made, including Stylemark and Shamir Optical, and the increase in Satisloh business.

Shareholders' equity

Consolidated shareholders' equity totaled €3,458 million at end 2011, up 13.6% from year-end 2010. Changes in shareholders' equity are detailed in Chapter 20-3-1-3 of this Registration Document.

Simplified statement of cash flows



The Essilor model continued to demonstrate its strong cash generation in 2011. Net cash flow from operating activities (excluding the change in working capital requirements) amounted to €723 million[a], an increase of 7%, which largely financed the growth of the Group, covering:

- an increase of working capital requirements of €55.6 million;
- an increase in the amount of industrial investments of €204.6 million.

The result was free cash flow (cash flow from operating activities less net capital expenditures) of €463 million, which contributed to the financing of:

- net financial investments of €430 million[b], including Stylemark and 50% of the capital of Shamir Optical;
- stock buybacks totaling €148 million to purchase 3.22 million shares on the market;
- a 17.9% increase in dividends paid to shareholders for a total of €175 million.

At the end of fiscal year 2011, the Group posted net debt of €506 million, an increase of €210 million, representing less than 15% of the shareholders' equity of €3,458 million.

(a) Net cash flow (€667.8 million) plus increase in WCR (€55.6 million).

(b) Financial investments (€396 million) plus debt at the consolidation of the companies acquired (€34 million).

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, “2011 business review” and Section 6.2, “Principal markets.”

Gross margin

In 2011, the gross margin (revenue – cost of products sold) totaled €2,321.5 million, or 55.4% of revenue, compared to 55.5% in 2010. This relative stability is the result of the dilution of bolt-on acquisitions and the increasing influence of other business activities (Equipment in particular) that have a gross margin lower than the gross margin of Lenses and of the improved product mix and industrial efficiency programs.

Operating expenses

Operating expenses in 2011 totaled €573.3 million. As a percentage of revenue, they rose 20 basis points, or 37.6% of revenue, which led to:

- a significant increase in investments in marketing, distribution and sales force;
- a constant research and development effort (€151.5 million before deduction of a research tax credit of €11.6 million);
- the control of structural costs and the positive impact from acquisitions that have an operating expense rate lower than the Group average.

In total, the contribution from business activity stood at €748.2 million, up 6.1%. The contribution margin dropped 20 basis points, to 17.9% of revenue.

Contribution from operations in euros and as a percentage of revenue

€ millions	**2011**	**2010**	**Change**
Contribution from operations[(a)]	748.2	704.8	6.1%
As a % of revenue	17.9%	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 operations[(a)] 2011	43.3	47.2	11.2	(15.1)
En %	6.1%	6.7%	1.6%	(2.1%)

(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

Other income/other expenses from operations had total revenue of €65.1 million, down €21.3 million.

This covers:

- 23.2 million in expenses related to share-based payments, of which 22.8 million were for expenses related to stock option and performance share plans, with the remainder representing the discount granted to employees who purchased shares through the Employee Stock Ownership Plan;
- €22.6 million in restructuring expenses primarily to rationalize the prescription laboratory network, a decrease from 2010;
- €7.5 million in costs related to the acquisitions of Shamir Optical and Stylemark.

Operating profit

In 2011, operating profit (Contribution from operations -- Other income and expenses) rose to €683.1 million, up 10.4%, or 16.3% of revenue (15.9% in 2010).

Change in operating profit in 2011	Reported	Like-for-like	Change in scope of consolidation	Currency effect
€ millions	64.6	68.2	10.4	(14.0)
In %	10.4%	11.0%	1.7%	(2.3%)

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

The portion of minority shareholdings in Essilor earnings rose 25.1% to €12.6 million. This increase is a sign of the dynamism of the partnerships nurtured by the Group, including the partnership with Shamir Optical. As a result, profit attributable to Group equity holders increased 9.4% to €505.6 million, or 12.1% of revenue.

Due to the slight decrease in the number of shares outstanding, earnings per share increased 10.7% to €2.44.

Net profit also reflects the following costs and expenses:

Financial income and expenses

Financial income and expenses fell -€13.4 million, versus -€10.8 million in 2010. The difference comes mostly from the increase in financial costs related to a net debt position in 2011 that was higher than it was in 2010.

Income tax expense

Between 2010 and 2011, the effective tax rate decreased from 27.5 % to 26.8% of earnings before taxes (€179.4 million). This represents an improvement of 20 basis points in relation to the 2010 effective tax rate restated for the impact from the two extraordinary items from 2010 (non-deductible fine from the Bundeskartellamt (BKA) and the non-taxable sale of Sperian).

Share of profits of associates

Since the sale of the interests of Essilor in Sperian Protection in August 2010, the share of profits of associates equals the share of the profit of Transitions, which is 49% owned. This profit totals €27.9 million, a slight drop from 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 consolidated financial statements under Section 20.3.1.4 of this Registration Document.

10.3 Information on borrowing requirements and funding structure

At December 31, 2011, the Company had €250 million in bilateral facilities with a remaining life of 2.1 years.

In addition, the Group has a €750-million commercial paper program, the issuing volume of which amounted to €174 million at the end of 2011.

Besides, the Group has two syndicated credit facilities for a total of €1,700 million with an average remaining life of 1.6 years. At December 31, 2011 these facilities were drawn down by €386 million.

	Amount *in € millions*	**Issue date**	**Maturity**
Bank loan	250	Feb-07	Feb-14
Commercial paper	750	May-11	May-12
Syndicated credit facility	700	May-05	May-12
Syndicated credit facility	1,000	Jun-07	Jun-14

At December 31, 2011, the net indebtedness of the Group was €506 million.

For more information, refer to Notes 26 and 31 to the consolidated financial statements in Section 20.3.1.5.

10.4 Restrictions on the use of capital resource

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 February 29, 2012

RESEARCH AND DEVELOPMENT

Since Essilor's beginnings, innovation has been one of the Group's strategic areas and a competitive advantage. It must not be forgotten that Essilor was behind two major inventions in the ophthalmic industry: organic lenses and progressive lenses.

Essilor's Research and Development teams offer innovative technological solutions products, processes and services to meet individual vision correction needs with the help of some of the best experts in the world. The Group devotes a significant percentage of revenue each year to R&D, engineering and the development of new production processes, spending €151.5 million in 2011 and €150.9 million in 2010, before the research tax credit deduction.

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

In 2011, the Group launched 235 new products. This high number is due to the increased personalization of lenses and a desire to respond to the specific local demands. In addition, the Group continued to develop digital surfacing technology and create new product ranges that allow lenses to be personalized for each wearer more than ever before. See Section 6.1.2, "New Products."

R&D ORGANIZATION

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

PARTNERSHIP-DRIVEN INNOVATION

Since its creation, Essilor has been working with other industries to develop its products in a considerable number of areas (such as materials, coatings and digital technologies). One of the more recent partnerships is the joint Research Center with Nikon Corporation in the optics segments (2008) that was established in Japan and specializes in breakthrough technologies. In France, Essilor's participation in the Vision Institute in Paris 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 ability to innovate et and increase the complementary relationship between its various business lines, Essilor has continued to create Innovation and Technology Centers, in France (Créteil) and the United States (Dallas). These centers make it possible to bring together on a single campus the skills and resources need for Research and Development, engineering and technical support to optimize quality, performances, and development time and launch products on the global market. In Asia, the Group is focusing on its R&D platform in Singapore, which is working with a network of private- and public-sector partners, which include the research joint venture with Nikon (NEIJRC) and the University of Shanghai, as well as the engineering division based in Bangkok.

11.2 Patents and licenses

At the end of 2011, the Group, including the companies in which it owns all the capital (BNL, Gentex Optics, Satisloh and Signet Armorlite) held 864 patent families representing a total of over 5,000 patents and patent applications in France and abroad.

The Group's very active innovation policy is supported and strengthened by an equally active industrial innovation policy, both upstream, to support innovation (by using patents as tool for innovation) and downstream, to optimize protection for all innovations. It is also Group policy to prevent patent infringements.

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 number of basic patent filings for new inventions is 70 filings annually.

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 and recent advances have made lenses even more attractive in relation to competing technologies.

12.3 Events after the year-end

Recent financing

In January 2012, Essilor concluded two new five-year bilateral credit facilities for a total amount of $300 million. In addition, in February 2012, the Group concluded a US private placement of $300 million (one five-year tranche of $200 million and one seven-year tranche of $100 million).

These three sources of funding replace the syndicated facility of €700 million (maturing in May 2012), which was terminated early in February 2012.

New acquisitions

Since the beginning of 2012, Essilor has continued its international expansion with new partnerships.

In China, Essilor acquired the majority of capital of a lens producer, Jiangsu Seeworld Optical Co Ltd (annual base revenues: around €7 million). This new transaction illustrates the Group's desire to extend its presence into the mid-range in China, while strengthening the competitiveness of its offer in the rest of Asia.

In Tunisia, the Group signed an agreement to gain a majority stake in the SIVO laboratory, which is number one in the market in Tunisia, and its commercial subsidiary SICOM, which are located in Sfax. These companies made combined revenues of about €7 million in 2011.

In Turkey, Essilor signed an agreement to acquire the majority of capital in Ipek Optik, one of the largest providers in the Turkish market, which makes annual revenues of about €5 million.

Change of consolidation method

As part of their shared desire to accelerate the development of their joint venture "Nikon-Essilor" which is based in Japan, Nikon and Essilor decided to improve its method of governance without changing its capital structure and to entrust its operational management to Essilor employees. Consequently, Essilor will consolidate 100% of the company's sales into its financial statements starting January 1, 2012.

The same reasoning with the same accounting consequences was applied to "Essilor Korea", a joint venture between Essilor and Samyung Trading based in South Korea, and a shareholder in Chemiglas, effective starting February 1, 2012.

For both of these transactions, the Group is currently evaluating of impacts on consolidation

Share buyback

Essilor International is continuing its share buyback policy, the purpose of which is to set off the dilution related to share-based payment programs. As of February 23, the company had redeemed 1,608 million shares on the market for an investment amount of around €91.5 million.

12.4 2012 Outlook

The dynamism of the ophthalmic optics industry is rooted in the ongoing development of visual correction needs. Around the world, 4.2 billion people are currently affected by vision problems, of which 2.5 billion have not yet been corrected. In the face of this major challenge, Essilor will continue its product innovation strategy to improve its vision correction and protection offerings and intensify its initiatives to stimulate demand. While it continues to rely on its operational excellence and targeted acquisitions policy, Essilor also intends to conquer the mid-range market throughout the world.

As a result, the Group is beginning 2012 with confidence and determination and is projecting:

- total revenue growth excluding the currency effect of between 12 and 15%, including revenue growth on a like-for-like basis that includes organic acquisitions of between 6 and 9% ;
- the maintenance of a high level of operational profitability (excluding 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 2012.

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, 2011, Essilor's Board of Directors had 14 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 2011 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 5, 2011: Aïcha Mokdahi, Hubert Sagnières, Philippe Alfroid, Yi He, Maurice Marchand-Tonel and Michel Rose were re-appointed to the Board for a three-year term. Alain Aspect, who through successive renewals of term has served a total of 12 years as a director, which is the limit set by the AFEP/MEDEF Code as a criterion for the independence of a director, was not re-appointed. At its meeting of May 5, 2011, the Board of Directors decided to renew Hubert Sagnières in his position as Chief Executive Officer and, at its meeting of November 24, 2011, decided to combine the functions of Chairman of the Board of Directors and Chief Executive Officer and entrust him with both effective January 2, 2012 as Mr. Xavier Fontanet had chosen to end his term as Chairman of the Board of Directors effective 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 12 years."

"Board members representing shareholders who do not have a controlling interest in the Company are considered independent directors.

However, if a Board member represents a shareholder holding more than 10% of the share capital or voting rights, the Board of Directors determines whether 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 24, 2011, 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 24, 2011, 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, 2011

Hubert Sagnières, Chairman and Chief Executive Officer since January 2, 2012.

Xavier Fontanet, Chairman of the Board of Directors until January 2, 2012, currently a director.

Philippe Alfroid, Chief Operating Officer until June 30, 2009.

Independent directors:

(The independence of each individual director was reviewed by the Board during 2011. 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 Section 26.1 of this Registration Document.)

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

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.

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.

LIST OF DIRECTORSHIPS AT DECEMBER 31, 2011

XAVIER FONTANET

63 years old

Number of shares: 282,016

Main position held within the Company: Chairman of the Board of Directors (until January 2, 2012)

Business address: ESSILOR INTERNATIONAL - 147 rue de Paris - 94227 CHARENTON Cedex – FRANCE

First appointment as Director: June 15, 1992 Current term ends: 2013

Personal information – Experience and expertise

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

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Company
Chairman of the Board of Directors:	Essilor International* (until January 2, 2012)
Chairman	Nikon and Essilor Joint Research Center Co Ltd (Japan)(b)
Director	**Essilor International and subsidiaries**
	Nikon-Essilor Co. Ltd (Japan)(b)
	Nikon and Essilor Joint Research Center Co Ltd (Japan)(b)
	Essilor Amico (L.L.C.) (United Arab Emirates)(b)
Director	**External companies**
	L'Oréal*
	Crédit Agricole SA*
	Fonds stratégique d'investissement (SA)(b)
Member of the Supervisory Board	Schneider Electric SA*(a)
Permanent representative of Essilor International on the Board of Directors	Association Nationale des Sociétés par Actions (Ansa)

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

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
Chairman and Chief Executive Officer	Essilor International
Chairman	EOA Holding Co., Inc. (USA)
	Nikon and Essilor International Joint Research Center Co Ltd (Japan)
Director	**Essilor International and subsidiaries**
	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)
	Essilor Manufacturing India Private Ltd (India)
	Essilor India PVT Ltd (India)
	Essilor Amico (L.L.C.) (United Arab Emirates)
	External companies
	L'Oréal
	Crédit Agricole SA
	Fonds stratégique d'investissement (SA)
Member of the Supervisory Board	Schneider Electric SA
Permanent representative of Essilor International on the Board of Directors	Association Nationale des Sociétés par Actions (Ansa)

HUBERT SAGNIERES

56 years old

Number of shares: 11,084

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

Business address: ESSILOR INTERNATIONAL - 147 rue de Paris - 94227 CHARENTON Cedex – FRANCE

First appointment as Director: May 14, 2008 Current term ends: 2014

Personal information – Experience and expertise

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

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
Chief Executive Officer	Essilor International (until January 2, 2012)
Chairman	Essilor of America, Inc. (USA)
Director	**Essilor International and subsidiaries**
	Essilor of America, Inc. (USA)
	Transitions Optical Inc. (USA)
	Frames for America, Inc. (USA)
	Essilor Canada Ltee/Ltd (Canada)
	Transitions Optical Holdings B.V. (Netherlands)
	Omics Software Inc./Logiciels Omics, Inc (Canada)
	Cascade Optical Ltd (Canada)
	Reseau Essilor in Canada Inc./Essilor Network in Canada Inc. (Canada)
	Groupe Vision Optique Inc. (Canada)
	Optique de l'Estrie Inc. (Canada)(b)
	Optique Lison Inc. (Canada)
	Vision Optique Inc. (Canada)
	Vision Optique Technologies Ltée (Canada)(b)
	Visionware Inc. (Canada)
	Westlab Optical Ltd (Canada)
	Vision Optique Inc. (Canada)(a)
	Essilor Vision Foundation (USA)

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

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Company
Chief Executive Officer	Essilor International
Chief Operating Officer	Essilor International
Chairman	Essilor of America, Inc. (USA)
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)
	Essilor Canada Ltee/Ltd (Canada)
	Transitions Optical Holdings B.V. (Netherlands)
	Omics Software Inc./Logiciels Omics, Inc. (Canada)
	Cascade Optical Ltd (Canada)

Positions	Company
Director	**Essilor International and subsidiaries (continued)**
	Reseau Essilor in Canada Inc./Essilor Network in Canada Inc, (Canada)
	Groupe Vision Optique Inc. (Canada)
	Optique de l'Estrie Inc. (Canada)
	Optique Lison Inc. (Canada)
	Vision Optique Inc. (Canada)
	Vision Optique Technologies Ltée (Canada)
	Visionware Inc. (Canada)
	Westlab Optical Ltd (Canada)
	Nassau Lens Co., Inc. (USA)
	K&W Optical Limited (Canada)
	Vision Web Inc. (USA)
	Econo-Optic Ltée (Canada)
	Essilor Vision Foundation (USA)

PHILIPPE ALFROID

66 years old

Number of shares: 260,797

Main position held within the Company: Director

Business address: not applicable – Retired since June 30, 2009

First appointment as Director: May 5, 1996 Current term ends: 2014

Personal information – Experience and expertise

Philippe Alfroid was Chief Operating Officer of Essilor until his retirement in June 2009. He began his career with PSDI 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.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
Vice Chairman of the Supervisory Board:	Faiveley Transport*
Director	Eurogerm*
	Essilor of America, Inc. (USA)
	Gemalto N.V. (Netherlands)*

* Listed company

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
Chief Operating Officer	Essilor International
Chairman	Essilor of America, Inc. (USA)
	Omega Optical Holdings, Inc. (USA)
Vice Chairman of the Supervisory Board	Faiveley Transport (formerly Faiveley SA)
Director	Sperian Protection
	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)
	Faiveley Transport
	Eurogerm
	Gemalto N.V. (Netherlands)

BENOIT BAZIN

Independent director

43 years old

Number of shares: 1,000

Business address: Saint-Gobain - Les Miroirs – 18 avenue d'Alsace - 92096 PARIS LA DEFENSE - FRANCE

Major positions:

- Executive Vice President, Compagnie de Saint-Gobain
- Chairman, Saint-Gobain Distribution Bâtiment, Building Distribution division

First appointment as Director: May 15, 2009 Current term ends: 2012

Personal information – Experience and expertise

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.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Company
	Saint-Gobain Group
Chief Operating Officer	Compagnie de Saint-Gobain*
Chairman	Saint-Gobain Distribution Bâtiment Sas
	Partidis Sas
	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)

* Listed company

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
	Saint-Gobain Group
Chief Operating Officer	Compagnie de Saint-Gobain
Chairman	Saint-Gobain Distribution Bâtiment Sas
	Partidis Sas
	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

47 years old

Number of shares: 1,000

Business address: Unilever - 100 Victoria Embankment – Blackfriars - EC4P 4BQ London – United Kingdom

Major positions: President of Food, Unilever

First appointment as Director: May 15, 2009 Current term ends: 2012

Personal information – Experience and expertise

Antoine Bernard de Saint-Affrique is President of Foods at Unilever. He joined Unilever in 2000 after serving as Marketing Director of Amora-Maille (Danone Group then PAI), holding the positions of Vice President, Sauces and Condiments Europe until 2003 and of Chairman and Chief Executive Officer of Unilever Hungary, Croatia, Slovenia from 2003 to 2005. He was subsequently Vice President of the Unilever Group, in charge of Central and Eastern Europe and Russia from March 2005 until August 2009 and Executive Vice President in charge of skin products for the group from August 2009 to September 2011.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
	Unilever Group
President	of Food at Unilever*[(a)]
Executive Vice President	Unilever*, "Skin care and Skin Cleansing"[(b)]
Director	Icosmeticals SAS

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

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
President	of Food at Unilever
Executive Vice President	Unilever, in charge of "Skin Care and Skin Cleansing"
	Unilever (Central & Eastern Europe)
Director	INMARKO (Russian Federation)
	Icosmeticals SAS

YVES CHEVILLOTTE

Independent director

68 years old

Number of shares: 2,257

Business address: Not applicable – retired since January 2004.

First appointment as Director: May 14, 2004 Current term ends: 2013

Personal information – Experience and expertise

Yves Chevillotte was Deputy Chief Executive Officer of Crédit Agricole S.A. from 2002 to his retirement in 2004. He started at the Crédit Agricole Group in 1969, where, in 1985, he became head of its regional branches. In 1999, he joined Caisse Nationale as Executive Vice President in charge of the Market Development Division.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
Chairman of the Board of Directors	Arvige
	G.A.S.F.O.
Vice Chairman of the Board of Directors	SA Soredic
Director	F.R.A.C.[b]
	Mission Possible

(b) Term of office expired during the year

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
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

MIREILLE FAUGERE

Independent director

55 years old

Number of shares: 1,000

Business address: 3 avenue Victoria - 75184 PARIS Cedex 04

Major functions: General Director, Assistance Publique – Hôpitaux de Paris (AP-HP)

First appointment as Director: May 11, 2010 Current term ends: 2013

Personal information – Experience and expertise

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 began working in operational positions for the SNCF in the early 1980s. She was then given responsibility for the TGV Méditerranée network, the SNCF's flagship project. Starting in 1996, she took over the Sales and Marketing Action Department and created the voyages-sncf.com website in 2000. From 2003 to 2010, she was General Manager of the high-speed branch of the SNCF. Mireille Faugère is also an independent director at EDF and chair of the Ethics Committee of the EDF Board of Directors.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
Chief Executive Officer	Assistance Publique – Hôpitaux de Paris (AP-HP)
Director	EDF*

* Listed company

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
General Manager	Assistance Publique – Hôpitaux de Paris (AP-HP)
	SNCF Voyages
Chairwoman	Voyage-sncf.com
Director	EDF
	SNCF Voyages Développement
	SNCF Participations

YVES GILLET

Director representing employee shareholders

48 years old

Number of shares: 19,297

Business address: ESSILOR ESPAÑA S.A. - C/Labastida s/n - 28034 Madrid - Spain

Major positions: Chief Executive Officer of Essilor España, SA

First appointment as Director: January 28, 2009/May 15, 2009 Current term ends: 2013

Personal information – Experience and expertise

Yves Gillet is a director representing Valoptec Association. He 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.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
Chief Executive Officer	Essilor España, SA (Spain)
Member of the Board of Directors	Essilor España, SA (Spain)
	Valoptec Association
Member of the Supervisory Board	FCPE Valoptec International

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
Chief Executive Officer	Essilor España, SA (Spain)
Member of the Board of Directors	Essilor España, SA (Spain)
	Valoptec Association
Member of the Supervisory Board:	FCPE Valoptec International

YI HE

Director representing employee shareholders

58 years old

Number of shares: 12,265

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

Major positions: Chairman of Essilor (China) Holding Company (China)

First appointment as Director: January 27, 2010/May 11, 2010 Current term ends 2014

Personal information – Experience and expertise

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

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
Chairman	Essilor (China) Holding Company (China)
Chief Executive Officer and Director	Shanghaï Essilor Optical Company Ltd (China)
Director	Danyang Sales and Distribution Co. Ltd (China)
	Jiangsu Wanxin Optical Co. Ltd (China)
Member of the Board of Directors	Valoptec Association
Member of the Supervisory Board:	Essilor Group 7-year FCPE

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
Chairman	Essilor (China) Holding Company (China)
Chief Executive Officer and Director	Shanghai Essilor Optical Company Ltd (China)
Director	Danyang Sales and Distribution Co. Ltd (China)
	Jiangsu Wanxin Optical Co. Ltd (China)
Member of the Board of Directors	Valoptec Association
Member of the Supervisory Board:	Essilor Group 7-year FCPE

BERNARD HOURS

Independent director

55 years old

Number of shares: 1,000

Business address: DANONE - 17 boulevard Haussmann - 75009 Paris - France

Major function: Deputy General Manager, Danone (S.A.)

First appointment as director: May 15, 2009 Current term ends: 2012

Personal information – Experience and expertise

Bernard Hours has been Deputy General Manager of Danone since 2008 and Vice Chairman of the Board of Directors since 2010. He joined Danone in 1985, working first in sales and marketing for Evian and Kronenbourg, then as Marketing Director for Danone France in 1990. He was then President of Danone Hongrie (1994) and Danone Allemagne (1996) before becoming President of LU France in 1998. In 2001, he joined the Dairy Division as President of Business Development and became Vice President of the division in 2002.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
	Danone Group
Deputy General Manager	Danone (S.A.)*
Member of the Supervisory Board	Ceprodi
Director	Danone (S.A.)*
	Flam's
	Essilor of America, Inc. (USA)
	Fondation d'Entreprise Danone (Association)
Permanent representative of Danone (S.A.)	Danone S.A. (Spain)

* Listed company

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
	Danone Group
Deputy General Manager	Danone (S.A.)
Vice Chairman of the Supervisory Board	Danone Baby and Medical Nutrition B.V. (Netherlands)
	Danone Baby and Medical Nutrition Netherland (Netherlands)
	Danone GmbH (Germany)
	Danone Holding AG (Germany)
Member of the Supervisory Board	Ceprodi
Director	Danone (S.A.)
	Flam's
	Colombus Café
	Stonyfield Farm, Inc. (USA)
	Essilor of America, Inc. (USA)
	The Dannon Company (USA)
	Grupo Landon (Spain)
	Fondation d'Entreprise Danone (Association)
Permanent representative of Danone (S.A.)	Danone S.A. (Spain)

MAURICE MARCHAND-TONEL

Independent director

67 years old

Number of shares: 1,000

Business address: Not applicable.

Major positions:

- Senior Advisor, BearingPoint France SAS
- Advisor Director, Invescorp. Bank B.S.C.

First appointment as Director: November 22, 2006/May 11, 2007 Current term ends: 2014

Personal information – Experience and expertise

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 became a partner at Arthur Andersen/BearingPoint where he has been Senior Advisor since 2004. He is President of the European American Chamber of Commerce, Advisory Director of Investcorp, Senior Advisor at BearingPoint and member of the Supervisory Board of Faiveley Transport.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
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)[b]

(b) Term of office expired during the year
* Listed company

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
Vice Chairman of the Supervisory Board	Du Pareil au Même
Member of the Supervisory Board	Faiveley Transport
Chairman	European American Chamber of Commerce (France)
Director	Faiveley Transport
	Groupe Souchier
	DT 2000
	Financière Huysmans
	Laurene
	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

56 years old

Number of shares: 10,426

Business address: ESSILOR INTERNATIONAL - 147 rue de Paris - 94227 Charenton Cedex - France

Major positions: Supply Chain Director, Essilor Europe

First appointment as Director: January 24, 2007/May 11, 2007 Current term ends: 2014

Personal information – Experience and expertise

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.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
Chairman of the Board of Directors	Valoptec Association
Member of the Supervisory Board:	Essilor Group 7-year FCPE

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Company
Chairman of the Board of Directors	Valoptec Association
Member of the Supervisory Board:	Essilor Group 7-year FCPE

OLIVIER PECOUX

Independent director

53 years old

Number of shares: 1,000

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

Major positions:

- Chairman of the Executive Committee, Rothschild et Cie
- Managing Partner, Rothschild et Cie Banque

First appointment as Director: January 31, 2001/May 3, 2001 Current term ends: 2012

Personal information – Experience and expertise

Olivier Pécoux is Managing Partner of Rothschild & Cie Banque, Managing Director for investment banking for Rothschild Group, where he started working in 1991, and Managing Director and Member of the Executive Board of Paris-Orléans since March 2010. He began his career at Peat Marwick then at Schlumberger as a financial advisor in Paris and New York. In 1986, he joined Lazard Frères in Paris and was named Vice President of the investment bank's New York office in 1988.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
	Rothschild Group
Managing Director and Member of the Executive Board	Paris-Orléans*
Managing Partner	Rothschild et Cie Banque
Director	Rothschild España (Spain)
	Rothschild Italia (Italy)
Member of the Supervisory Board	Financière Rabelais

* Listed company

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Company
	Rothschild Group
Managing Director and Member of the Executive Board	Paris-Orléans
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

Independent director

68 years old

Number of shares: 1,000

First appointment as Director: May 13, 2005 Current term ends 2014

Personal information – Experience and expertise

Michel Rose was Co-Chief Operating Officer of Lafarge, where he was mainly responsible for the Cement Division before his retirement in 2008. He joined Lafarge in 1970 as an engineer, moved to the Research Center and was later named to lead the company's internal communications team. After managing Lafarge's activities in Brazil from 1980 to 1984, he was named Executive Vice President Human Resources and Communication and later headed the Biotechnologies Division. He was appointed Senior Executive Vice President in 1989, served as Chairman and Chief Executive Officer of Lafarge North America from 1992 to 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.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
Director	La Poste
	Neopost S.A.*[(b)]
	Lafarge Maroc (Morocco)
	Malayan Cement (Malaysia)
	Unicem (Niger)[(b)]

(b) Term of office expired during the year
* Listed company

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
Chief Operating Officer (not a Director)	Lafarge
Director	La Poste
	Neopost
	Lafarge North America (USA)
	Lafarge Maroc (Morocco)
	Malayan Cement (Malaysia)
	Unicem (Niger)
Chairman	Fondation de l'Ecole des Mines de Nancy

DIRECTOR WHOSE TERM EXPIRED DURING 2011

ALAIN ASPECT

Independent director

64 years old

Business address: Institut d'Optique Graduate School, 2 avenue Augustin Fresnel – 91127 PALAISEAU Cedex - FRANCE

Major positions:

- 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

First appointment as Director: June 16, 1997 Current term ends: May 5, 2011

Personal information – Experience and expertise

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.

POSITIONS AND TERMS OF OFFICE HELD AT DECEMBER 31, 2011

Positions	Companies
Member of the Board of Directors	Agence Nationale de la Recherche
	Etablissement Public de Paris Saclay

POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

Positions	Companies
Member of the Board of Directors	Agence Nationale de la Recherche
	Etablissement Public de Paris Saclay

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, 2011, the other members were Philippe Alfroid (since July 1, 2009), Antoine Bernard de Saint-Affrique, Benoît Bazin and Aïcha Mokdahi. Two-thirds of the Committee members are independent directors.

Under the terms of a decision of the Board of Directors dated February 29, 2012, Benoît Bazin was appointed at the proposal of the Audit Committee as an independent director with specific skills in financial matters.

Under the Board of Directors' internal rules, as amended by the Board at its meeting on November 24, 2011, 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.
- organization and monitoring of Company risks.

Based on these analyses, the Audit Committee may make 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 2011, refer to Section 26.1 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 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 Remunerations Committee is made up of Michel Rose (Chairman), Mireille Faugère, Bernard Hours and Maurice Marchand-Tonel. All members of the Committee are independent directors.

The role of the Remunerations 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 2011, refer to Section 26.1 of this Registration Document in the "Chairman's Special Report", under "1. Preparation and organization of meetings of the Board of Directors", sub-section "Remunerations Committee."

14.1.2.3 The Appointments Committee: members and role

The internal rules of the Board of Directors stipulate that the Appointments Committee is comprised of a maximum of six members, at least three of which are independent Directors. The Chairman is appointed by the Board after approval by the members of the Appointments Committee.

The Appointments Committee is comprised of Xavier Fontanet (chair), Yves Chevillotte, Maurice Marchand-Tonel and Michel Rose.

As described in the Board's internal rules, the principal role of the Appointments Committee, as part of the mission of the Board of Directors, is to:

- make recommendations to the Board concerning the choice of directors;
- supervise the Board's self-assessment process,
- make proposals to improve the functioning of the Board,
- identify independent directors to be approved by the Board,
- evaluate director performance,
- manage the Board's development process and director performance
- suggest people as members of the specialized committees to the Board,
- reflect on the composition of the Board of Directors and any possible developments,
- prepare for a change of directors as needed.

For work performed during 2011, refer to Section 26.1 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."

14.1.2.4 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 Chairman of the Strategy Committee is the Chairman of the Board of Directors.

The Strategy Committee, chaired by Xavier Fontanet until January 2, 2012 then by Hubert Sagnières thereafter, consists of all Essilor 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 2011, refer to Section 26.1 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, 2011:

Hubert Sagnières	Chief Executive Officer
Paul du Saillant	Chief Operating Officer
Laurent Vacherot	Chief Operating Officer
Thomas Bayer	President, Latin America
Eric Bernard	President of Essilor China
Jayanth Bhuvaraghan	President - South Asia, ASEAN Emerging Brands, Lab operations & IT - AMERA
Carl Bracy	Executive Vice President Marketing & Business development EOA
Claude Brignon	Corporate Senior Vice President, Worldwide Operations
Jean Carrier-Guillomet	President of Essilor of America
Patrick Cherrier	Executive Director of AMERA
Bernard Duverneuil	Chief Information Officer
Marc François-Brazier	Corporate Senior Vice President, Human Resources
Norbert Gorny	Senior Vice President Central Europe (Germany, Austria and Switzerland)
Réal Goulet	President of Essilor Laboratories of America
Eric Léonard	Executive Director Europe
Géraldine Picaud	Group Chief Financial Officer
Patrick Poncin	Corporate Senior Vice President, Global Engineering
Thierry Robin	Director of the “Digital Surfacing Strategic Opportunity” project
Bertrand Roy	Director of Strategic Partnerships and Major Accounts
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
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 proposed changes and the Group's medium- and long-term outlook and goals. It issues opinions on the actions to be implemented in order to achieve them.

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

The following agreements and commitments authorized and concluded during previous years were still valid in principle during 2011, but no actions were taken to perform them.

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 of 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.

Agreement related to the severance payment introduced by the Tepa Law N°2007 of August 21, 2007:

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

<u>Performance measure</u>:

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.

<u>Performance conditions</u>:

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 this agreement under the terms of a specific resolution. The Shareholders' Meeting of May 5, 2011, on the occasion of the renewal of term as director of Hubert Sagnières, once again approved this agreement under the terms of a specific resolution.

As required by Article R.225-30 of the French Commercial Code (Code de Commerce), the Auditors have been informed that no new agreements and commitments were authorized in 2011, and that no agreements and commitments authorized during previous years were executed during the year 2011.

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 of corporate officers as defined by the AMF recommendation of December 2008 are set by the Board of Directors on the proposal of the Remunerations Committee.

Situation of Xavier Fontanet

Xavier Fontanet, Chairman of the Board of Directors, received fixed annual gross compensation of €500,000 in 2011, the same amount as in 2010. He received no variable component.

Situation of Hubert Sagnières

Note that since January 1, 2010, the date of his appointment as Chief Executive Officer:

- the compensation of Hubert Sagnières has been fully paid France by Essilor International and is subject in France to non-resident social security contributions and withholding taxes and subject to Canadian tax rules;
- the employment contract of Hubert Sagnières is suspended following a decision of the Board of Directors on November 26, 2009, on the grounds of the seniority accumulated by Hubert Sagnières within the company (over 20 years) pursuant to the recommendations of the AMF on the application of the AFEP/MEDEF code on governance.

The annual compensation of Hubert Sagnières as Chief Executive Officer includes a fixed component and a variable component. The 2011 annual compensation of Hubert Sagnières is identical to his compensation in 2010, i.e.:

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

At its meeting on March 1, 2011, the Board of Directors decided to renew for 2011 the same rules as for 2010 for the setting of the variable component of Hubert Sagnières and to base 85% of it on financial objectives and 15% of it on personal objectives, breaking it down as follows:

- 40% on an adjusted Net EPS objective; if the target is significantly exceeded the maximum is set at 68%;
- 30% on an organic growth objective; if the target is significantly exceeded, the maximum is set at 51%;
- 15% on a growth by acquisition objective, which cannot be exceeded;
- 15% on three personal objectives related to business strategy, which cannot be exceeded.

In order to best reflect the performance of the executive and neutralize the factors external to his actions, the evaluation of financial goals is conducted by eliminating the distortions due to variations in currency exchange rates. Moreover, net EPS is adjusted for the impact of non-recurring costs, which it is impossible to budget, and the total impact from acquisitions for the year that are not used in the “growth by acquisition” criterion.

At its meeting on February 29, 2012, the Board of Directors, on the proposal of the Remunerations Committee, determined the variable component to be paid for 2011 to Hubert Sagnières. After examining the achievement of objectives, the Chief Executive Officer's variable portion ended up totaling 131.3% of gross annual fixed compensation (versus 134% for 2010), or €853,450. The details of the calculation are presented in the table below:

W			A	W x A	W x A x target in €
Weighting	Objective	Performance measurement	% achievement	% weighted achievement	Achievement in €
40%	Net EPS	0% to 170%	143.1%	57.2%	€ 371,800
30%	Organic growth	0% to 170%	149.4%	44.8%	€ 291,200
15%	Growth by acquisition	0% to 100%	100.0%	15.0%	€ 97,500
15%	Personal factor	0% to 100%	95.0%	14.3%	€ 92,950
100%				**131.3%**	**€ 853,450**

For 2012, the Remunerations Committee proposed at the Board of Directors meeting on February 29, 2011 that the criteria and weighting for the objectives defined for 2011 be maintained. The level of achievement required for these objectives, although it cannot be made public, was established in a precise, rigorous manner. In light of the specific situation of the company in relation to its competitors in matters of financial communication, it appears to us to be detrimental to the proper execution of the strategy to communicate these performance measurement criteria.

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 €*	**2011** Chairman of the Board of Directors	**2010** Chairman of the Board of Directors
Compensation for the year *(see table 2 for details)*	523,809	862,639
Value of options granted during the year		
Value of performance share rights granted during the year		

Hubert Sagnières *In €*	**2011** Chief Executive Officer	**2010** Chief Executive Officer
Compensation for the year *(see table 2 for details)*	1,781,588	1,809,993
Value of options granted during the year		
Value of performance share rights granted during the year	1,038,000[(a)]	1,084,500[(a)(b)]

(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.

(b) Initial value stated in the 2010 registration document of €22.26 per share subsequently revised to €24.10.

Table 2 - Summary of compensation

Xavier Fontanet	**2011** Chairman of the Board of Directors		**2010** Chairman of the Board of Directors	
In €	Amount due	Amount paid	Amount due	Amount paid
Fixed component	500,000	500,000	500,000	500,000
Variable component				850,796
Exceptional component[(a)]			338,169	338,169
Directors' fees	20,800	20,800	21,800	21,800
Benefits in kind:				
- car	3,009	3,009	2,670	2,670
- unemployment insurance				
- other				
TOTAL	**523,809**	**523,809**	**862,639**	**1,713,435**

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

Hubert Sagnières	**2011** Chief Executive Officer		**2010** Chief Executive Officer	
In €	Amount due	Amount paid	Amount due	Amount paid
Fixed component	650,000	650,000	650,000	650,000
Variable component[(a)]	853,450	871,000	871,000	629,661
Exceptional component[(b)]	250,000	250,000	250,000	250,000
Directors' fees	20,800	20,800	21,800	21,800
Benefits in kind:				
- car	0	0	0	0
- unemployment insurance	7,338	7,338	17,193	17,193
- other				
TOTAL	**1,781,588**	**1,799,138**	**1,809,993**	**1,568,654**

(a) For performance for 2011, the variable compensation component for Hubert Sagnières was determined on the basis of a rate of achievement of objectives of 131.3%.

(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, unchanged at this day.

Directors' fees	**Fixed component**	**Variable component based on attendance record**
All Board Members	€ 3,800	€2,200 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 Committee	Not applicable	€2,200 per meeting
For the members of the Strategic Committee	Not applicable	€1,000 per meeting

Table 3 - Directors' fees and other compensation received by non-executive corporate officers[a]

In €	**2011**	**2010**
Philippe Alfroid[b]	29,600	49,440
Alain Aspect	12,100	26,600
Benoît Bazin	29,600	32,800
Antoine Bernard de Saint-Affrique	27,400	21,800
Yves Chevillotte	58,200	61,400
Bridget Cosgrave		7,400
Mireille Faugère	18,800	14,400
Yves Gillet	20,800	21,800
Yi He	20,800	17,800
Bernard Hours	27,400	28,600
Maurice Marchand-Tonel	32,000	37,200
Aïcha Mokdahi	17,800	21,800
Olivier Pécoux	18,800	22,200
Michel Rose	42,000	45,200
TOTAL	**355,300**	**408,440**

(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

The long-term compensation plans are a fundamental component of the entrepreneurial culture of Essilor and its compensation policy.

They contribute to:

- the development of company spirit, which has been one of the fundamental reasons for Essilor's performance since its creation;
- the encouragement of long-term commitment by key managers and talents in the Group;
- maintaining the loyalty of key managers and talents in the Group;
- participation in competitive compensation by Group employees.

Since 2006, Essilor has decided to award performance shares and, by default, capped performance options. The awarding of performance shares instead of stock options has proven to be less dilutive for shareholders. Moreover, the holding obligation inherent to performance share award plans strengthens the convergence of interests between employee shareholders and external shareholders (see the "Holding condition" section).

AWARD OF NOVEMBER 24, 2011

On November 24, the Board of Directors decided to award a maximum number of 1,267,634 performance shares and 85,620 capped performance options to 8,359 Group employees.

Under the terms of this plan, Hubert Sagnières received a maximum award of 50,000 performance shares, or 3.7% of the total number of shares awarded (sum of performance shares and performance options awarded) and 0.023% of capital at December 31, 2011.

Vesting conditions for shares and holding obligation

Essilor's long—term compensation plans were designed to encourage the alignment of interests of employee shareholders and external shareholders.

The final awarding of performance shares is dependent upon:

- a performance condition based on the progress of the trading price of the share measured over several years;
- an employment condition in order to guarantee the long-term commitment of the beneficiaries and their loyalty to the company;
- an obligation to hold shares definitively acquired to strengthen the convergence between the interests of employee shareholders and external shareholders;
- stricter conditions for corporate officers.

Performance condition

The acquisition and number of shares definitively awarded are subject to a performance condition based on the annualized progress of the Essilor share price over a period of between two and six years (from N+2 to N+6) from their award date:

- at the time they are awarded, the initial reference price (equal to the average of the 20 opening prices preceding the award date) is determined;

- two years after the award (N+2), an average price equal to the average of the opening prices for the three months preceding the date of the second anniversary of the award is calculated. If the change in the average price and the initial reference price is:
  - greater than 14.5% (an annualized increase of 7%), all shares initially awarded are definitively acquired subject to compliance with the employment condition (detailed in section "Employment condition");
  - greater than or equal to 4.0% and less than 14.5% (corresponding respectively to an annualized increase[1] greater than or equal to 2% and less than 7%), only a portion of the shares initially awarded is definitively acquired subject to compliance with the vesting condition (detailed in the section "Employment condition") ;
  - less than 4.0% (for an annualized increase of less than 2%), no shares are acquired. In this case, another evaluation of performance will be made three months later with annualized share price benchmarks between 2% and 7%. This measurement of performance may be repeated until the sixth anniversary date of the award (N+6).

The first time that the annualized increase between the average price and the initial reference price crosses the 2% threshold determines once and for all the number of shares definitively awarded, even if the annualized increase increases subsequently. As time progresses, the minimum threshold (increase of the trading price) to be achieved to receive a minimum number of Essilor shares increases: 4% at N+2, 6.1% at N+3, 8.2% at N+4, etc., and 12.6% at N+6.

If, at the end of N+6, the minimum threshold of a 12.6% rise in the trading price has not been achieved, the plan becomes null and void and the employees receive no Essilor shares.

Employment condition

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-French residents, the vesting condition is set at:

- the fourth anniversary of the award if the achievement of the performance condition occurs between the second and fourth anniversary;
- on the day of the achievement of the performance condition if that day occurs after the fourth anniversary of the award.

This employment condition is waived in the case of the death, invalidity, redundancy or retirement of the beneficiary.

On November 24, 2011, the day of the award, Hubert Sagnières was a resident of Canada but had notified the company that he would become a French resident starting January 2, 2012. The rules of the performance share award plan of November 24, 2011 apply the rule for French residents to any beneficiary who declared that he or she would become a French resident within three months of the award date.

Holding condition

Once the performance condition is achieved, the shares acquired must be kept. French residents may sell the shares acquired no sooner than six and no later than eight years after their initial award. For non-French residents, half of the shares acquired must be kept for a minimum period of two years, and the other half may be sold immediately for payment of taxes.

Specific conditions for corporate officers

Remember that share awards to corporate officers are governed by the following cap rules:

- 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 total of the awards to all corporate officers may not exceed 20% of the total of the awards granted (options + performance shares). At its meeting on February 6, 2012, the Remunerations Committee decided to propose at the Board of Directors meeting on February 29, 2012 that an upper limit per corporate officer of 7% of the total of the awards (performance options + shares) made each year be set.

Specific additional conditions applicable to executive directors

A second performance condition based on the average objective achievement rates for their annual variable compensation during the vesting period (from two to six years) is also stipulated. This coefficient is capped at one 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.

For their entire term of office, corporate officers are required to keep one third of the shares acquired, insofar as, however, the number of shares kept under the various performance option and share awards does not exceed two times the annual compensation (fixed and variable actually received) for the year ended December 31 preceding the acquisition date.

Pursuant to the AFEP/MEDEF Code, the corporate officers undertake not to resort to any hedging mechanism until the expiration of their term of office.

Pursuant to the Board Members' Charter, corporate officers are required to respect blackout periods of 30 days before the publication of privileged information and the annual, semi-annual and, as the case may be, quarterly financial statements, and of 15 days before financial information meetings; the publication date of the relevant information is also part of the blackout periods. The calendar of these blackout periods is prepared annually.

1. Calculation formula: (Average Price / Initial Price)^(1/P) -1 where N is the number of years between the award and the performance measurement date. P =2 then, if the performance condition is not achieved, 2.25 and so on up to a maximum of 6.

Table 4 - Performance shares award to corporate officers

Rights to performance shares awarded to corporate officers in 2011	Total number	Price *In €*	Value (Method applied in the consolidated financial statements) *In €*	Vesting date	Plan
Xavier Fontanet	0	0.00	0.00		
Hubert Sagnières	50,000	52.27	20.76	between Nov. 24, 2013 and Nov. 24, 2017	Nov. 24, 2011

Table 5 – Performance shares that became available in 2011

Rights to perfornance shares that became available to corporate officers	Total number	Vesting date	Plan	Vesting conditions
Xavier Fontanet	15	Dec. 19, 2011	Dec. 18, 2009	Plan performance conditions + employment conditions
Hubert Sagnières	15	Dec. 19, 2011	Dec. 18, 2009	Plan performance conditions + employment conditions

Table 6 - Stock options for new or existing shares awarded to corporate officers

No stock options were awarded during the year.

Table 7 - Stock options exercised in 2011

Options exercised in 2011 by each corporate officer	Total number	Price *In €*	Value (Method applied in the consolidated financial statements) *In €*	Expiration date	Plan
Xavier Fontanet	24,842	26.50	5.06	Nov. 17, 2011	Nov. 17, 2004
Hubert Sagnières	24,000	15.62		Nov. 14, 2011	Nov. 14, 2001
Hubert Sagnières	36,000	20.34		Nov. 20, 2012	Nov. 20, 2002
Hubert Sagnières	34,000	26.50	5.06	Nov. 17, 2011	Nov. 17, 2004

15.3 Supplementary defined benefit loyalty-based retirement plan

Hubert Sagnières is eligible for the same defined-benefit supplementary pension plan (Article 39 of the French General Tax Code) as all other category IIIC and HC executives as defined in the metalworking industry collective bargaining agreement.

Under the terms of this plan, an additional pension benefit is paid to category IIIC and HC executives who:

- have a minimum of ten years of seniority in the Group;
- are members of the workforce of Essilor International (or a member company) and cease their professional activity in that company in order to retire.

If both of these conditions are met, the additional pension is determined at the moment of retirement in the following manner:

- 10% of the reference salary;
- plus, for each year of seniority above ten years and less than or equal to twenty years:
  - o 1% of the reference salary;
  - o 1.5% of the fraction of the reference salary above French Social Security tranche C up to 5% of the reference salary.

It is further stated that the amount of the pensions acquired since the beginning of employment, for mandatory and optional plans (including the income from the defined benefit retirement plan), may not under any circumstances exceed 65% of the executive's reference salary.

The supplementary benefit retirement plan may guarantee category IIIC and HC executives with at least 20 years of seniority in the group and additional maximum pension of 25% of their reference salary.

15.4 Termination benefits

Former Chief Operating Officer Hubert Sagnières was appointed Chief Executive Officer effective January 1, 2010. He still serves in that position and continues to benefit under the terms of the employment contract, which is currently suspended, that he concluded with the company prior to the exercise of his term of corporate office, from a clause that guarantees him an amount equivalent of two years of compensation in the event that his contract is terminated by the Company other than for serious or gross misconduct or when he reaches normal retirement age.

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 measurement

Performance continues to be measured by the rate of achievement of the annual objectives set by the Board of Directors for Hubert Sagnières and used to calculate the variable portion of the compensation of Hubert Sagnières. It would equal the average performance achieved by the corporate officer over the three years prior to his/her departure.

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, 90% of the termination benefit is paid).

For a performance rate lower than 50%, no termination benefits will be paid.

Nonetheless, it is noted that in the event that the employment contract of Hubert Sagnières is terminated, public policy provisions will be strictly applied.

The Annual Shareholders' Meeting of May 5, 2011, on the occasion of the renewal of term of Hubert Sagnières for a period of three years expiring at the conclusion of the Annual Shareholders' Meeting called to approve the 2013 financial statements, approved this agreement under the terms of a specific resolution.

Table 8 - 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: 2014
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 benefits (except for serious or gross misconduct) Two years' salary per the employment contract 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)		€413,142
Supplementary retirement benefit obligations (actuarial value)		€5,889,669

(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 11, 2012 (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 specialized 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 Thursday, November 24, 2011. 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 specialized 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 and their remuneration recommended the Appointments and Remunerations Committee;
- Discuss and, if appropriate, approve the appointment of the members of the specialized Board committees on the recommendation of the Appointments Committee:
- Discuss and, if appropriate, approve senior management succession plans and major organizational changes.
- Examine the procedures for identifying, evaluating, auditing and monitoring the Company's commitments and risks.

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 by post 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 they deem essential to the proper operation of the Board or the specialized 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 extraordinary meetings.

Specialized Committees of the Board

On the recommendation of the Appointments Committee and with the approval of the Chairman of the Board of Directors, the Board may create specialized committees and set the rules governing their remit and composition. These Committees act on the authority delegated to them by the Board and make recommendations and proposals to the Board (for the 2011 reports, see the Chairman's Report in Section 26.1).

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 to shareholders in the Annual Report. The assessment covers the three objectives listed in Article 9.2 of the AFEP/MEDEF corporate governance code (for the 2011 see the Chairman's Report in Section 26.1).

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:

<u>a) 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:</u>

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 this information has not been made public. In compliance with 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. As for Company employees who may have access to privileged information, the Charter specifies that 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 30-day period that precedes the publication of the annual, half-year and, where applicable, quarterly earnings. The day of publication of such information is part of the black-out period.

<u>b) 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:</u>

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 Vharter 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.

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 Section 26.1 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

Generally speaking, the Company complies with the AFEP/MEDEF corporate governance code. This information is presented in Section 26.1 of this 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, 2011, Essilor had 48,700 employees worldwide (including 100% of the workforce of proportionately consolidated companies). The average workforce for 2011 was 44,952 (employees corresponding to the amount reported for consolidated employee benefits expense for the period).

The number of employees at December 31, 2010 was 42,704 and the average for the year was 38,112. The increase in the workforce between 2011 and 2010 was mainly due to the acquisition of Shamir.

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

	2011		2010	
North America	14,481	32.2%	13,612	35.7%
Europe	11,454	25.5%	11,136	29.2%
Latin America / Asia-Pacific / Africa	19,017	42.3%	13,364	35.1%

17.1.2.2 Breakdown of workforce by category

	2011		2010	
Production	27,082	60.2%	22,716	59.6%
Supervisory and administrative	12,170	27.1%	10,748	28.2%
Management	5,700	12.7%	4,648	12.2%

17.2 Ownership interest and stock options

17.2.1 SHARES AND STOCK OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AS OF 31.12.11

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	282,016	11,084	12,265	19,297	10,426
Stock purchase options					
- November 14, 2001					
Stock subscription options					
- November 20, 2002			4,000		
- November 17, 2004					
- 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, 2011, independent Directors held 9,257 Essilor shares but did not hold any stock options or performance share rights.

Rights to Performance Shares – As of December 31, 2011

	Employees and Corporate Officers – Members of the Board of Directors				
	Xavier Fontanet	Hubert Sagnières	Yi He	Yves Gillet	Aïcha Mokdahi
Performance shares					
- November 25, 2010		45,000	1,980		2,505
- December 20, 2010					15
- November 24, 2011		50,000	2,310	1,650	2,505
- December 21, 2011					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 2011 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)	28,300	52.27	Nov. 24, 2018	Nov. 24, 2011
Performance share rights granted in 2011 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)	180,105	52.27	Nov. 24, 2017 or 2019 and Dec. 21, 2017 or 2019	Nov. 24, 2011 and Dec. 21, 2011
Stock options of the issuer and the aforementionned companies **exercised in 2011** by the ten employees of the issuer and those companies thus having exercised the greatest number of stock options (comprehenisve data)	402,973	32.71		Nov. 14, 2001 Nov. 20, 2002 Nov. 18, 2003 Nov. 17, 2004 Jan. 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

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. 16, 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: not exercisable in the 1st year, then at the rate of 1/3 per year maximum from the 2nd year. Residents exercisable as from Nov. 14, 2005.	Non-residents: not exercisable in the 1st year, then at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable as from Nov. 20, 2006.	Non-residents: not exercisable in the 1st year, then at the rate of 1/3 per year maximum as from the 2nd year. Residents: exercisable from Nov. 18, 2007.	Non-residents: not exercisable in the 1st year, then at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable as from Nov. 17, 2008.	Non-residents: not exercisable in the 1st year, then 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, 2011	1,302,474	1,384,004	1,569,062	1,739,276	31,500
Cancelled stock subscription or purchase options or performance share rights	38,026	42,264	40,078	48,524	0
Outstanding stock subscription or purchase options or performance share rights	0	198,892	0	0	0

(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 13, 2007
Date of Board Meeting	Nov. 23, 2005	Nov. 22, 2006	Nov. 22, 2006	Jan. 24, 2007	Nov. 14, 2007
Type of plan	Capped subscription options[(a)]	Capped performance stock options[(b)]	Performance share rights	Performance share rights	Capped performance stock options[(b)]
Total number of shares available for subscription or purchase	1,996,880	930,740	Maximum 527 112	Maximum 49 152	Maximum 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 €) (en euros)	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: not exercisable in the 1st year, then 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 achieved. Then maximum 1/2 in the 3rd 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 achieved. Then maximum 1/2 in the 3rd year and balancei in subsequent years. Cancellation possible. Residents : none
Shares subscribed as of December 31, 2011	946,080	356,650	233,177	19,970	355,710
Cancelled stock options and performance shares	71,346	82,500	293,935	29,182	97,610
Outstanding stock options and performance shares	979,454	491,590	0	0	664,450

(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. 11, 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	Maximum 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	27/11/2015 or 2016	18/12/2015 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: noneResidents: grant subject to performance. Cancellation possible. Shares may be sold from November 27, 2015 or 2016 depending on the vesting date.
Shares subscribed as of December 31, 2011	245,640	42,400	379,460	503,224	41,960
Cancelled stock options and performance shares	306,851	48,460	122,320	10,551	3,390
Outstanding stock options and performance shares	0	0	1,066,300	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)	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
- 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	25/11/2016 or 2018
Exercise price (in €)	38.960	NS[(b)]	NS[(b)]	48.010	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:noneResidents: grant subject to performance. Cancellation possible. Shares may be sold from November 26, 2016 or 2017 depending on the vesting date.	Non-residents:noneResidents :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, 2011	83,310	522,982	60,870	0	1,935
Cancelled stock options and performance shares	124,530	13,134	4,770	19,260	25,955
Outstanding stock options and performance shares	1,371,280	0	0	615,500	865,568

(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 25 November 2014 at the earliest (see Section 21.1.4.3).

Plan	Dec. 20, 2010	Nov. 24, 2011	Nov. 24, 2011	Dec. 21, 2011
Date of Shareholders' Meeting	May 11, 2010	May 11, 2010	May 11, 2010	May 11, 2010
Date of Board Meeting	Nov. 25, 2010	Nov. 24, 2011	Nov. 24, 2011	Nov. 24, 2011
Type of plan	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 74,355	Maximum 85,620	Maximum 1,193,189	Maximum 74,445
Held by corporate officers	0	0	50,000	0
- Xavier Fontanet	0	0	0	0
- Hubert Sagnières	0	0	50,000	0
Held by the top ten grantees (other than executive directors)	150	28,300	180,000	150
Start date of exercise period	Dec. 20, 2012[(m)]	Nov. 24, 2013[(n)]	24/11/2013 or 2015[(o)]	Dec. 21, 2013[(p)]
Expiration date	20/12/2016 or 2018	Nov.24, 2018	25/11/2017 or 2019	21/12/2017 or 2019
Exercise price (in €)	NS[(b)]	52.270	NS[(b)]	NS[(b)]
Number of grantees	4,957	232	5,037	4,963
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.	Non-residents: not exercisable until the performance conditions are met. Then maximum 50% in the 3rd year and the balance in subsequent years. Cancellation possible.	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 November 24, 2017 or 2019 depending on the vesting date. Residents: not exercisable until the performance conditions are met. Cancellation possible. Shares may be sold from November 24, 2017 or 2019 depemding on the veting date.	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 21, 2017 or 2019 depending on the vesting date. Residents: not exercisable until the performance conditions are met. Cancellation possible. Shares may be sold from December 21, 2017 or 2019 depemding on the veting date.
Number of shares subscribed as of December 31, 2011	630	0	0	0
Cancelled stock options and performance shares	3,480	0	0	0
Outstanding stock options and performance shares	70,245	85,620	1,193,189	74,445

(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.

(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).

(n) The options will be granted provided that the estimated annualized average price is 2% higher than €52.27 (see Section 21.1.4.3).

(o) The shares will be granted to residents provided that the estimated annualized average price is 2% higher than €52.27. Shares may be granted to non-residents on 24 November 2015 at the earliest (see Section 21.1.4.3).

(p) The shares will be granted to residents provided that the estimated annualized average price is 2% higher than €52.27. Shares may be granted to non-residents on 21 December 2015 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 AND PROFIT-SHARING AGREEMENTS

Special provisions for employees of the French parent Company

Discretionary profit-sharing plan

The three-year profit-sharing agreement signed on April 26, 2010 and governed by Articles L 3 311-1 et seq. of the Labor Code is still in force. This agreement expires at the end of fiscal 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:

- 2011: €4,154,000 for 2010;
- 2010: €4,304,000 for 2009;
- 2009: €3,681,000 for 2008;
- 2008: €3,667,000 for 2007;
- 2007: €4,318,000 for 2006.

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 the 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 and Satisloh Germany direct shareholding plan, the Chinese direct shareholding plan, the Taiwanese shareholding plan, the South African share purchase plan, the Austrian shareholding plan and the Italian shareholding plan.

For more information about employee share ownership, refer to Section 26.2 "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 Corporate Savings Plan; in which case the shares are registered in the employee's name and then locked for 5 years in the Plan.

Performance shares

The various performance share plans will also enable employees to receive and hold Essilor shares, provided that the vesting conditions – based on the Essilor share performance – specified in the plans' rules are met.

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

Profit sharing bonus

Article 1 of the Finance Law 2011-894 of July 28, 2011 amending the social security provisions for 2011 provides for a profit sharing bonus arrangement for companies that normally have a workforce of 50 or more in the sense of Article L 3222-2 and L 3222-4 of the Labor Code, when the company pursuant to article L 232-12 of the Commercial Code grants to its partners or shareholders a dividend per partner interest or per share that is higher than the average dividend per partner interest or per share paid in previous years.

Management has therefore decided to grant a per-person bonus of €300 gross as profit share to all full time employees in service in fiscal year 2010.

This amount is prorated to the length of time the person was employed during that fiscal year, and is exempt from social security contributions but is subject to the CSG and the CRDS as well as to income tax.

In accordance with the provisions of the aforementioned law, all beneficiaries were employees of Essilor International, with a French employment contract and in service in 2010.

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, 2011

At December 31, 2011, the total number of voting rights was 223,947,118 attached to 214,038,296 shares.

At December 31, 2011	Number of shares	%	Number of voting rights	%
Employee Shareholders (current, former and retired employees)				
- Valoptec International FCPE	6,263,487	2.93	12,515,868	5.59
- Essilor Group 5 and 7-year FCPE	5,269,233	2.46	9,984,525	4.46
- Funds for employees outside France	704,803	0.33	713,506	0.32
- Registered shares held directly by employees	5,362,905	2.51	8,412,620	3.76
SUB-TOTAL	**17,600,428**	**8.22**	**31,626,519**	**14.12**
Partner Shareholders[(a)]				
- Registered and administered Shares held by partners	343,240	0.16	386,480	0.17
SUB-TOTAL	**17,943,668**	**8.38**	**32,012,999**	**14.29**
Treasury stock				
- Own shares	5,363,126	2.51		
- Liquidity contract				
SUB-TOTAL	**5,363,126**	**2.51**		
PUBLIC	**190,731,502**	**89.11**	**191,934,119**	**85.71**
TOTAL	**214,038,296**	**100.00**	**223,947,118**	**100.00**

(a) The Partner Shareholders determines the proportion of Essilor International shares held by employees, senior managers and, if applicable, former employees and senior managers of companies in which Essilor International held a stake which has subsequently been sold in full.

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, 2010

The table showing Essilor's ownership structure at December 31, 2011 is presented in Section 18.1.1.

The Company's ownership structure at December 31, 2010 was as follows:

At December 31, 2010	Number of shares	%	Number of voting rights	%
Employee Shareholders (current, former and retired employees)				
- 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**

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, 2011, the Company's bylaws did not contain any restrictions on the exercise of voting rights.

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 8.4% of the Company's capital and 14.3% 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.

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.

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 2011 consolidated financial statements and notes. 2011 annual financial statements and notes

20.3.1 2011 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 2011 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**	**2011**	**2010**
Revenue	3	4,189,541	3,891,559
Cost of goods sold		(1,868,086)	(1,732,007)
GROSS PROFIT		**2,321,455**	**2,159,552**
Research and development costs		(151,490)	(150,879)
Selling and distribution costs		(959,692)	(859,708)
Other operating expenses		(462,094)	(444,126)
CONTRIBUTION FROM OPERATIONS		**748,179**	**704,839**
Restructuring costs, net	5	(22,646)	(37,869)
Impairment losses	11	0	0
Compensation costs on share-based payments	5	(23,211)	(21,717)
Other income from operations	5	3,962	1,848
Other expenses from operations	5	(20,722)	(54,594)
Gains and losses on asset disposals	5	(2,470)	25,965
OPERATING PROFIT	3	**683,092**	**618,472**
Cost of gross debt		(13,904)	(11,956)
Income from cash and cash equivalents		10,507	9,289
Foreign exchange income	6	(85)	(3,793)
Other financial income and expenses	7	(9,917)	(4,327)
Share of profits of associates	15	27,883	31,746
PROFIT BEFORE TAX		**697,576**	**639,431**
Income tax expense	8	(179,396)	(167,404)
PROFIT FOR THE PERIOD		**518,180**	**472,027**
Attributable to Group equity holders		**505,619**	**461,969**
Attributable to minority interests		12,562	10,058
Basic earnings per share *(€)*		2.44	2.20
Weighted average number of shares *(thousands)*	9	207,246	209,574
Diluted earnings per share *(€)*	10	2.41	2.18
Diluted weighted average number of shares *(thousands)*	10	209,678	212,652

STATEMENT OF INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY

	2011			2010		
€ thousands	Attributable to Group equity holders	Minority interests	Total	Attributable to Group equity holders	Minority interests	Total
PROFIT FOR THE PERIOD (A)	**505,619**	**12,562**	**518,181**	**461,969**	**10,058**	**472,027**
Increase (decrease) in fair value of financial instruments, net of tax						
- Cash flow hedges, effective portion	(4,466)		(4,466)	(3,120)		(3,120)
- Tax	2,494		2,494	133		133
- Net of tax	(1,972)		(1,972)	(2,987)		(2,987)
- Hedges of net investments in foreign operations, effective portion	1,392		1,392	(4,356)		(4,356)
- Tax	(479)		(479)	1,501		1,501
- Net of tax	913		913	(2,855)		(2,855)
Transfers to profit for the period, net of tax						
- Cash flow hedges, effective portion	4,104		4,104	2,986		2,986
- Tax	(1,194)		(1,194)	(1,008)		(1,008)
- Net of tax	2,910		2,910	1,978		1,978
- Hedges of net investments in foreign operations, effective portion	(199)		(199)	3,806		3,806
- Tax	68		68	(1,310)		(1,310)
- Net of tax	(131)		(131)	2,496		2,496
Increase (decrease) in fair value of long-term financial investments	(1,279)		(1,279)	(279)		(279)
- Tax	(131)		(131)	(2)		(2)
- Net of tax	(1,410)		(1,410)	(281)		(281)
Actuarial gains and losses on defined benefit obligations	(10,535)		(10,535)	(21,383)		(21,383)
- Tax	2,632		2,632	6,559		6,559
- Net of tax	(7,903)		(7,903)	(14,824)		(14,824)
Translation difference related to hedging and revaluation reserves	(978)		(978)	(1,486)		(1,486)
Translation difference and other related to other reserves and profit	35,738	812	36,550	171,661	3,493	175,154
Total income (expense) for the period recognized directly in equity, net of tax (B)	**27,167**	**812**	**27,979**	**153,702**	**3,493**	**157,195**
TOTAL RECOGNIZED INCOME AND EXPENSE (A) + (B)	**532,786**	**13,374**	**546,160**	**615,671**	**13,551**	**629,222**

20.3.1.2 Consolidated balance sheet

ASSETS

€ thousands	Note	December 31, 2011	December 31, 2010
Goodwill	11	1,883,331	1,521,951
Other intangible assets	12	581,781	501,400
Property, plant and equipment	13	955,280	876,227
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, NET		**3,420,392**	**2,899,578**
Investments in associates	15	109,915	104,047
Other long-term financial investments	16	92,743	65,488
Deferred tax assets	8	101,689	93,205
Long-term receivables		3,891	7,849
Other non-current assets	20	892	1,214
Other non-current assets, net		**309,130**	**271,803**
TOTAL NON-CURRENT ASSETS, NET		**3,729,522**	**3,171,381**
Inventories	17	753,416	645,453
Prepayments to suppliers		19,671	12,865
Short-term receivables	18	1,121,746	915,868
Current income tax-assets		48,355	25,720
Other receivables		30,838	17,636
Derivative financial instruments	23	15,091	26,993
Prepaid expenses		41,777	26,068
Marketable securities	22	7,450	
Cash and cash equivalents	19	390,320	371,055
Current assets		**2,428,664**	**2,041,658**
Non-current assets held for-sale		0	0
TOTAL ASSETS		**6,158,186**	**5,213,039**

EQUITY AND LIABILITIES

€ thousands	Notes	December 31, 2011	December 31, 2010
Share capital		38,527	38,098
Additional paid-in capital		307,401	224,697
Retained earnings		2,629,367	2,331,494
Treasury stock		(264,110)	(136,258)
OCEANE conversion option			0
Revaluation and other reserves		(49,443)	(40,872)
Translation difference		157,496	121,865
Profit attributable to equity holders of Essilor Int.		505,619	461,969
Equity attributable to Group equity holders		**3,324,857**	**3,000,993**
Minority interests		132,894	43,186
TOTAL EQUITY		**3,457,751**	**3,044,179**
Provisions for pensions and other post-employment benefit obligations	20	177,693	162,897
Long-term borrowings	22	309,152	285,558
Deferred tax liabilities	8	148,755	124,406
Other non-current liabilities	24	138,168	117,914
Non-current liabilities		**773,768**	**690,775**
Provisions	21	141,401	144,155
Short-term borrowings	22	606,581	402,832
Customer prepayments		15,705	12,506
Short-term payables	18	913,218	759,613
Taxes payable		62,172	38,331
Other current liabilities	24	161,306	97,939
Derivative financial instruments	23	14,953	12,644
Deferred income		11,331	10,065
Current liabilities		**1,926,667**	**1,478,085**
TOTAL EQUITY AND LIABILITIES		**6,158,186**	**5,213,039**

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, 2011	**38,098**	**224,697**	**(40,872)**	**0**	**2,331,494**	**121,865**	**(136,258)**	**461,969**	**3,000,993**	**43,186**	**3,044,179**
Capital increase:									0		0
- FCP mutual fund	94	21,708							21,802		21,802
- Stock subscription options options	335	60,996							61,331		61,331
- OCEANE conversion bonds					1,018				1,018		1,018
- Capitalization of reserves									0	4,845	4,845
Cancellation of treasury stock									0		0
OCEANE exchange									0		0
Share-based payments					21,577				21,577		21,577
Purchases of treasury stock (net of sales)					(19,650)		(127,852)		(147,502)		(147,502)
Appropriation of profit					461,969			(461,969)	0		0
Effect of changes in scope of consolidation					3,941	452			4,393	75,272	79,665
Distributed dividends					(171,541)				(171,541)	(3,783)	(175,324)
TRANSACTIONS WITH SHAREHOLDERS	**429**	**82,704**	**0**	**0**	**297,314**	**452**	**(127,852)**	**(461,969)**	**(208,922)**	**76,334**	**(132,588)**
Total income (expense) recognized directly in equity			(7,593)						(7,593)		(7,593)
Profit for the period								505,619	505,619	12,562	518,181
Translation differences and other			(978)		559	35,179			34,760	812	35,572
TOTAL RECOGNIZED INCOME AND EXPENSE	**0**	**0**	**(8,571)**	**0**	**559**	**35,179**	**0**	**505,619**	**532,786**	**13,374**	**546,160**
EQUITY AT DECEMBER 31, 2011	**38,527**	**307,401**	**(49,443)**	**0**	**2,629,367**	**157,496**	**(264,110)**	**505,619**	**3,324,857**	**132,894**	**3,457,751**

€ 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:									0		
- 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									0		0
Cancellation of treasury stock	(1,137)	(267,115)		(13)	12		268,253		0		0
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)	0		0
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**

20.3.1.4 Consolidated cash flow statement

€ thousands	Note	December 31, 2011	December 31, 2010
NET PROFIT	(i)	**518,180**	**472,027**
Share of profits of associates, net of dividends received		34,433	24,096
Depreciation, amortization and other non-cash items		180,693	179,712
Profit before non-cash items and share of profits of associates, net of dividends received		**733,306**	**675,835**
Provision charges (reversals)		(2,745)	67,327
(Gains) losses on asset disposals, net	(i)	2,470	(25,955)
Cash flow after income tax and finance costs, net		**733,031**	**717,207**
Finance costs, net		8,988	5,948
Income tax expense (current and deferred taxes)	(i)	179,396	167,404
Cash flow before income tax and finance costs, net		**921,415**	**890,559**
Income taxes paid		(183,717)	(210,711)
Interest (paid) and received, net		(14,293)	(3,546)
Change in working capital		(55,607)	(56,849)
NET CASH FROM OPERATING ACTIVITIES		**667,798**	**619,453**
Purchases of property, plant and equipment and intangible assets		(204,717)	(139,971)
Acquisitions of subsidiaries, net of the cash acquired		(364,428)	(531,455)
Purchases of available-for-sale financial assets		(15,120)	(7,726)
Other long-term financial investments		(16,688)	(5,341)
Proceeds from the sale of subsidiaries, net of the cash sold		203	132,523
Proceeds from the sale of other non-current assets		14,412	15,791
NET CASH USED IN INVESTING ACTIVITIES		**(586,338)**	**(536,179)**
Proceeds from the issue of share-capital	(ii)	83,133	76,834
(Purchases) sales of treasury stock, net	(ii)	(147,502)	(348,861)
Dividends paid to:			
- Equity holders of Essilor International	(ii)	(171,541)	(146,471)
- Minority shareholders of subsidiaries	(ii)	(3,783)	(2,044)
Increase/(Decrease) in borrowings other than finance lease liabilities		188,590	276,108
Purchases of marketable securities[(a)]	19	2,066	33,965
Repayment of finance lease liabilities		(2,866)	(2,306)
Other movements		(6,855)	(987)
NET CASH USED IN FINANCING ACTIVITIES		**(58,758)**	**(113,762)**
NET (DECREASE) INCREASED IN CASH AND CASH EQUIVALENTS		**22,702**	**(30,488)**
Cash and cash equivalents at January 1	19	345,888	363,902
Effect of changes in exchange rates		(5,481)	12,474
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31		**363,109**	**345,888**
Cash and cash equivalents reported in the balance sheet	19	390,320	371,055
Bank credit facilities	22	(27,211)	(25,167)

(a) 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 2011 consolidated financial statements were approved by the Board of Directors on February 29, 2012.

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, 2011. These standards and interpretations are available for consultation on the European Commission's website[1].

1.3 CHANGE IN ACCOUNTING METHODS AND PRESENTATION

No changes to the accounting method in the Group consolidated financial statements were made for 2011.

1.4 IFRS, AMENDMENTS TO IFRS AND INTERPRETATIONS APPLICABLE FROM JANUARY 1, 2011

- Amendment – Annual Improvement of IFRS;
- Amendment to IAS 32 – Classification of Rights Issues
- IAS 24 (revised) – Related Party Disclosures;
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement;

These texts have no material impact on the Group's consolidated financial statements.

- Amendment to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;

The Group is not affected by these interpretations.

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, 2012 or later:

- Amendment to IFRS 7 – Disclosures Related to Transfers of Financial Assets;
- IFRS 9 – Financial Instruments: Classification and Measurement.
- IFRS 10 – Consolidated Financial Statements/ control;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IAS 19 amended – Employee Benefits.

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.

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

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 Essilor 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 INFORMATION BY OPERATING SEGMENT

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.

The Readers business segment comprises 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. 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 corresponds 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, 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 and November 2011 performance share plans, a lock-up discount was applied to the portion of shares that will be granted after the plan's performance conditions have been fulfilled. This portion will be unavailable to grantees for an estimated five years.

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 and November 2011 performance share plans was determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan.

At each period-end, the probability of options or performance shares being forfeited is assessed by the Group. The impact of any adjustments to these estimates is recognized in profit, with a corresponding adjustment to 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 consists of interest on financing, realized gains or accrued interest on interest rate derivatives, and non-utilization fees on credit facilities.

Income from cash and cash equivalents includes interest received and accrued on investments made by Group companies: bank deposits, investments in marketable securities, etc.

1.16 FOREIGN CURRENCY TRANSACTIONS

On initial recognition of foreign currency transactions, the receivable or payable is translated into the entity's functional currency at the exchange rate on the transaction date. At the period-end, they are re-translated at the closing rate. The resulting gains and losses are recognized in "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 remeasurement at fair value is recognized directly in equity under "Hedging reserves" until the effective completion of the scheduled transaction. When the scheduled transaction is completed, the amount recognized in equity is reclassified to profit: the income or expense is adjusted for the effective portion of the gain or loss from remeasurement at fair value of the hedging instrument. 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 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, in accordance with the criteria of IAS39.

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.

Type of instrument	Method for balance sheet recognition	Fair value hierarchy level under IFRS 7	Note	Fair value measurement methods: Measurement model	Market data: Exchange rate	Market data: Interest rate	Market data: 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 taxation on earnings in several countries under various tax regulations. Calculation of taxes on a global scale requires the use of estimates and assumptions developed based on the information available at the balance sheet date.

1.19 EARNINGS PER SHARE

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: net profit is adjusted for the expense, net of taxes, recorded over the period for the convertible bond. The average number of shares is increased by the number of shares to be created (or delivered) upon conversion (or exchange);
- 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 project so that it will be available for use or sale;
- the Group's intention to complete the project and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of technical, financial and other resources to complete the project; and
- the reliable measurement of development expenditures.

Due to the risks and uncertainties concerning market developments and the large number of projects undertaken, the above criteria are considered as not being fulfilled for ophthalmic lens development projects. Consequently, 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 on or after July 1, 2009.

The revised IFRS 3 defines the method for recognizing business combinations according to the acquisition method, and introduces the possibility of measuring non-controlling interests (minority interests) either at the 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 financial income statement.

Subsequent changes in the liability's fair value are recognized through Group equity.

Recognition of acquisitions made before January 1, 2010

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

Goodwill 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 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.

In certain cases, the fair values used for the assets and liabilities of acquisitions for the period may be temporary and changed at a later date, after a final expert assessment or additional analyses. Any discrepancies resulting from the final valuation shall be recognized as a retrospective adjustment to goodwill if they take place within twelve months from the acquisition date. 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. Discounting adjustments to reflect the passage of time are recorded in the financial income statement.

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 5 to 20 years;
- Technologies are amortized over periods ranging from 5 to 15 years.

Trademarks with an indefinite life are not amortized. They are considered as having an indefinite life when:

- 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 life and residual value of property, plant and equipment are reviewed at each period-end. As necessary, the occurrence of changes to the useful life or residual value is recognized prospectively as a change in accounting estimates.

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 change in fair value of such assets is recognized in equity. The amount recorded in equity is restated when the asset is disposed of or liquidated, or if there exists objective evidence of lasting impairment of such asset.

Whenever unrecognized losses are deemed to be significant or lasting, they are recognized directly in income.

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 held for sale are assets that the Group has undertaken to sell. When they are being classified, non-current assets held for sale are measured at the lower of carrying amount and fair value net of selling costs, with an impairment charge recorded as necessary. Assets classified as held-for-sale are not depreciated or amortized.

1.26 INVENTORIES

Inventories are measured at the lower of weighted average cost and net realizable value.

Net realizable value takes into account market prices, the probability of the items being sold and the risk of obsolescence, assessed by reference to objective inventory levels.

1.27 TRADE RECEIVABLES

Trade receivables due within one year are classified as current assets. Trade receivables due beyond one year are classified as non-current assets.

Provisions are recorded to cover any collection risk. Risk of recovery is determined based on the various types of Group clients, most often on a statistical basis but also by taking into account specific situations if necessary.

1.28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents correspond to cash and marketable securities qualified as cash equivalents under IAS 7.

Marketable securities held by the Group that do not qualify as cash equivalents under IAS 7 are reported under "Marketable securities" and are taken into account by the Group for the calculation of net debt (see Note 22, "Net Debt and Borrowings, appended to these financial statements").

In accordance with IAS 39, investment securities are recognized at market value at the balance sheet date. Changes in market value are recorded as financial profit or losses.

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.

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 very 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 through 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 income and other expenses from operations 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	**2011**	**2010**	**2011**	**2010**
Canadian dollar	1.32	1.33	1.38	1.37
Pound sterling	0.84	0.86	0.87	0.86
Yuan renminbi	8.16	8.81	9.00	8.92
Yen	100.20	108.65	110.99	115.26
Indian rupee	68.71	59.76	64.87	60.26
Real	2.42	2.22	2.33	2.32
Swiss franc	1.22	1.25	1.23	1.37
US dollar	1.29	1.34	1.39	1.32

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.

Moreover, companies acquired at the very end of the year that do not have the resources to produce financial statements according to Group standards within the time allotted shall be entered into the scope of consolidation the following January 1, if the impact of their consolidation is not material for the Group.

Newly-consolidated companies

The following companies were consolidated for the first time in 2011:

Name	Country	Consolidated from	Consolidation method	% % interest	% consolidated
Neckarsee Gmbh[(a)]	Germany	January 1, 2011	Full	100,00	100,00
Unilab[(a)]	Brazil	January 1, 2011	Full	51,00	100,00
Bazell Technologies Corp.	USA	January 1, 2011	Full	70,00	100,00
FGX Holding SASU	France	January 1, 2011	Full	100,00	100,00
Essilor Amico Kuwait	Kuwait	January 1, 2011	Full	50,00	100,00
Essilor Slovakia[(a)]	Slovakia	January 1, 2011	Full	100,00	100,00
Precision Optics Pty Ltd	Australia	February 13, 2011	Full	60,00	100,00
Polinelli SRL	Italy	February 28, 2011	Full	100,00	100,00
Framed vision	United Kingdom	March 1, 2011	Full	100,00	100,00
L'N Optics	Morocco	March 15, 2011	Full	51,00	100,00
Repro	Brazil	April 1, 2011	Full	70,00	100,00
Trend Optical Singapore	Singapore	April 1, 2011	Full	70,00	100,00
Trend Optical Taiwan Branch	Taiwan	April 1, 2011	Full	70,00	100,00
Orgalent	Brazil	May 1, 2011	Full	51,00	100,00

(a) Companies acquired or set up in prior years, consolidated for the first time in 2011.

Name	Country	Consolidated from	Consolidation method	% % interest	% consolidated
Essilor Israel Holding	Israel	July 1, 2011	Full	100,00	100,00
Spherical Optics (Pty) Ltd.	South Africa	July 1, 2011	Full	25,50	100,00
Shamir Optic Gmbh	Germany	July 1, 2011	Full	50,00	100,00
Essilor Australia (Pty) Ltd.	Australia	July 1, 2011	Full	33,00	100,00
Shamir Optical Espana, SL	Spain	July 1, 2011	Full	50,00	100,00
Shamir Insight, Inc.	USA	July 1, 2011	Full	50,00	100,00
Shamir USA	USA	July 1, 2011	Full	50,00	100,00
Shamir France SARL	France	July 1, 2011	Full	50,00	100,00
Shamir UK Limited	United Kingdom	July 1, 2011	Full	50,00	100,00
Shamir Holding Optical	Israel	July 1, 2011	Full	50,00	100,00
Shamir Industry	Israel	July 1, 2011	Full	50,00	100,00
Shamir Special Optical Products Ltd.	Israel	July 1, 2011	Full	50,00	100,00
Shamir Eyal Ltd.	Israel	July 1, 2011	Full	50,00	100,00
Shamir Israel Optical Marketing Ltd.	Israel	July 1, 2011	Full	50,00	100,00
Shamir Or Ltd.	Israel	July 1, 2011	Full	50,00	100,00
Inray Ltd.	Israel	July 1, 2011	Full	25,00	100,00
Shamir RX Italia SRL	Italy	July 1, 2011	Full	50,00	100,00
Centro Integral Optico S.A de C.V	Mexico	July 1, 2011	Full	25,50	100,00
Shalens S.A C.V	Mexico	July 1, 2011	Full	25,50	100,00
Shamir Nederland B.V	Netherlands	July 1, 2011	Full	50,00	100,00
Shamir Polska Sp. zo.o	Poland	July 1, 2011	Full	42,50	100,00
Shamir Portugal, LDA	Portugal	July 1, 2011	Full	50,00	100,00
Shamir Optispeed	South Africa	July 1, 2011	Equity Method	25,00	25,00
Shamir Emerald	South Africa	July 1, 2011	Equity Method	28,00	28,00
ShamirLens Thailand Co., Ltd	Thailand	July 1, 2011	Full	24,50	100,00
K-T Optic CO., Ltd	Thailand	July 1, 2011	Full	48,85	100,00
Altra Optik Sanayi ve Ticaret A.S	Turkey	July 1, 2011	Full	50,00	100,00
Fundy Vision	Canada	August 1, 2011	Full	80,00	100,00
Grown	Brazil	August 16, 2011	Full	51,00	100,00
Mult Block	Brazil	August 16, 2011	Full	51,00	100,00
Mult Optical	Brazil	August 16, 2011	Full	51,00	100,00
Styll	Brazil	August 16, 2011	Full	51,00	100,00
YTT Holding	Brazil	August 16, 2011	Full	51,00	100,00
Comopticos	Brazil	September 1, 2011	Full	70,00	100,00
Optics East	USA	November 1, 2011	Full	80,00	100,00
GKB Emirates	United Arab Emirates	December 1, 2011	Full	50,25	100,00
GKB HI Tech	India	December 1, 2011	Full	50,25	100,00
Professional Opthalmic Lab	USA	December 1, 2011	Full	80,00	100,00
Zunlong	China	December 1, 2011	Full	51,00	100,00
Stylemark	USA	December 14, 2011	Full	100,00	100,00
Stylemark Canada	Canada	December 14, 2011	Full	100,00	100,00
Canto e Mello	Brazil	December 15, 2011	Full	70,00	100,00

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
Danyang	China	January 15, 2010	Full	80,00	100,00
Eyebiz	Australia	February 1, 2010	Full	70,00	100,00
OSA Investments Holding Pte Ltd	Singapore	February 1, 2010	Full	100,00	100,00
Encore Optics LLC	USA	March 1, 2010	Proportionate	40,00	50,00
Groupe FGX	USA	March 12, 2010	Full	100,00	100,00
Ceditop	Brazil	April 1, 2010	Full	76,00	100,00
Cascade	Canada	April 1, 2010	Full	60,00	100,00
Custom Optical	USA	April 1, 2010	Full	100,00	100,00
DAC Vision INC	USA	April 1, 2010	Full	60,00	100,00
Groupe Signet Armorlite	USA	April 1, 2010	Full	100,00	100,00
Hawkins Optical Laboratories Inc	USA	April 1, 2010	Full	100,00	100,00
DAC Vision SAS	France	April 1, 2010	Full	60,00	100,00
SMJ Holding Pte Ltd Taiwan Branch	Taiwan	April 1, 2010	Full	70,00	100,00
SMJ Holding Pte Ltd	Singapore	April 21. 2010	Full	70,00	100,00
Econo Optics	Canada	June 1, 2010	Full	60,00	100,00
Epics Labs Inc	USA	June 1, 2010	Full	80,00	100,00
Signet Armolite Asia (formerly Visitech)	Singapore	June 1, 2010	Full	100,00	100,00
Pasch Optical Laboratories Inc,	USA	August 1, 2010	Proportionate	40,00	50,00
Gulfstates Optical Laboratories Inc	USA	August 2, 2010	Full	80,00	100,00
Optical Venture Inc,	USA	September 1, 2010	Full	80,00	100,00
Reliable Optics	USA	September 1, 2010	Full	100,00	100,00
GKB Optic Tech Private Ltd	India	September 1, 2010	Full	51,00	100,00
Embrapol Sul	Brazil	October 1, 2010	Full	73,00	100,00
Domlens	France	October 1, 2010	Full	65,00	100,00
Essor	France	October 1, 2010	Full	65,00	100,00
Tecnolens	Brazil	November 1, 2010	Full	70,00	100,00
Winchester Optical Company	USA	November 1, 2010	Full	80,00	100,00
Wanxin	China	November 9, 2010	Full	50,00	100,00
Farol	Brazil	December 1, 2010	Full	70,00	100,00
NEA Optical LLC	USA	December 1, 2010	Full	80,00	100,00

Other movements

In addition, Essilor increased its ownership interest in the following companies:

- WLC, to 100 % from 70 % on March 31, 2011;
- FGX Mexico Joske, to 100% from 50% on April 29, 2011;
- NIKA, to 100 % from 74.9 % on June 30, 2011;
- Signet Armorlite Columbia, to 95.87% from 62% on December 31, 2011;
- Dekovision, to 49.91% from 42.67% on August 25, 2011;
- Chemiglas, to 49.91% from 42.67% on August 25, 2011;
- Chemilens, to 49.92% from 43.4% on August 25, 2011;

Opthalma, which was not consolidated as of January 1, 2011, was absorbed by Essilor Italia Spa on May 10, 2011.

Sudop Ltda was absorbed by Essilor Da Amazonia and Multi Optica Ltda on January 31, 2011.

Polylite Shanghai Optical Co Ltd was sold outside the Group on December 31, 2011, with no significant income for the Group.

The following companies were liquidated during 2011:

- Hobart Optical on July 13, 2011;
- Essilor Lab. Western Australia (formerly Optilabs) on July 13, 2011;
- Essilor Lab. of Australia (formerly Perkins Optical) on July 13, 2011;
- Tec Optik Pty Ltd on July 13, 2011;
- Alpino Holding BV on September 16, 2011;
- Lenscom Optics on December 31, 2011.

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	Shamir Group	Stylemark Group	Other acquisitions	Newly-consolidated companies 2011
Intangible assets	56,740	140	8,639	65,519
Property, plant and equipment	29,902	4,111	31,030	65,043
Investments in associates	126			126
Non-current financial assets	1,248	167	39,019	40,434
Other non-current assets	1,264	706	1,748	3,718
Current assets	58,197	57,011	61,344	176,552
Cash and cash equivalents	26,581	1,346	5,144	33,071
Total assets acquired at fair value	**174,058**	**63,482**	**146,924**	**384,464**
Minority interests in equity	64,414		15,373	79,787
Long-term borrowings	9,465	25	25,348	34,839
Other non-current liabilities	14,594	3,380	(92)	17,882
Short-term borrowings	9,531		2,006	11,537
Other current liabilities	22,549	47,297	48,031	117,877
Total liabilities assumed at fair value	**120,553**	**50,703**	**90,665**	**261,921**
NET ASSETS ACQUIRED	**53,506**	**12,779**	**56,258**	**122,543**
Acquisition cost				401,666
Fair value of net assets acquired				122,543
Liabilities arising from put options granted to minority shareholders				(32,768)
Post-acquisition retained earnings				1,093
Recognized goodwill				**312,984**

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., those that represent highly significant amounts or correspond to a new area of business, are distinguished from "organic" acquisitions related to lower-value acquisitions within the Group's core businesses (prescription laboratories or factories).

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:

In %	**Reported growth**	Impact of changes in exchange rates	Impact of changes in consolidation scope o/w organic acquisitions	o/w strategic acquisitions	**Like-for-like growth**
Revenue	**7.7**	(2.1)	2.3	2.5	**5.0**
Contribution from operations	**6.1**	(2.2)	1.1	0.5	**6.7**
Operating profit	**10.4**	(2.3)	1.3	0.4	**11.0**

Strategic acquisitions are comprised of the groups FGX, until March 12, 2011, Signet, until April 1, 2011, and Shamir, acquired on July 1, 2011.

If the companies included in the scope of consolidation during the year had been consolidated from January 1, 2011, 2011 consolidated revenue and profit attributable to Group equity holders would have represented the following amounts (excluding Stylemark, not included in the 2011 published earnings):

€ thousands	**2011 pro-forma**
Revenue	4,320
Profit attributable to Group equity holders	509

NOTE 3. INFORMATION BY OPERATING SEGMENT

€ millions	Lenses Europe	Lenses North America	Lenses Rest of World	Equip-ment	Readers	Eliminations	GROUP TOTAL
2011							
External revenue	1,471	1,518	806	185	210		**4,190**
Intra-segment revenue	188	70	317	49	0	(624)	**0**
TOTAL REVENUE	**1,659**	**1,588**	**1,123**	**234**	**210**	**(624)**	**4,190**
Operating profit	164	222	234	28	36		**683**
Depreciation, amortization and other non-cash items	(23)	0	0	0	0		**(23)**
Interest income	3	2	5	0	0		**10**
Interest expense	(8)	(13)	(5)	0	0		**(26)**
Income tax expense	(48)	(59)	(47)	(10)	(15)		**(179)**
Share of profit of associates	8	12	8	0	0		**28**
Depreciation and amortization of intangible and tangible assets	(66)	(51)	(54)	(9)	(13)		**(194)**
Purchases of property, plant and equipment and intangible assets	50	46	87	6	15		**205**
Non-current assets	604	1,016	797	347	656		**3,420**
Total assets	3,533	1,250	1,039	86	251		**6,158**
Provisions	232	41	18	20	8		**319**
Borrowings and payables	1,151	523	440	73	194		**2,381**

€ millions	Lenses Europe	Lenses North America	Lenses Rest of World	Equip-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**

The Group's top 20 customers accounted for 21.1% of revenue in 2011, 22.1% in 2010.

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 €1,287 million in 2011 compared to €1,202 million in 2010 (see Note 29, "Employees and personnel expenses").

Depreciation, amortization and provision expense amounted to €192 million in 2011 compared to €184 million in 2010.

NOTE 5. OTHER INCOME (EXPENSES), NET

5.1 RESTRUCTURING COSTS AND OTHER INCOME AND EXPENSES FROM OPERATIONS

Net restructuring costs for 2011, in the amount of €22.6 million, concerned rationalization costs for plants in the United States and in Europe, and were accounted for either as charges to provisions for contingencies or as impairment losses, or as scrapping of non-current assets.

Net 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.

For 2011, other income and operating expenses representing a net profit of €16.8 million included strategic acquisition costs of €7.5 million. Other charges concerned provisions or charges related to litigation.

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, and the costs of strategic acquisitions for €6.5 million. Other charges concerned provisions or charges related to litigation.

In 2011, income from assets disposals showed a loss of €2.5 million.

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 that sale, income from assets disposals would have showed a loss of €1 million.

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	**2011**	**2010**
Stock subscription and purchase options	5,939	8,002
Performance shares[(a)]	16,854	12,082
Employee share issues	418	1,633
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**23,211**	**21,717**

(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 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, November 2010 and November 2011 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 2011 are as follows:

- Share price volatility: 21.5 % (2010 grants: 20%);
- Risk-free interest rate: 3.64 % (2010 grants: 2.2%);
- Dividend yield: 1.82 % (2010 grants: 1.91%).

Based on these assumptions, the fair value of options granted in 2011 amounted to €8.85 (€7.61 in 2010).

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, 2011	**7,483,640**	**36.56**
Options exercised	(1,972,933)	31.97
Options canceled and forfeited	(123,241)	38.83
Options granted	85,620	52.27
STOCK SUBSCRIPTION AND PURCHASE OPTIONS AT DECEMBER 31, 2011	**5,473,086**	**38.41**
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**

The average remaining life of outstanding options at December 31, 2010 was 3.5 years (2010: 3.9 years).

The weighted average price of the Essilor share in 2011 was €52.70 (2010: €47.00).

Performance shares

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

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

The maximum number of performance shares that would vest assuming that the vesting conditions were met is as follows:

- 2010 grants: 935,813 shares.
- 2011 grants: 1,267,634 shares.

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

	Quantity
PERFORMANCE SHARES AT JANUARY 1, 2011	**1,558,466**
Performance shares vested	(585,346)
Performance shares cancelled	(37,307)
Performance shares granted	1,267,634
PERFORMANCE SHARES AT DECEMBER 31, 2011	**2,203,447**
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**

Plans dated November and December 2009 were granted during 2011 after performance conditions were met.

The main assumptions used to measure compensation costs on performance shares granted in 2011 are as follows:

- Share price volatility: 21.5 % (2010 grants: 20%);
- Risk-free interest rate: 3.64 % (2010 grants: 2.2%);
- Dividend yield: 1.82 % (2010 grants: 1.91%).

Based on these assumptions, the fair value of the shares granted in 2011 was €26.11 for non-residents of France (€24.10 in 2010) and €20.76 for French residents (€20.52 in 2010).

Employee share issues

The main parameters used to measure the cost of employee share issues recognized in 2011 are as follows:

Plan date	December 2011
Share subscription price *(in €)*	41.82
Total discount *(in €)*	10.34
Number of shares subscribed	521,316
Discount on the share cash price on grant date represented by the lock-up clause	18.2%
Share cash price on grant date *(in €)*	52.09
Risk-free interest rate on the grant date	1.9%
Refinancing cost	6.3%
Cost recognized in the income statement (€ thousands)	418

Based on these assumptions, the fair value of the shares subscribed in 2011 was €42.62 (€40.47 in 2010).

NOTE 6. FOREIGN EXCHANGE INCOME

€ thousands	2011	2010
Foreign exchange gains	82,635	56,344
Foreign exchange losses	(86,312)	(60,416)
Fair value of exchange rate instruments	3,592	279
FOREIGN EXCHANGE INCOME	**(85)**	**(3,793)**

NOTE 7. OTHER FINANCIAL INCOME AND EXPENSES

€ thousands	2011	2010
By nature		
Fair value of financial instruments	(3,857)	(1,173)
Charges to provisions for impairment of available-for-sale financial assets	(787)	(981)
Dividends from available-for-sale financial assets	474	896
Other financial income and expenses	(5,747)	(3,069)
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**(9,917)**	**(4,327)**

Other financial income and expenses mainly include discounting adjustments to financial expenses related to put options granted to minority shareholders, which amounted to €5,591 thousand in 2011 (versus €3,281 in 2010).

NOTE 8. INCOME TAX EXPENSE

Income tax expense (benefit) for the period

€ thousands	**2011**	**2010**
Current taxes	185,897	186,547
Deferred taxes	(6,501)	(19,143)
TOTAL	**179,396**	**167,404**

Tax proof

As a % of pre-tax profit	**2011**	**2010**
Standard French income tax rate	34.4	34.4
Effect of differences in foreign tax rates and different rates in France	(7.5)	(6.8)
Effect of items taxed at reduced rates and permanent differences between book and taxable profit	(1.2)	(0.9)
Other non-deductible/non-taxable items under local tax rules	1.1	0.8
EFFECTIVE INCOME TAX RATE	**26.8**	**27.5**

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	**2011**	**2010**
At January 1	**(31,201)**	**34,256**
Deferred taxes recognized in equity	3,360	5,809
Deferred tax benefit (expense) for the period, net	6,501	19,143
Effect of changes in scope of consolidation and exchange rates, other movements	(25,726)	(90,409)
At December 31	**(47,066)**	**(31,201)**

Unrecognized deferred tax assets

€ thousands	**2011**	**2010**
Tax loss carryforwards	37,479	14,399
Other unrecognized deferred tax assets	4,368	4,105
UNRECOGNIZED DEFERRED TAX ASSETS	**41,847**	**18,504**

The tax rate used to calculate deferred taxes of French companies was 34.43% for 2011 (34.43% in 2010).

Since most of the deferred tax bases for French companies were for a term of over two years, the tax rate was not changed with regard to the exceptional contribution defined by the Amending Finance Law 2011.

Deferred taxes by type

€ thousands	**2011**	**2010**
Elimination of intercompany profits	33,688	31,628
Differences in depreciation periods	(12,167)	(12,264)
Non-deductible provisions	36,313	34,731
Actuarial gains and losses	11,309	8,907
Assets and liabilities recognized on an acquisition	(142,976)	(124,317)
Other	26,767	30,114
TOTAL	**(47,066)**	**(31,201)**

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 Group 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.

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 2010 and 2011 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 2011, the companies in the tax Group generated a tax benefit of €3 million (2010: €2 million).

Provision for tax risks

Following various tax audits and proceedings underway within the Group, provisions totaling €27.1 million were recognized for the 2010 fiscal year plus an additional €2.8 million for 2011, bringing the balance of provisions for taxes at December 31, 2011 to €29.9 million (€27.1 million in 2010).

NOTE 9. CHANGE IN NUMBER OF SHARES

The shares have a par value of €0.18.

	Actual number of shares	
	2011	**2010**
Ordinary shares, net of treasury stock, at January 1	**208,761,230**	**210,879,319**
Exercise of stock subscription options	1,861,638	1,912,549
Subscription of the Essilor Group FCP mutual fund	521,316	541,767
Exchange of shares out of treasury for OCEANE bonds	0	1,823,318
Shares sold out of treasury on exercise of stock purchase options	111,295	53,332
Sales of treasury shares held for performance share grants	585,346	1,084,992
OCEANE bond conversions or exchange	0	3,690
(Purchases) and sales of treasury stock, net	(3,165,655)	(7,537,737)
Ordinary shares, net of treasury stock, at December 31	**208,675,170**	**208,761,230**
Number of treasury shares eliminated	5,363,126	2,894,112

	Weighted average number of shares	
	2011	**2010**
Ordinary shares, net of treasury stock, at January 1	**208,761,230**	**210,879,319**
Exercise of stock subscription options	895,077	817,353
Subscription of the Essilor Group FCP mutual fund	9,998	176,875
Exchange of shares out of treasury for OCEANE bonds	0	998,192
Shares sold out of treasury on exercise of stock purchase options	50,421	27,684
Sales of treasury shares held for performance share grants	45,829	361,176
OCEANE bond conversions	0	3,375
(Purchases) and sales of treasury stock, net	(2,516,897)	(3,689,639)
Ordinary shares, net of treasury stock, at December 31	**207,245,658**	**209,574,335**

Essilor did not cancel any treasury shares in 2011. In 2010, 6,312,636 treasury shares were cancelled.

NOTE 10. DILUTED EARNINGS PER SHARE

Profit used for the calculation of diluted earnings per share is determined as follows:

€ thousands	**2011**	**2010**
Profit attributable to Group equity holders	505,619	461,969
Cancellation of interest on OCEANE bonds, net of tax	0	712
PROFIT ATTRIBUTABLE TO GROUP EQUITY HOLDERS, AFTER DILUTION	**505,619**	**462,681**

The weighted average number of shares used to calculate diluted earnings per share is as follows:

	2011	**2010**
Nombre moyen pondéré d'actions sur l'exercice	**207,245,658**	209,574,335
Dilution sur obligations convertibles	0	0
Dilution sur options de souscription	1,385,174	1,518,862
Dilution sur actions de performance	1,046,670	1,558,466
NOMBRE MOYEN PONDERE D'ACTIONS APRES DILUTION	**209,677,502**	**212,651,663**

As Essilor International convertible bonds matured on July 2, 2010, no dilution was recognized in 2010 and 2011.

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
2011						
Gross amount	1,535,140	312,984	25,949	23,220	0	1,897,293
Impairment losses	13,189	0	866	(296)	203	13,962
CARRYING AMOUNT	**1,521,951**	**312,984**	**25,083**	**23,516**	**(203)**	**1,883,331**
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**

The main increases in goodwill resulted from:

- In 2011, acquisitions of Shamir and Stylemark, and of various laboratories worldwide (primarily in the United States and Latin America) and lens producers in China (Zunlong);
- 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).

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.

In 2011, there was no significant change in goodwill in the 12-month period following the acquisition date.

Since January 1, 2010, the Essilor Group has for the most part applied the so-called "full goodwill" method when there was an acquisition with minority interests under option. The fair value of the minority interests is determined by estimating the future price to be paid for the minority interests under option.

Moreover, when there is an acquisition with no option to redeem minority interests, the Group applies the so-called "partial goodwill" method.

The carrying amount of goodwill breaks down as follows by geographical segment:

€ thousands	**2011**	**2010**
Europe	249,157	245,666
North America	631,806	586,801
Rest of world	361,272	202,381
Laboratory equipment	270,206	258,799
Readers	370,890	228,304
TOTAL	**1,883,331**	**1,521,951**

Goodwill was tested for impairment at June 30, 2011 and the results were reviewed at December 31, 2011, 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 2011 (2010: 7%). 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	2011	2010
Europe	7	7
North America	7	7
South America [(a)]	16	10
Asian countries	7	6
Japan	5	5
South Korea	9	9
India	12	12
China	8	7
Australia and New Zealand	10	10
Africa and the Middle East	10	11
Laboratory equipment	7	7
Readers	7	7
Plants	8	8

(a) Primarily Brazil

The perpetuity growth rate was estimated at 0% to 2.5% (2010: 0% to 2.5%), with the highest rates applied to emerging markets.

No impairment losses were recognized on goodwill in 2010 and 2011.

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, 2011.

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, 2011.

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
2011							
Trademarks	220,381	7,518	3		7,899		235,801
Patents and licenses	242,329	7,409	12,297	1,790	4,989		265,234
Contractual customer relationships	192,121	28,923	289		5,918		227,251
Other intangible assets	61,781	37,607	15,701	1,177	5,295		119,207
GROSS AMOUNT	**716,612**	**81,457**	**28,290**	**2,967**	**24,101**	**0**	**847,493**
Accumulated depreciation	215,212	4,088		3,357	5,081	44,688	265,712
CARRYING AMOUNT	**501,400**	**77,369**	**28,290**	**(390)**	**19,020**	**(44,688)**	**581,781**
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**

Intangible assets in progress amounted to €20.8 million at December 31, 2011 (€17.4 million in 2010).

Trademarks with an indefinite useful life are mainly:

- the Lens business segment in the United States for a net carrying amount of €35.4 million at December 31, 2011 (2010: €34.6 million);
- the Lens business segment in Africa and the Middle East for a net carrying amount of €12.4 million at December 31, 2011 (2010: nil);
- the Lens business segment in the United States for a net carrying amount of €3.2 million at December 31, 2011 (2010: nil);
- the Equipment business segment for a net carrying amount of €8.3 million (€8.3 million in 2010);
- the Readers business segment for a net carrying amount of €156.6 million (€160.4 million in 2010)).

Brand evaluation tests during the year did not cause a depreciation of assets.

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

€ thousands	At the beginning of the year	Changes in scope of consolidation and other movements	Acquisitions	Disposals	Translation difference	Depreciaton and impairment losses for the period	At the end of the year
2011							
Land	41,927	32	50	306	669		42,372
Buildings	510,865	24,029	18,885	10,248	5,601		549,132
Plant and equipment	1,353,840	123,546	78,834	73,341	14,117		1,496,996
Other	368,949	(10,521)	78,549	19,901	3,052		420,128
GROSS AMOUNT	**2,275,581**	**137,086**	**176,318**	**103,796**	**23,439**	**0**	**2,508,628**
Accumulated depreciation cumulés	1,399,354	75,016		86,068	15,354	149,692	1,553,348
CARRYING AMOUNT	**876,227**	**62,070**	**176,318**	**17,728**	**8,085**	**(149,692)**	**955,280**
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 cumulés	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**

The amounts presented include fixed assets under finance leases.

Assets under construction amounted to €59.8 million at December 31, 2011 (€56.8 million at the end of 2010).

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
2011							
Land	850						850
Buildings	13,739		81		22		13,842
Other	20,335	87	823	292	98		21,051
GROSS AMOUNT	**34,924**	**87**	**904**	**292**	**120**	**0**	**35,743**
Accumulated depreciation	21,624	257		246	71	2,073	23,779
CARRYING AMOUI	**13,300**	**(170)**	**904**	**46**	**49**	**(2,073)**	**11,964**
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 AMOUI	**14,998**	**185**	**13**	**41**	**186**	**(2,041)**	**13,300**

NOTE 15. INVESTMENTS IN ASSOCIATES

Details of associates are as follows:

		2011		**2010**	
Company	**Country**	**% interest**	**% voting rights**	**% interest**	**% voting rights**
Transitions Group	(a)	49	49	49	49
Shamir Optispeed	South Africa	25	25	0	0
Shamir Emerald	South Africa	28	28	0	0
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:

	2011		2010	
€ thousands	Share of equity	Share of profit	Share of equity	Share of profit
Transitions Group	121,152	27,902	115,039	28,483
Sperian Protection Group	0	0	0	3,263
Shamir Optispeed & Shamir Emerald	115	(19)	0	0
VisionWeb[(a)]	(11,352)	0	(10,992)	0
TOTAL	**109,915**	**27,883**	**104,047**	**31,746**

(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 2011	December 2010
Intangible assets and property, plant and equipment, net	44,313	41,198
Other non-current assets	27,611	35,072
Current assets	117,020	104,803
Non-current liabilities	2,909	2,503
Current liabilities	77,393	75,627

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
2011								
Long-term financial investmens at fair value	**22,247**	**(2,151)**	**15,134**	**13,126**	**4**	**(1,184)**	**11,359**	**32,283**
- Investments in non-consolidated companies	19,560	(2,149)	15,117	13,035	(41)	(1,313)	11,439	29,578
- Other available-for-sale financial assets	2,687	(2)	17	91	45	129	(80)	2,705
Long-term financial investments at amortized cost	**43,241**	**(1,415)**	**20,779**	**4,038**	**1,843**	**0**	**50**	**60,460**
- Loans, including accrued interest	43,595	(1,418)	20,779	4,038	1,843	0	(12)	60,749
- Impairment	354	(3)	0	0	0	0	(62)	289
Other long-term financial investments	**65,488**	**(3,566)**	**35,913**	**17,164**	**1,847**	**(1,184)**	**11,409**	**92,743**
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)	19,560
- 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**

NOTE 17. INVENTORIES

€ thousands	**2011**	**2010**
Raw materials and other supplies	316,458	285,740
Goods for resale	156,730	150,393
Finished and semi-finished products and work in progress	408,559	331,725
GROSS AMOUNT	**881,747**	**767,858**
Impairment provisions	(128,331)	(122,405)
CARRYING AMOUNT	**753,416**	**645,453**

NOTE 18. SHORT-TERM RECEIVABLES AND PAYABLES

Short-term receivables break down as follows:

€ thousands	**2011**	**2010**
Trade receivables		
Gross amount	1,074,243	883,882
Impairment provisions	(52,637)	(45,587)
Carrying amount	**1,021,606**	**838,295**
Other short-term receivables		
Gross amount	100,577	78,010
Impairment provisions	(437)	(437)
Carrying amount	**100,140**	**77,573**
TOTAL SHORT-TERM RECEIVABLES, NET	**1,121,746**	**915,868**

Short-term payables break down as follows:

€ thousands	**2011**	**2010**
Trade payables	469,763	376,782
Accrued taxes and employee benefits expense	236,688	206,010
Other short-term payables	206,767	176,821
TOTAL SHORT-TERM PAYABLES	**913,218**	**759,613**

NOTE 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

€ thousands	**2011**	**2010**
Cash	237,576	215,623
Money market funds	43,200	128,220
Certificates of deposit	82,000	0
Other	27,544	27,212
TOTAL	**390,320**	**371,055**

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, 2010	**243,941**	**(72,858)**	**(9,400)**	**0**	**161,683**
Service cost	6,187	0	0	0	6,187
Interest cost	9,688	0	0	0	9,688
Expected return on plan assets	0	(3,469)	0	0	(3,469)
Amortization of past service cost	0	0	926	0	926
Employee contributions	822	(822)	0	0	0
Contributions to plan assets	0	(11,511)	0	0	(11,511)
Paid benefits	(11,722)	11,722	0	0	0
Actuarial gains and losses	11,264	(675)	0	0	10,589
Curtailment and settlement	(3,081)	0	0	0	(3,081)
Other movements	5,189	(1,731)	0	0	3,458
Changes in scope of consolidation	2,945	(1,942)	0	0	1,004
Translation adjustment	3,003	(1,724)	48	0	1,328
At December 31, 2011	**268,236**	**(83,009)**	**(8,426)**	**0**	**176,801**
of which cumulative actuarial losses (gains) recorded in equity at the balance sheet date					64,273
Actual returns on plan assets		(4,144)			(4,144)
of which Obligations hedged in whole or in part by a plan assets	127,601				127,601
of which Obligations not hedged by a plan assets	140,624				140,636
of which in provisions for pensions in liabilities					177,693
of which non-current assets (over-hedged plans)					892

€ 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

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 IAS 19, 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:

	2011			**2010**		
%	Euro Zone	United States	United Kingdom	Euro Zone	United States	United Kingdom
Discount rate	4.30	4.50	4.70	4,5	5.0	5,5
Expected rate of return of investments	4 to 4.8	7.00	5.60	4.5 to 4.90	7.5	7
Weighted average rate of return on plan assets	4.53			4.86		
Weighted average rate of salary increases	2.08			2.57		

The discount rate used for length-of-service awards in France was 4.3% in 2011 (4.5% in 2010).

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, 2011 would have been by €9 million higher.

The recognized actuarial gains or losses correspond to experience adjustments (differences between assumptions used and actual data) and changes in assumptions. In 2011, the actuarial gains or losses resulting from experience adjustments were 0.6% of the projected benefit obligation (2010: 3.3%).

Composition by type of plan assets

In %	**2011**	**2010**
Shares	19	20
Bonds	38	35
General insurance funds	42	44
Real property	0	1
Other	0	0

Analysis of rights

€ thousands	Projected benefit obligation	Plan assets	Deferred items	**2011 Provision**
Pensions (supplementary and guaranteed income plans)	199,477	(81,642)	(1,729)	116,106
Length-of-service awards	45,113	(1,367)	(6,697)	37,049
Other benefits	23,646	0	0	23,646
TOTAL	**268,236**	**(83,009)**	**(8,426)**	**176,801**

€ 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**

Expenses for the year

Income (Expenses) € thousands	**2011**	**2010**
Service cost for period	(6,187)	(7,853)
Interest cost	(9,688)	(9,225)
Expected return on plan assets	3,469	3,635
Actuarial gains and losses on short-term benefits	131	(76)
Amortization of past service cost	(926)	(1,022)
Curtailment and settlement	3,081	0
Other	0	(256)
EXPENSE FOR THE PERIOD	**(10,120)**	**(14,797)**
Contributions to plan assets	4,534	(5,522)
Paid benefits	6,977	14,625
TOTAL INCREASE (DECREASE) IN PROVISION	**1,391**	**(5,694)**

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
2011								
Provisions for losses in subsidiaries and affiliates	300	0	0	0	0	0	0	300
Restructuring provisions	19,323	7,370	(13,030)	(2,763)	185	0	(1,876)	9,209
Warranty provisions	22,740	5,279	(1,914)	(2,207)	258	350	(405)	24,101
Other	101,792	9,764	(5,667)	(1,053)	293	557	2,105	107,791
TOTAL	**144,155**	**22,413**	**(20,611)**	**(6,023)**	**736**	**907**	**(176)**	**141,401**
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	46,293	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**

Provisions for other risks at December 31, 2011 include in particular provisions for tax audits and litigation affecting income and other taxes for a total amount of €32.6 million (€32.1 million at December 31, 2010), and the provision of €50.7 million created for potential violations to the cartel laws in Germany (€50.7 million at December 31, 2010, see Note 28, Litigation).

NOTE 22. NET DEBT AND BORROWINGS

22.1 NET DEBT

The Group's net debt can be analyzed as follows:

€ thousands	**2011**	**2010**
Long-term borrowings	309,152	285,558
Short-term borrowings	578,500	376,550
Short-term bank loans and overdrafts	26,644	25,167
Accrued interest	1,436	1,115
TOTAL BORROWINGS	**915,732**	**688,390**
Marketable securities	(7,450)	0
Cash equivalents	(152,744)	(155,432)
Cash	(237,576)	(215,623)
TOTAL ASSETS	**(397,770)**	**(371,055)**
Cross Currency swaps	(11,779)	(21,542)
NET DEBT	**506,183**	**295,793**

Marketable securities are included by the Group in net debt (Note 1.28).

Sign convention: + debt / - surplus cash or securities.

At December 31, 2011, 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 (€386 million) and issues of short-term commercial paper (€174 million).

The Cross currency swap is valued at fair market value at December 31 of every year (see Note 23.2).

22.2 BORROWINGS

Financial debt by maturity

Borrowings can be analyzed as follows by maturity:

€ thousands	**2011**	**2010**
Due within one year	606,581	402,832
Due in 1 to 5 years	305,158	281,499
Due beyond 5 years	3,993	4,059
TOTAL	**915,732**	**688,390**

Financial debt by currency

Borrowings break down as follows by currency:

€ millions	**2011**	**2010**
US dollar	661,479	567,597
Euro	221,247	110,895
Other currencies	33,006	9,898
TOTAL	**915,732**	**688,390**

Fair value of debt

The fair value of borrowings is as follows:

€ thousands	**2011**	**2010**
Long-term borrowings	297,373	264,016
Short-term borrowings	578,500	376,550
Short-term bank loans and overdrafts and accrued interest	28,080	26,282
TOTAL	**903,953**	**666,848**

Commercial paper

In May 2010, Essilor International launched a commercial paper program whose ceiling is €750 million. The amount outstanding of the issues was €174 million at December 31, 2011 (€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

	2011		**2010**	
€ thousands	**Principal**	**Interest**	**Principal**	**Interest**
Due within one year	2,115	39	2,282	168
Due in 1 to 5 years	3,837	246	3,729	144
Due beyond 5 years	358	4	0	0
TOTAL FINANCE LEASE LIABILITIES	**6,310**	**289**	**6,011**	**312**

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, 2011 and 2010 fall into the following categories:

2011	**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	92,743		32,283	60,460		
Non-current trade receivables	3,891			3,891		
Prepayment to suppliers	19,671			19,671		
Current trade receivables	1,121,746			1,121,746		
Tax receivables	48,355			48,355		
Other receivables	30,838			30,838		
Derivative financial assets	15,091					15,091
Other marketable securities	7,450	7,450				
Cash and cash equivalents	390,320	390,320				
FINANCIAL ASSETS	**1,730,105**	**397,770**	**32,283**	**1,284,960**		**15,091**
Long-term borrowings	309,152				309,152	
Other long-term liabilities	138,168				138,168	
Short-term borrowings	606,581				606,581	
Customer prepayments	15,705				15,705	
Current trade payables	913,218				913,218	
Tax payables	62,172				62,172	
Other current liabilities	161,306				161,306	
Derivative financial liabilities	14,953					14,953
FINANCIAL LIABILITIES	**2,221,255**				**2,206,302**	**14,953**

(a) Assets available for sale as defined by IAS 39.

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.

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 that do not qualify for hedge accounting under IAS 39 are recognized directly in financial income and expenses.

The market value of Group derivatives is presented below:

€ thousands	**2011**	**2010**
Cash flow hedges:		
- Forward exchange contracts	600	(4,207)
- Interest rate swaps	(7,426)	0
Fair value hedges:		
- Forward exchange contracts	(119)	(213)
- Cross-currency swaps	11,779	21,542
Hedges of net investments in foreign operations:		
- Forward exchange contracts	(318)	(1,649)
Instruments not qualifying for hedge accounting:		
- Forward exchange contracts	(5,069)	(1,543)
- Currency options	183	452
- Cross-currency swaps (currency portion)		
- Interest rate swaps		(33)
- Interest rate swaps Caps)	508	0
FAIR VALUE OF DERIVATIVE INSTRUMENTS	**138**	**14,349**
Derivative financial instruments recognized in assets	15,091	26,993
Derivative financial instruments recognized in liabilities	(14,953)	(12,644)

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.

At December 31, 2010, interest rate swaps totaled US$100 million.

In 2011, the company subscribed to interest rate swaps for an amount of $200 million and two interest rate caps for amounts of €50 million and $50 million.

	2011		2010	
€ thousands	Nominal	Market value	Nominal	Market value
Forward Currency transactions	439,566	(4,906)	474,582	(7,612)
Currency options	2,595	183	11,206	452
Cross currency swap EUR/USD	250,000	11,779	250,000	21,542
Interest rate swaps USD	231,857	(7,426)	74,839	(33)
Interest rate options (caps)	88,643	508	0	0
TOTAL DERIVATIVE INSTRUMENTS	**1,012,661**	**138**	**810,627**	**14,349**

Details of derivative financial instruments are provided below:

€ thousands

Currency sold	Purchase of foreign currency												
	EUR	USD	THB	MXN	PHP	CNY	INR	JPY	GBP	CAD	PLN	Others	**TOTAL**
GBP	58,165												**58,165**
USD	57,815		46,371	24,354	19,638	16,694	12,752	5,339					**182,963**
CAD	11,906	27,282											**39,188**
SGD	11,809												**11,809**
AUD	6,743	18,162											**24,905**
CHF	5,906												**5,906**
NOK	4,726												**4,726**
SEK	3,172												**3,172**
CZK	2,362												**2,362**
EUR		62,617						3,564	7,935	3,748	3,200	5,407	**86,471**
JPY		6,492											**6,492**
BRL		3,942											**3,942**
Others	3,920	4,444										1,100	**9,464**
TOTAL	**166,524**	**122,939**	**46,371**	**24,354**	**19,638**	**16,694**	**12,752**	**8,903**	**7,935**	**3,748**	**3,200**	**6,507**	**439,567**

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	**2011**	**2010**
Revenue		
Cost of sales	(4,860)	(354)
GROSS MARGIN	**(4,860)**	**(354)**
Research and development costs		1,089
Selling and distribution costs		
Other operating expenses		
CONTRIBUTION FROM OPERATIONS	**(4,860)**	**735**
Other income (expense) from operations, net		
Gains and losses on asset disposals, net		
OPERATING PROFIT	**(4,860)**	**735**

NOTE 24. OTHER CURRENT AND NON-CURRENT LIABILITIES

€ thousands	**2011**	**2010**
Liabilities due to suppliers in more than one year	2,340	1,521
Liabilities related to long-term put options granted to minority shareholders	135,828	116,393
TOTAL OTHER NON-CURRENT LIABILITIES	**138,168**	**117,914**
Liabilities to suppliers related to tangible and intangible fixed assets	11,549	6,664
Liabilities related to long-term financial investments	66,177	29,017
Liabilities related to a short-term put options granted to minority shareholders	48,774	44,087
Other	34,806	18,170
TOTAL OTHER CURRENT LIABILITIES	**161,306**	**97,939**

NOTE 25. OFF-BALANCE SHEET COMMITMENTS

€ thousands	**2011**	**2010**
Commitments given	**94,267**	**533,796**
Guarantees		
Debt collateral:	35	35
- Debt	6,907	6,979
- Net book value of collateral		
Commitments received		
Guarantees	461	186
Commitments under operating leases		
Within one year	20,312	20,703
In 1 to 5 years	45,927	48,209
Beyond 5 years	6,010	2,037
TOTAL SIMPLE LEASING COMMITMENTS	**72,249**	**70,949**

In the first half of 2011, following the review begun in 2010 of their off-balance sheet commitments by all subsidiaries in the Group, it was possible to reduce Group off-balance sheet commitments, which totaled €94 million at December 31, 2011 on the Guarantees line.

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

The Group's financing policy is based on security: security over time through long-term financing, security in terms of the amounts available, and security in the diversity of its financing sources.

Debt of more than one year at the end of 2011 amounted to €309 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, 2011, these facilities were drawn down by €386 million.

Drawing down on these lines is not subject to any particular covenant.

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.

Financial assets and liabilities (including operating receivables and payables) at December 31, 2011 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	(1,759)	(411)	(36)	(2,206)
Financial assets other than financial instruments	1,681	34	0	1,715
Net fair value of financial instruments	0	0	0	0
NET POSITION	**(78)**	**(377)**	**(36)**	**(491)**

(a) Including financial assets with no fixed maturity.

The distribution of the Group's net financial debt and available credit lines by contractual maturity at December 31, 2010 was as follows:

(You can also refer to Note 22 of the consolidated financial statements, Net debt and borrowings)

€millions	**2012**	**2013**	**2014**	**2015**	**2016**	**TOTAL**
Commercial paper	174					174
Bank loans[(a)]	17	33	254		7	311
Credit facilities			386			386
Bank overdraft	27					27
Leasing	2	4				6
Gross debt	**220**	**37**	**640**	**0**	**7**	**904**
Cash and cash equivalent	(391)	(4)	(1)	0	(2)	(398)
Net debt[(b)]	**(171)**	**33**	**639**	**0**	**5**	**506**
Available committed credit facilities	700		614			**1,314**

(a) including cross currency swap
(b) >0: net debt; <0: net cash surplus.

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: forward currency purchases and sales or exchange rate options and/or option tunnels. 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.

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.

The Group applies hedge accounting to currency transactions. Sometimes, even though the transactions are justified economically, they do not meet the conditions for being recorded as hedge accounting. In this case, the revaluation of currency transactions impacts the income statement.

The Group's total net currency exposure at December 31, 2011 represented an amount equivalent to some €104 million.

Consolidated exposure to currency risk on assets and liabilities at December 31, 2011

(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	0	(1)	(1)	(4)
EUR	(6)	(1)	(7)	2
JPY	0	2	2	7
USD	74	36	110	(65)
GBP	0	(4)	(4)	(47)
Others	(2)	6	4	(13)
TOTAL	**66**	**38**	**104**	**(120)**

(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, 2011

Sensitivity is calculated solely on the valuation of derivatives at the end of the year.

The impact of a change in fair value of the derivatives following a rise or fall in the dollar or pound sterling is presented below:

	Impact			
	On equity		Profit before tax	
€ millions	**5% increase**	**5% decrease**	**5% increase**	**5% decrease**
USD	(2)	2	(1)	2
GBP	0	0	(2)	2

The impact of the change in equity is generated by foreign exchange instruments eligible to be recorded as cash flow hedges.

The impact of the change in financial income is generated by foreign exchange instruments not eligible to be recorded as hedges and by the change in the ineffective portion of the cash flow hedges.

Interest rate risk and evaluation of sensitivity of financial expenses to interest rate variations

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.

	Before hedging		Hedging			After Hedging		
€ millions	Fixed rate	Variable rate	Fixed rate	Variable rate	Cap	Fixed rate	Variable rate	Capped variable
Gross debt[(a)]	254	650	(22)	(67)	89	232	583	89
Cash and similar	(7)	(390)				(7)	(390)	
NET DEBT	**247**	**260**	**(22)**	**(67)**	**89**	**225**	**193**	**89**

(a) including cross currency swap

As of December 31, 2011, 26% of gross debt was fixed-rate (versus 11% in 2010).

The actual average weighted interest rate was 1.08% at the end of 2011 (0.88% at the end of 2010).

A parallel shift by 1 percent of the interest rate curves at December 31, 2011 applied to the components of net debt would have the following impact:

In € million	Cash effect on income statement
1% increase	2
1% decrease	(2)

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, 2011, 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.

One third of liquidities were invested by the parent company in money market funds, and the rest in short-term bank Certificates of Deposit.

At that date, 69% of investments made by Group subsidiaries had a minimum Standard & Poor's long-term rating of A-.

At December 31, 2011, the banks participating in both syndications were all rated at least A-1 (short-term) and A (long-term) by Standard & Poor's.

Credit risk

Non-provisioned outstanding customer accounts receivable due totaled €130.3 million at year-end 2011 (€104.3 million at year-end 2010). This was comprised mostly of receivables due for less than three months (70.8% in 2011; 78.0% in 2010) that were slightly past due.

€ millions	**2011**	**2010**
Trade receivables due within one year, net	1,022	838
Trade receivables due beyond one year, net	4	8
TRADE RECEIVABLES, NET	**1,025**	**846**
Trade receivables not yet due	863	722
Past-due trade receivables, net	162	124
Guarantees received, recoverable VAT	(37)	(34)
Past-due trade receivables, net of provisions and guarantees	125	90

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, 2011 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 major ophthalmic optic companies in Germany that it intended levying fines on them. Accordingly, our two subsidiaries were officially notified of violations 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.

Following the receipt of the notices from the BKA, the Group booked provisions of €50.7 million in its 2010 consolidated financial statements.

Since that date, there have been no further developments in proceedings. In the absence of new evidence, the provisions created in the 2010 financial statements were maintained at December 31, 2011.

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.

Joinder of the US cases before a federal court in Florida was authorized in late 2010. The plaintiffs' admissibility proceedings began in the first half of 2011, but the inquiry has not begin and the claims received contain no claims for damages. The Group has not recorded any provisions in relation to the above at this stage.

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	**2011**	**2010**
Management	5,700	4,648
Supervisory and administrative	12,170	10,748
Production	27,082	22,716
TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE PERIOD	**44,952**	**38,112**

€ thousands	**2011**	**2010**
EMPLOYEE BENEFITS EXPENSE	**1,287,511**	**1,201,904**
(Salaries, payroll taxes and compensation costs on share-based payments)		

Number of employees	**2011**	**2010**
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	**48,700**	**42,704**
including employees of proportionately consolidated companies (on a 100%-basis)	3,025	2,782

NOTE 30. RELATED PARTY TRANSACTIONS

Senior management compensation

€ thousands	**2011**	**2010**
Total compensation and benefits paid to the Executive Committee[(a)]	12,320	10,268
Directors' fees paid to the Executive Committee	21	22
TOTAL SENIOR MANAGEMENT COMPENSATION	**12,341**	**10,290**

(a) Gross amount before payroll and other taxes paid to current members of the Executive Committee.

The Executive Committee had 24 members at December 31, 2011 compared with 22 at December 31, 2010.

Post-employment benefits for Executive Committee members

- Pension obligations: €25,187 thousand at December 31, 2011 (versus €21,295 thousand at the end of 2010).
- Retirement benefits: €1,758 thousand at December 31, 2011 (versus €1,648 thousand at the end of 2010).

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 2011 for stock options and performance shares granted to Executive Committee members are as follows:

- €793 thousand (2010: €1,124 thousand) for stock options.
- €4,911 thousand (2010: €3,469 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. Similarly, 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. Moreover, 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.

Related party balances and transactions:

€ thousands	**2011**	**2010**
Product sales	219,577	186,900
Product purchases	(480,614)	(460,134)
Trade receivables	42,391	33,212
Trade payables	76,396	61,565

NOTE 31. EVENTS AFTER THE BALANCE-SHEET DATE

New financing

In January 2012, Essilor concluded two new five-year bilateral credit lines for a total amount of US$300 million. Moreover, in February 2012, the Group concluded a US private investment of $300 million (one five-year tranche of $200 million, one seven-year tranche of $100 million).

These three items of financing replace the syndicated line of credit of €700 million (May 2012 maturity) terminated early in February 2012.

New acquisitions

Since the beginning of 2012, Essilor has continued its international expansion with new partnerships.

In China, Essilor acquired the majority of capital of a lens producer, Jiangsu Seeworld Optical Co Ltd (annual base revenues: around €7 million). This new transaction illustrates the Group's desire to extend its presence into the mid-range in China, while strengthening the competitiveness of its offer in the rest of Asia.

In Tunisia, the Group signed an agreement to gain a majority stake in the SIVO laboratory, which is number one in the market in Tunisia, and its commercial subsidiary SICOM, which are located in Sfax. These companies made combined revenues of about €7 million in 2011.

In Turkey, Essilor signed an agreement to acquire the majority of capital in Ipek Optik, one of the largest providers in the Turkish market, which makes annual revenues of about €5 million.

Change of consolidation method

As part of their shared desire to accelerate the development of their joint venture "Nikon-Essilor" which is based in Japan, Nikon and Essilor decided to improve its method of governance without changing its capital structure and to entrust its operational management to Essilor employees. Consequently, Essilor will consolidate 100% of the company's sales into its financial statements starting January 1, 2012.

The same reasoning with the same accounting consequences was applied to "Essilor Korea", a joint venture between Essilor and Samyung Trading based in South Korea, and a shareholder in Chemiglas, effective starting February 1, 2012.

For both of these transactions, the Group is currently evaluating of impacts on consolidation.

NOTE 32. LIST OF FULLY-CONSOLIDATED COMPANIES

Company	Country	% 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
FGX Holding SASU	France	100	100
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
Shamir France SARL	France	50	50
Tikai Vision (formerly Barbara)	France	100	100
EUROPE			
BBGR GmbH	Germany	100	100
Essilor GmbH	Germany	100	100
Infield Safety GmbH	Germany	100	100
Neckarsee Gmbh	Germany	100	100
Nika Optics	Germany	100	100
Rupp & Hubrach Optik Gmbh	Germany	100	100
Satisloh Gmbh	Germany	100	100
Shamir Optic Gmbh	Germany	50	50
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
Shamir Optical Espana, SL	Spain	50	50
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
FGX UK	United Kingdom	100	100
Framed vision	United Kingdom	100	100

Company	Country	% rights	% interest
Horizon Optical Company Ltd	United Kingdom	95	95
Infield safety UK, Ltd.	United Kingdom	100	100
Satisloh Ltd	United Kingdom	100	100
Shamir UK Limited	United Kingdom	50	50
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	100	100
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
Polinelli SRL	Italy	100	100
Satisloh Italy Spa	Italy	100	100
Shamir RX Italia SRL	Italy	50	50
Essilor Amico Kuwait	Kuwait	50	50
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
Shamir Nederland B.V	Netherlands	50	50
Essilor Optical laboratory Polska Sp. Z.o.o.	Poland	100	100
Essilor Polonia	Poland	100	100
JZO	Poland	98	98
Shamir Polska Sp. zo.o	Poland	43	43
Essilor Portugal	Portugal	100	100
Shamir Portugal, LDA	Portugal	50	50
Signet Armorlite Portugal Unipessoal, LDA	Portugal	100	100
Essilor Romania SRL	Romania	100	100
Essilor Slovakia	Slovakia	100	100
Omega Optix S.R.O. (Slovakia)	Slovakia	100	100
Essilor D.O.O Slovenia	Slovenia	100	100
Essilor AB	Sweden	100	100
BBGR Skandinaviska	Sweden	100	100
Essilor (Switzerland) S.A.	Switzerland	100	100
Satisloh Holding AG	Switzerland	100	100
Satisloh AG	Switzerland	100	100

Company	Country	% rights	% interest
Satisloh Photonics AG	Switzerland	100	100
Vaco Holding S.A.	Switzerland	100	100
Essilor Optika Spol s.r.o.	Czech Republic	100	100
Omega Optix S.R.O. (Czechia)	Czech Republic	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
Fundy Vision	Canada	80	80
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
Stylemark Canada	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
Bazell	USA	70	70
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
ELOA California Acquisition Corp.	USA	100	100
Empire	USA	85	85

Company	Country	% rights	% interest
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 (includes 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
FGX US	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
Optics East	USA	80	80
Optifacts Inc.	USA	100	100
Optimatrix	USA	80	80
Optisource International Inc.	USA	80	80
Ozarks Optical Laboratories	USA	80	80
Pech Optical	USA	80	80
Perferx Optical Co Inc	USA	80	80
Personal Eyes	USA	80	80
Peninsula Optical Lab.	USA	80	80

Company	Country	% rights	% interest
Precision Optical Lab. (Tennessee)	USA	80	80
Precision Optical Co. (Connecticut)	USA	80	80
Professional Opthalmic Lab	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
Shamir Insight, Inc.	USA	50	50
Shamir USA	USA	50	50
Signet Armorlite Inc	USA	100	100
Signet Armorlite USA	USA	100	100
Skaggs and Gruber, Ltd d.b.a Trucker Meadows	USA	80	80
Southwest lens	USA	65	65
Specialty Lens Corp.	USA	100	100
Stereo Optical Co. Inc.	USA	100	100
Stylemark	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	100	100
Centro Integral Optico S.A de C.V	Mexico	26	26
Essilor Mexico	Mexico	100	100
FGX Mexico	Mexico	100	100
Shalens S.A C.V	Mexico	26	26
Signet Armorlite de Mexico, SA & CV	Mexico	96	96
Sofi de Chihuahua	Mexico	100	100
Rainbow Optical	Puerto Rico	100	100
OTHER			
Essilor South Africa (Pty) Ltd.	South Africa	100	100
GKB South Africa (Pty) Ltd.	South Africa	50	50
Spherical Optics (Pty) Ltd.	South Africa	26	26
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 Lens Australia Pty Ltd.	Australia	100	100
Eyebiz	Australia	70	70
Precision Optics Pty Ltd	Australia	60	60
Prescription Safety Glasses Pty Ltd	Australia	100	51
Essilor Australia (Pty) Ltd.	Australia	33	33
Sunix Computer Consultants Pty Ltd	Australia	100	50
Tasmanian Optical Cy Pty LTD	Australia	100	100
Brasilor Participacoes Sc Ltda.	Brazil	100	100
Canto Mello	Brazil	70	70
Ceditop	Brazil	76	76

Company	Country	% rights	% interest
Comopticos	Brazil	70	70
Embrapol Sul	Brazil	74	74
Essilor Da Amazonia Industria e Commercio Ltda.	Brazil	100	100
Farol	Brazil	70	70
GBO	Brazil	51	51
Grown	Brazil	51	51
Mult Block	Brazil	51	51
Mult Laboptical	Brazil	51	51
Multi Optica Distribuidora Ltda.	Brazil	100	100
Orgalent	Brazil	51	51
Repro	Brazil	70	70
Styll	Brazil	51	51
Sudop Industria Optica Ltda.	Brazil	100	100
Technopark Comercio de Artigos Opticos S.A	Brazil	51	51
Tecnolens	Brazil	70	70
Unilab	Brazil	51	51
YTT Holding	Brazil	51	51
Danyang	China	80	80
Essilor China Holding Co Ltd	China	100	100
FGX International Limited China	China	100	100
Satisloh Zhongshan	China	100	100
Satisloh Shenzen	China	100	100
Shanghai Essilor Optical Co. Ltd.	China	100	100
Wanxin	China	80	50
Zunlong	China	51	51
Signet Armorlite Columbia SA	Colombia	96	96
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
GKB Emirates	United Arab Emirates	50	50
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 (formerly Esssilor SRF Optics Ltd)	India	100	100
Essilor Manufacturing India Pvt Ltd (formerly Indian Ophtalmic Lenses Manuf.)	India	100	100
GKB HI Tech	India	50	50
GKB Optic Tech Private Ltd	India	51	51
GKB Rx	India	76	76
Sankar	India	70	70
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

Company	Country	% rights	% interest
Essilor Israel Holding	Israel	100	100
Shamir Holding Optical	Israel	50	50
Shamir Industry	Israel	50	50
Shamir Special Optical Products Ltd.	Israel	50	50
Shamir Eyal Ltd.	Israel	50	50
Shamir Israel Optical Marketing Ltd.	Israel	50	50
Shamir Or Ltd.	Israel	50	50
Inray Ltd.	Israel	25	25
Essilor Malaysia Sdn Bhd	Malaysia	100	100
Frames and Lenses	Malaysia	80	80
ILT Malaysia	Malaysia	81	81
L'N Optics	Morocco	51	51
Essilor Laboratories New Zealand Ltd. (formerly 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

Company	Country	% rights	% interest
Essilor Asia Pacific Pte Ltd.	Singapore	100	100
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 (formerly Visitech)	Singapore	100	100
SMJ Holding Pte Ltd	Singapore	70	70
Kaleido Vision Pte Ltd (formerly Unique Ophtalmic)	Singapore	100	100
Trend Optical Singapore	Singapore	70	70
Trend Optical Taiwan Branch	Taiwan	70	70
Polylite Taiwan Optilab	Taiwan	51	51
SMJ Holding Pte Ltd Taiwan Branch	Taiwan	70	70
Essilor Manufacturing (Thailand) Co Ltd.	Thailand	100	100
Essilor Optical Laboratory Thailand	Thailand	100	100
Eyebiz Laboratory Co Ltd	Thailand	70	70
K-T Optic CO., Ltd	Thailand	49	49
ShamirLens Thailand Co., Ltd	Thailand	25	25
Altra Optik Sanayi ve Ticaret A.S	Turkey	50	50

NOTE 33. LIST OF PROPORTIONATELY-CONSOLIDATED COMPANIES

Company	Country	% rights	% interest
Nikon Optical Canada Inc.	Canada	50	50
Tech-Cite Laboratories Co Ltd(a)	Canada	50	50
Chemilens	China	50	50
Beijing Nikon Ophtalmic Products Co Ltd	China	50	50
Chemiglas	South Korea	50	50
Dekovision	South Korea	50	50
Essilor Korea	South Korea	50	50
Nikon Optical US	USA	50	50

(a) 50%-owned by Nikon Optical Canada

Company	Country	% 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	**2011**	**2010**
Intangible assets and property, plant and equipment, net	48,589	48,321
Other non-current assets	8,405	8,322
Current assets	112,996	101,320
Non-current liabilities	8,045	7,469
Current liabilities	30,867	24,935

NOTE 34. LIST OF ASSOCIATES

Company	Country	% 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

Company	Country	% rights	% interest
Transitions Optical Philippines Inc.	Philippines	49	49
Transitions Optical Singapore	Singapore	49	49
Transitions Optical Thailand	Thailand	49	49
OTHER			
Shamir Optispeed	South Africa	25	25
Shamir Emerald	South Africa	28	28
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	15,323	60,687	3,788	34,054	28,472

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	% rights
FRANCE		
Distrilens	France	100
Optical Supply of Europe	France	100
Varilux University	France	100
EUROPE		
Essilor Logistik GmbH	Germany	100
Essilor Bulgaria	Bulgaria	100
AVS	Spain	25
OHO	Estonia	70
Leicester	United Kingdom	80
Itallenti	Italy	5
Armgol holding BV	Netherlands	20
Rhein Vision BV	Netherlands	33
Mec & Ciesse Optical	Italy	70
One Optical	Italy	100
UAB JZP Optika Lituania	Lituania	98
Optika JZO Zoo	Poland	98
Optikos SP Zoo	Poland	94
Neolens SP Zoo	Poland	100
Shamir Russia	Russia	100
Essilor Optics d.o.o	Serbia	100
Reize	Switzerland	65
JZO Optika Ukraina	Ukraine	98

Company	Country	% rights
AFRICA		
Optiben	Morocco	65
Easy Vision	Africa	100
NORTH AMERICA		
Cherry Optical	USA	25
Essilor Transfer Corporation	USA	100
1234 Acquisition Sub Inc	USA	100
Superior Optical Lab.	USA	45
e-vision LLC	USA	17
REST OF WORLD		
Wallace Everett Lens Technology Pty Ltd	Australia	33
Shamir Brasil Comercial Ltda	Brazil	100
Tianjing vx Technical School	China	100
Shandong Xin Yi Trading Ltd Co	China	30
ILT Costa Rica	Costa Rica	100
Essilor Lens & Spects P Ltd	India	60
OSD Optics India	India	100
Shamrock	Israel	100
Essilab Philippines Inc	Philippines	40
Eyeland	Philippines	39
Optoland	Philippines	100
Opti Express	Dominican Rep.	51
Polylite Taiwan Co Ltd	Taiwan	11
Chemilens Vietnam	Vietnam	50
OSA Ltd Liability Co.	Vietnam	33

20.3.2 PARENT COMPANY: KEY FINANCIAL DATA AND 2011 ANNUAL FINANCIAL STATEMENT

The 2011 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 2011 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, 2011

€ thousands, except for per share data	**2011**	**2010**
INCOME STATEMENT		
Revenue	678,430	680,533
Operating profit	34,713	26,859
Profit before non-operating items and tax	272,100	270,404
Net profit	273,061	341,947
BALANCE SHEET		
Share capital	38,527	38,098
Equity	1,995,950	1,808,042
Net debt	446,532	257,279
Non-current assets, net	2,591,168	2,189,134
Total assets	3,118,159	2,685,257
Dividend per ordinary share, in €	0.85[a]	0.83

(a) Subject to the decision of the Shareholders' Meeting of May 11, 2012.

Parent company revenues were relatively stable compared to 2010. Lens sales dropped 0.4%, and instrument sales fell 11.3% on the French market and were stable on the export market. Finally, the Puerto Rico branch recorded a growth in revenue of 2.8%.

Operating income rose 29.2%. This rise is primarily related to the growth in remuneration from Essilor International industrial property in the form of royalties and the growth in management expense billings to the subsidiaries.

Financial income fell slightly by 2.5%, which may be explained largely by a rise in the share of provisions in long-term financial investments.

Extraordinary income dropped significantly. This may be explained by the fact that events that took place during 2010 did not take place during 2011. Extraordinary income during 2010 was significantly impacted by both the sale of Sperian Protection stock, and by the charge relative to the redemption of the Oceane bonds. During 2011, no event of that significance occurred and only a few provisions for risks were adjusted (in particular the provision related to the tax audit to take into account the tax refund request for the deficit carry-backs).

For 2011, 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 2011 as part of the tax consolidation. Moreover, in 2011, the company requested a tax refund for the deficit carry-forward, which also generated a significant tax profit for 2011 earnings.

Essilor International was the subject of a tax audit for 2006 to 2008 inclusive. In late 2010, the company received a tax deficiency notice and, without prejudice to the final position of the French tax authorities, Essilor recorded a provision in its financial statements as a result. Discussions are in progress with the French tax authorities, and this provision is still listed in the Essilor International financial statements at year-end 2011.

Net earnings totaled €273.1 million, an increase of 20.1% compared to the previous year.

20.3.2.2 Income statement, year ended December 31, 2011

€ thousands	**Notes**	**2011**	**2010**
Revenue	2	678,430	680,533
Production transferred to inventory		(2,357)	(2,029)
Production of assets for own use		6,442	5,461
Write-down on amortizartions and provisions		54,041	44,413
Other profit		200,824	175,881
Total operating profit		**937,380**	**904,259**
Purchases of materials and change in inventory		329,465	310,503
Other purchases and external charges		193,950	190,540
Taxes other than income tax		23,328	18,598
Personnel expenses[(a)]	14	285,521	288,269
Depreciation, amortization and provisions, net		56,156	56,645
Other income (expenses), net		14,246	12,845
Total operating expenses		**902,666**	**877,400**
OPERATING PROFIT		**34,713**	**26,859**
NET INTEREST INCOME	3	237,387	243,545
PROFIT BEFORE NON-OPERATING ITEMS AND TAX		**272,100**	**270,404**
NET NON-OPERATING INCOME (EXPENSES)	4	(13,447)	66,466
Income tax expense	5	(14,408)	(5,077)
NET PROFIT		**273,061**	**341,947**

(a) According to CNC notice 2008-17, allocations, reversals, and expenses related to the allocation of bonus shares and stock options must be presented in employee expenses.

20.3.2.3 Balance sheet at December 31, 2011

ASSETS

		2011			2010
€ thousands	Notes	Cost	Depreciation, amortization, provisions	Net	Net
Intangible assets	6	124,448	74,410	50,039	49,021
Property, plant and equipment	7	326,103	218,639	107,464	110,447
Investments and other non-current assets	8	2,508,631	74,966	2,433,665	2,029,666
NON-CURRENT ASSETS, NET		**2,959,182**	**368,014**	**2,591,168**	**2,189,134**
Inventories	9.1	78,113	17,914	60,198	62,095
Suppliers prepayments	9.2	2,289	8	2,280	3,331
Trade receivables	9.2	207,152	2,748	204,404	171,760
Other receivables	9.2	133,434	16,941	116,493	120,981
Marketable securities	9.3	133,446		133,446	132,074
Cash		6,260		6,260	2,580
CURRENT ASSETS		**560,694**	**37,612**	**523,081**	**492,821**
Prepaid expenses	9.4	3,890		3,890	3,188
Conversion losses		20		20	114
TOTAL ASSETS		**3,523,786**	**405,626**	**3,118,159**	**2,685,257**

EQUITY AND LIABILITIES

€ thousands	Notes	2011	2010
Share capital	10.1	38,527	38,098
Additional paid-in capital		307,401	224,697
Legal reserve		3,879	3,879
Other reserves		1,334,408	1,166,408
Retained earnings		9,116	6,710
Net profit		273,061	341,947
Government grants		124	122
Untaxed provisions		30,863	28,129
Translation reserve	1.12	(1,429)	(1,949)
EQUITY	10.2	**1,995,950**	**1,808,042**
PROVISIONS FOR CONTINGENCIES AND CHARGES	11.1	**80,469**	**74,484**
Convertible bonds		9	11
Bank borrowings and current account advances from subsidiaries	12.1	577,933	297,891
Other borrowings	12.1	8,295	94,031
TOTAL BORROWINGS	12	**586,238**	**391,933**
Trade payables	12.1	116,958	110,691
Accrued taxes and personnel expenses	12.1	77,809	71,453
Other liabilities	12.1	257,939	227,422
TOTAL PAYABLES AND ACCRUALS		**452,705**	**409,566**
Deferred income		2,566	1,164
Conversion gains		231	68
TOTAL EQUITY AND LIABILITIES		**3,118,159**	**2,685,257**

20.3.2.4 Cash flow statement, year ended December 31, 2011

€ thousands	**2011**	**2010**
Net profit for the year	273,061	341,947
Elimination of non-cash items	45,821	(54,400)
Cash flow	318,882	287,547
Change in working capital[(a)]	6,825	25,816
NET CASH FROM OPERATING ACTIVITIES	**325,707**	**313,363**
Purchases of property, plant and equipment	(26,268)	(25,122)
Acquisitions of shares in subsidiaries and affiliates and other investments	(216,566)	(244,319)
New loans extended	(939,546)	(3,499,963)
Proceeds from disposals of assets	(19,824)	32,969
Repayment of loans	906,115	3,270,598
NET CASH USED IN INVESTING ACTIVITIES	**(296,089)**	**(465,837)**
Issue of share capital	83,672	78,822
Purchases and sales of treasury stock	(130,791)	(226,970)
Dividends paid	(171,541)	(145,984)
Increase / (Decrease) in borrowings	186,651	381,927
NET CASH USED BY FINANCING ACTIVITIES	**(32,009)**	**87,796**
Change in cash and cash equivalents	(2,391)	(64,678)
Cash and cash equivalents at January 1	125,211	189,889
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**122,820**	**125,211**

(a) Changes in working capital are as follows:

€ thousands	**2011**	**2010**	**Variation**
Prepayments to suppliers	2,280	3,331	1,051
Inventories	60,198	62,095	1,897
Operating receivables	216,426	182,227	(34,199)
Other receivables	97,293	104,842	7,549
Accrued interest on loans and dividends receivable	14,231	1,766	(12,465)
Advances and deposit from customers	0	0	0
Operating liabilities	(267,550)	(250,813)	16,737
Other liabilities	(178,046)	(153,081)	24,965
Accrued interest	(682)	(349)	333
Deferred income, prepaid expenses and conversion gains and losses	1,113	2,070	957
WORKING CAPITAL	**(54,737)**	**(47,912)**	**6,825**

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

20.3.2.5 Notes to the 2011 Parent Company Financial Statements

The following notes provide additional information about items reported in the balance sheet at December 31, 2011, which shows total assets of €3,118,159 thousand, and the income statement, which shows a net profit of €273,061 thousand.

The financial statements cover the 12-month period from January 1 to December 31, 2011.

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

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

SIGNIFICANT EVENTS OF THE YEAR

Commercial revenue

Parent company revenue was relatively stable compared to 2010. Lens sales dropped 0.4%, and instrument sales fell 11.3% in the French market and were stable on the export market. Finally, the Puerto Rico branch recorded revenue growth of 2.8%.

Profit sharing premium

In accordance with the Law of July 28, 2011 instituting a profit-sharing premium for companies with more than 50 employees whose dividend paid in 2011 increased in relation to the average dividend paid over the last two years, Essilor recorded an expense during 2011 for an amount of €899 thousand.

Financial transactions

Treasury stock transactions

During 2011, Essilor bought back 3,226,655 treasury shares. This transaction took place as part of the share buyback policy conducted by Essilor since 2003, the goal of which is to limit the dilutive effects related to the granting of stock subscription options and performance shares. By decision of the Board of Directors of January 26, 2011 and November 24, 2011, Essilor conducted a share capital increase of €428,931.72, representing the issuance of 2,382,954 new shares.

Finally, 694,076 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 26, 2009 and December 18, 2009.

As of December 31, 2011, the number of treasury shares was 5,363,126.

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 Morocco, Essilor signed an agreement to acquire the majority of capital in L'N Optic, one of its current distributors;
- On July 1, 2011, via its subsidiary Essilor Israeli Holdings LTD, Essilor finalized the acquisition of 50% of the capital of Shamir Optical, which since then has been consolidated into the group financial statements. Shamir Optical made revenue of $158 million in 2010;
- Essilor, via its subsidiary Armgold Holding B.V., is affiliated with the largest distributor of ophthalmic lenses in Russia by gaining a minority interest in Optik Mekk;
- After establishing itself in Morocco with a share in L'N Optic in 2011, Essilor expanded its coverage of the country through two new partnerships. The company gained shares of 65% in the capital of Optiben and VST Lab. These two new partnerships form a whole comprised of a major ophthalmic lens distributor (Optiben) and a prescription laboratory (Vst Lab).

Human resources

At its meeting on November 24, 2011, the Board of Directors decided to allot 1,267,634 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 €52.27 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 2011, 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 2011 as part of the tax consolidation. Moreover, in 2011, the company requested a tax refund for the deficit carry-forward, which also generated a significant tax profit for 2011 earnings.

Essilor International was the subject of a tax audit for 2006 to 2008 inclusive. In late 2010, the company received a tax deficiency notice and, without prejudice to the final position of the French tax authorities, Essilor recorded a provision in its financial statements as a result. Discussions are in progress with the French tax authorities, and this provision is still listed in the Essilor International financial statements at year-end 2011.

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. Conversely, the company has not used the option to record borrowing expenses in the initial cost of the intangible assets.

1.3 RESEARCH AND DEVELOPMENT COSTS

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

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

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

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

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

1.4 PROPERTY, PLANT AND EQUIPMENT

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

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

Buildings	20 to 33 years
Building improvements	7 to 10 years
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. Conversely, the company has not used the option to record borrowing expenses in the initial cost of the intangible assets.

1.5 LONG-TERM INVESTMENTS

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

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

Loans and receivables are stated at nominal value. Foreign currency loans and receivables are converted into euros at 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 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.

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

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

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

1.10 FOREIGN CURRENCY TRANSACTIONS

Almost all foreign currency transactions are hedged. They are then recognized at the hedge price. 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, LENGTH-OF-SERVICE AND OTHER OBLIGATIONS

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

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

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

- The projected benefit obligation, corresponding to the vested rights of active and retired employees, 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 Essilor Industries financial statements are prepared in US dollars.

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

- Income statement items are translated at the average hedging rate for the year.

Balance sheet amounts were converted into euros, at the balance sheet closing date rate, except for:

- 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.

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

1.14 RECOGNITION AND MEASUREMENT OF PROVISIONS

Untaxed provisions

These mainly comprise provisions for excess tax depreciation.

Provisions for contingencies and charges

A provision is recognized when 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: Parent company shares held for stock option plans granted to Group employees are carried at cost under "Other long-term investments." They are recognized at acquisition cost. Where applicable, a provision is recorded to cover the difference between the option exercise price and the weighted average price of the corresponding shares held at the year-end.
- 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 are recognized as personnel expenses.

Provisions for losses from subsidiaries and affiliates

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

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

1.15 LOAN ISSUANCE CHARGES

Loan issuance charges may be:

- Kept in expenses in their entirety in the year they are reported; or
- Distributed over the term of the loan.

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

NOTE 2. REVENUE

2.1 NET REVENUE BY BUSINESS SEGMENT

2011 *€ thousands*	**France**	**Export**	**Total**	**% change 2011/2010**
Corrective lenses	290,261	220,816	511,077	(0.4%)
Optical instruments	29,852	50,357	80,209	(4.8%)
Industrial equipment	1,601	15,011	16,611	(17.6%)
Other	15,278	55,255	70,533	12%
TOTAL	**336,992**	**341,439**	**678,430**	(0.3%)

2010 *€ thousands*	**France**	**Export**	**Total**	**% change 2010/2009**
Corrective lenses	294,845	218,509	513,354	2.1%
Optical instruments	33,647	50,609	84,256	8.2%
Industrial equipment	881	19,278	20,159	(37.5%)
Other	15,154	47,610	62,764	9.0%
TOTAL	**344,527**	**336,006**	**680,533**	**1.5%**

2.2 BREAKDOWN BETWEEN INTERCOMPANY AND EXTERNAL SALES, FRANCE AND EXPORT

€ thousands	**2011**	**2010**	**% change 2011/2010**
France:			
- Intercompany	34,808	37,761	(7.8%)
- External	302,184	306,766	(1.5%)
Sub-total	336,992	344,527	(2.2%)
Export:			
- Intercompany	284,856	280,785	1.4%
- External	56,583	55,221	2.5%
Sub-total	341,439	336,006	1.6%
TOTAL	**678,430**	**680,533**	**(0.3%)**

NOTE 3. NET INTEREST INCOME

€ thousands	2011	2010
Interest expense	(6,493)	(3,699)
Interest income		
Dividends	255,920	250,217
Investment income	2,215	1,460
Interest income from loans	12,756	11,804
Net discounts	(2,987)	(3,086)
Provisions for losses on subsidiaries	(25,575)	(12,054)
Exchange gains and losses, net	2,546	4,550
Other	(993)	(5,648)
TOTAL	**237,388**	**243,545**

NOTE 4. NON-OPERATING ITEMS

€ thousands	2011	2010
REVENUE TRANSACTIONS	**(2,907)**	**1,952**
Other income and expenses from revenue transactions	(2,793)	2,189
Restructuring costs	(114)	(237)
CAPITAL TRANSACTIONS	**(812)**	**57,382**
Disposals of investments	(875)	61,500
Other income and expenses from capital transactions	63	(4,118)
PROVISION MOVEMENTS	**(9,728)**	**7,132**
Untaxed provisions	(2,733)	61
Restructuring provisions[a]	0	2,251
Other[b]	(6,994)	4,821
TOTAL	**(13,447)**	**66,466**

(a) Restructuring transactions include a reorganization plan announced at year-end 2008 for two company manufacturing sites.

(b) Other allocations and write-backs for provisions correspond for the most part to the provision for tax audits of €3.8 million.

NOTE 5. INCOME TAX EXPENSE

5.1 PROFIT EXCLUDING OVERRIDING TAX ASSESSMENTS

€ thousands	**2011**	**2010**
Net profit	273,061	341,947
Income tax expense	(14,408)	(5,077)
Pre-tax profit	258,654	336,869
Change in regulated provisions	2,733	(61)
Profit before tax, excluding overriding tax assessments	261,387	336,808

Besides a tax charge of €20,827 thousand, taxes acknowledged at Essilor include income related to the research tax credit of €11,631 thousand and tax consolidation income of €6,830 thousand. The option for tax loss carry-backs exercised in 2011 for 2009 and 2010 generated tax income of €15,387 thousand. Essilor tax income ended up totaling €14,408 thousand.

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**
2011			
Profit before non-operating items and ta:	272,100	11,248	283,348
Non-operating income (expenses), net	(13,447)	3,160	(10,287)
NET PROFIT			**273,061**

€ thousands	**Before tax**	**Tax**	**After tax**
2010			
Profit before non-operating items and ta:	270,404	(2,111)	268,292
Non-operating income (expenses), net	66,466	7,189	73,654
NET PROFIT			**341,947**

(a) of which €243,348 thousand in dividends subject to the parent company-subsidiary treatment and €129,177 thousand in royalties taxed at the reduced rate of 15%. The option for the tax loss carry-backs exercised in 2011 for 2009 and 2010 generated tax income of €15,387 thousand.

5.3 UNRECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

ASSETS

No deferred tax assets are recognized in the balance sheet.

€ thousands	**2011**	**2010**
Pension plan	32,535	29,157
Provisions for vacation pay[(a)]	11,814	11,385
Impairment of investments in subsidiaries and affiliates	74,966	85,628
Others	10,970	12,891
TOTAL	**130,285**	**139,060**
Tax loss carryforwards[(b)]	**154,048**	**103,286**
Unrecognized deferred tax asset (34.43% tax rate for 2010)	102,644	83,440

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

(b) This cumulative tax loss carry-forward corresponds to the tax loss carry-forward of the tax group. The tax savings related to the tax losses in the subsidiaries included in the tax integration group, which could be restored to them by ESSILOR, are recognized as a liability through the recording of a debt in the balance sheet. The amount of this tax loss is €3,276 thousand at December 31, 2011. 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 €11,186 thousand as follows:

€ thousands	At the end of 2009	Increase 2010	Decrease 2010	At the end of 2010	Increase 2011	Decrease 2011	At the end of 2011
Provisions for:							
- Excess tax depreciation	28,190	7,205	7,265	28,129	7,871	5,138	30,863
- Other	128		6	122	2		124
TOTAL	**28,318**	**7,205**	**7,271**	**28,251**	**7,873**	**5,138**	**30,987**
Unrecognized deferred tax liability (34.43% tax rate, then 36.10% for	9,750			9,727			11,186

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
2011							
Development costs	3,551						3,551
Patents, trademarks and licenses	94,146	1,992	44	3,497			99,591
Purchased goodwill	434						434
Other intangible assets	17,663	6,730	40	(3,480)			20,873
GROSS AMOUNT	**115,794**	**8,722**	**85**	**17**			**124,449**
Amortization and provisions	66,773				8,600	963	74,410
CARRYING AMOUNT	**49,021**						**50,039**
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**

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
2011							
Land	13,859	18	1	5			13,881
Buildings	117,093	1,005	1,673	1,555			117,980
Plant and equipment	129,062	5,568	3,607	4,904			135,927
Other	44,110	1,174	1,060	223			44,447
Assets under construction	10,062	9,660	66	(5,796)			13,860
Advance payments to suppliers	382	9		(382)			9
GROSS AMOUNT	**314,569**	**17,434**	**6,409**	**509**			**326,103**
Depreciation and provisions	204,122				19,492	4,975	218,639
CARRYING AMOUNT	**110,447**						**107,464**
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**

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
2011							
Shares in subsidiaries and affiliates[(a)]	1,579,557	211,949	21,188	1,043			1,771,360
Loans to subsidiaries and affiliates[(b)] (advances on share issues)	394,722	964,958	893,809	0			465,870
Other long-term investments (Essilor International shares)	136,192	163,017	32,226	0			266,983
Other loans	44	0	0	0			44
Other non-current assets[(c)]	4,983	3,577	3,142	(1,043)			4,375
GROSS AMOUNT	**2,115,497**	**1,343,500**	**950,366**	**0**			**2,508,631**
Provisions	85,830				16,859	27,723	74,966
CARRYING AMOUNT	**2,029,666**						**2,433,665**

(a) Increases:

- Capital increases for BBGR (€32 million), China Holding Co (€25.9 million), E India Pvt Ltd (€14.7 million), Oftalmica GALILEO Italia SPA (€6 million), Essilor Laboratory Polska Sp zoo (€2.5 million), Danyang ILT (€1.3 million), Varilux University (€1 million).
- Acquisition of FGX Holding (100%), Armgol Holding (20%), Rhein Vision BV (33%), LN optic (51%), EIH (100%), and Optiben (65%) for a total of €112.5 million.
- Acquisition of 30% of WLC for ownership of 100% of capital, and 25% of NIKA for ownership of 100% of capital, for a total amount of €12.9 million.

Decreases:

- Liquidation of Alpino Holding, Milroy Optical, Neuro Vision, Tec optic for a value of €20.8 million.

Transfers:

- Long-term assets of various acquisition fees (€1 million)

(b) Increases and decreases are for the most part connected to renewals of loans to subsidiaries and a dividend of €12.3 million to be received from Satisloh Holding AG.

(c) Total payment of fixed-term bank deposit (escrow): EIH.

€ 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
2010							
Shares in subsidiaries and affiliates	1,390,414	234,814	49,521	3,849			1,579,557
Loans to subsidiaries and affiliates [(a)] (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[(b)]	10,557	5,657	8,873	(2,358)			4,983
GROSS	**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 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	121,801	157,144	253,136	235,806	24,028	1,435	382,296	16,752	46,197
International companies	502,972	1,328,213	1,517,222	1,459,842	223,212	313,382	4,823,116	493,113	209,092
LESS THAN 1% OF THE COMPANY'S CAPITAL									
French companies	0	0	0	0	0	0	0	0	0
International companies	9,660	14,391	1,002	746	8,382	0	64,118	301	631

8.3 ANALYSIS OF LONG-TERM LOANS AND RECEIVABLES BY MATURITY

€ thousands	**2011**	**2010**
More than one year	198,911	3,808
Less than one year	271,378	395,941
TOTAL	**470,289**	**399,748**

NOTE 9. CURRENT ASSETS

9.1 INVENTORIES

€ thousands	**2011**	**2010**
Raw materials and other suppliers	42,629	41,743
Goods for resale	6,549	6,759
Finished and semi-finished products and work in progress	28,935	31,291
Sub-total	78,113	79,792
Provisions:		
Raw materials and other suppliers	(12,083)	(11,954)
Goods for resale	(1,915)	(2,098)
Finished and semi-finished products and work in progress	(3,916)	(3,645)
Sub-total	(17,914)	(17,697)
TOTAL	**60,198**	**62,095**

9.2 ANALYSIS OF OPERATING RECEIVABLES BY MATURITY

€ thousands	**2011**
More than one year	**8,653**
Trade receivables	8,555
Other receivables [(b)]	98
Less than one year	**334,222**
Prepayments to suppliers	2,289
Trade receivables [(a)]	198,597
Other receivables [(b)]	133,336
TOTAL	**342,875**

(a) The portion related to commercial paper accounts for €4.7 million.

(b) The "Other receivables" line primarily includes current accounts with regard to subsidiaries of €85.3 million and a carry-back receivable of €15.4 million.

9.3 MARKETABLE SECURITIES

	2011		**2010**	
€ thousands	Brut	Net	Brut	Net
Money market funds[(a)]	50,641	50,641	128,213	128,213
Own shares[(b)]	0	0	2,939	2,939
Currency options	805	805	922	922
TOTAL	**51,446**	**51,446**	**132,074**	**132,074**
Retail certificates of deposit	82,000	82,000	0	0
TOTAL MARKETABLE SECURITIES	**133,446**	**133,446**	**132,074**	**132,074**

(a) SICAVs held at closing are comprised solely of money market funds of three months and less than three months.

(b) Held under a liquidity contract.

Marketable securities are subject to a policy that encourages safe, liquid return. Available cash is invested only in short-term funds, which limit the risk of capital loss and are immediately available. At December 31, 2011, 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.

9.4 ACCRUALS

€ thousands	**2011**	**2010**
Prepaid expenses:		
Operating income	3,890	3,177
Financial income	0	11
TOTAL	**3,890**	**3,188**

€ thousands	**2011**	**2010**
VALUE AT JANUARY 1	**0**	**14**
Amortizations	0	14
VALUE AT DECEMBER 31	**0**	**0**

9.5 ACCRUED INCOME

€ thousands	**2011**	**2010**
Investments and other non-current assets		
Loans to subsidiaries and affiliates [(a)]	14,234	1,765
Receivables		
Trade receivables	26,496	14,074
Other receivables	3,072	733
TOTAL	**43,802**	**16,572**

(a) The change in loans to subsidiaries and affiliates can be explained by the dividend to be received from Satisloh Holding AG for an amount of €12.3 million.

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	211,655,342	2,382,954			214,038,296	0.18
Preferred, non-voting shares	0				0	
TOTAL	**211,655,342**	**2,382,954**	**0**	**0**	**214,038,296**	**0.18**

Of which own shares:

Number of shares	At the beginning of the year	Bought	Canceled	Exercised stock options	OCEANE bonds conversion	Performance shares
Treasury stock	2,833,112	3,226,655	0	(111,295)	(585,346)	5,363,126
Shares held in the liquidity account[(a)]	61,000	(61,000)				0
TOTAL	**2,894,112**	**3,165,655**	**0**	**(111,295)**	**(585,346)**	**5,363,126**

(a) Essilor acquired 1,390,606 and sold 1,451,606 shares from January 1 to December 31, 2011 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, 2011	**38,098**	**224,697**	**1,176,997**	**341,947**	**28,129**	**122**	**(1,949)**	**1,808,042**
Share issues								
- Employee rights issue	94	21,708						21,801
- Exercise of stock options	335	60,996						61,331
- OCEANE bond conversions								0
Capital reduction								0
Other movements for the period					2,733	2	520	3,255
Appropriation of profit			341,947	(341,947)				0
Dividends paid			(171,541)					(171,541)
Net profit for the period				273,061				273,061
EQUITY AT DECEMBER 31, 2011	**38,527**	**307,401**	**1,347,403**	**273,061**	**30,863**	**124**	**(1,429)**	**1,995,950**

2011

Capital totaled €38,527 thousand, corresponding to an increase of 2,382,954 ordinary shares following:

- subscriptions to Essilor Group FCP mutual funds (521,316 shares);
- stock options (1,861,638 shares);

New shares were entitled to dividends starting January 1, 2011.

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.

10.3 STOCK SUBSCRIPTION AND PURCHASE OPTIONS, PERFORMANCE SHARES AND EMPLOYEE SHARE ISSUES

Stock subscription and purchase options

The exercise price of stock subscription or purchase options corresponds to the average of the share prices quoted over the 20 trading days preceding the date of the Board meeting at which the grants are decided. Gains on options granted since 2004 (corresponding to the difference between the 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, November 2010 and November 2011 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.

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).

Employee share issues

The main features of the employee share issues are:

In €	December 2011	December 2010
Share subscription price	41,34	38,41
Amount of total discount	10,34	9,43
Number of shares subscribed	521,316	202,285

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
2011					
Provisions for pensions and other post-employment benefits	29,157	7,087	3,513	197	32,535
Provisions for losses in subsidiaries and affiliates	300	0	0	0	300
Provision for losses on treasury shares and for performance share costs	16,316	23,568	26,318	0	13,566
Provisions for restructuring	0	0	0	0	0
Other provisions for contingencies and charges[(a)]	28,710	11,436	4,672	1,406	34,068
TOTAL	**74,484**	**42,090**	**34,503**	**1,603**	**80,469**

(a) Other provisions for contingencies and charges are comprised primarily of the provision for tax audits, which totaled €24.7 million at year-end 2010.

€ 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.

11.2 PROVISIONS FOR IMPAIRMENT

€ thousands	At the beginning of the year	Charges	Releases	At the end of the year
2011				
PROVISIONS FOR IMPAIRMENT	**106,441**	**53,696**	**47,560**	**112,577**
Inventories	17,697	17,914	17,697	17,914
Receivables	2,906	18,923	2,140	19,689
Shares in subsidiaries and affiliates	85,750	16,859	27,643	74,966
Other long-term investments	81	0	81	0
Other	8			8
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

NOTE 12. LIABILITIES

12.1 MATURITIES OF LIABILITIES

Analysis of total liabilities by maturity and by category

€ thousands	**2011**	**2010**
DUE WITHIN ONE YEAR	**1,035,652**	**797,462**
Borrowings	586,238	391,933
Operating liabilities[b]	274,727	256,486
Other liabilities[a][b]	174,687	149,043
DUE IN ONE TO FIVE YEARS	**3,292**	**4,038**
Borrowings		
Operating liabilities		
Other liabilities	3,292	4,038
DUE BEYOND FIVE YEARS	**0**	**0**
Borrowings		
Operating liabilities		
Other liabilities		
TOTAL	**1,038,944**	**801,500**

(a)"Other liabilities" consist mainly of current account advances from subsidiaries for €168.7 million.

(b) The portion related to commercial paper represents €5.7 million.

Analysis by maturity (total liabilities)

€ thousands	**2011**	**2010**
2011		797,462
2012	1,035,652	2,439
2013	1,641	
2014		
2015	1,651	1,599
TOTAL	**1,038,944**	**801,500**

Analysis by currency (borrowings)

€ thousands	**2011**	**2010**
EUR	191,689	94,685
USD	386,558	288,197
GBP	4,196	
CAD	3,794	9,051
TOTAL	**586,238**	**391,933**

12.2 ACCRUED CHARGES

€ thousands	**2011**	**2010**
Accrued interest	948	597
Trade payables (goods and services received but not yet invoiced)	39,090	38,416
Accrued taxes and personnel expenses		
- vacation pay	31,701	30,113
- discretionary profit-sharing	4,474	4,154
- other	20,956	18,009
Other accrued charges		
- Accrued customer discounts and rebates	69,998	66,828
- Amounts due to customers	7,177	5,673
- Credit notes to be issued	2,785	1,840
- Affiliates, dividends to be paid	2	0
Liabilities on fixed assets and related not yet invoiced)	2,540	1,647
TOTAL	**179,671**	**167,277**

12.3 RELATED PARTY TRANSACTIONS

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

BALANCE SHEET	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Other	Total on balance sheet
Equity stakes	1,613,430	82,964	0	1,696,394
Receivables from companies in which an equity interest is held	461,311	1,133	3,426	465,870
TOTAL FIXED FINANCIAL ASSETS (NET)	**2,074,741**	**84,097**	**3,426**	**2,162,264**
Clients and related accounts	117,449	5,603	81,353	204,405
Other receivables	70,307	288	45,898	116,493
TOTAL CIRCULATING ASSETS (NET)	**187,755**	**5,891**	**127,251**	**320,897**
TOTAL ASSETS	**2,262,496**	**89,988**	**130,677**	**2,483,161**
Trade payables	54,654	3,660	58,644	116,958
Other operating liabilities	8,115	0	149,655	157,769
Other liabilities	173,911	654	3,414	177,979
TOTAL LIABILITIES	**236,680**	**4,314**	**211,712**	**452,706**

INCOME STATEMENT	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Other	Total
Interest expense[(a)]	42,903	245	88,982	132,130
Interest income[(b)]	206,001	72,142	91,374	369,517

(a) Financial expense breaks down as follows:

Financial expense reported under "Related parties" corresponds mainly to impairment losses on shares in subsidiaries, interest on advances from the cash pool and interest on borrowings.

Financial expense reported under "Other companies with which Essilor has capital ties" corresponds mainly to impairment losses on shares in affiliates.

Financial expenses reported under "Others" mainly concern conversions of transactions at the end-of-month rate, interest on borrowings, discounts granted.

(b) Financial income breaks down as follows:

Financial income reported under "Related parties" corresponds mainly to dividend income, reversals of impairment losses on shares in subsidiaries, and interest on loans.

Financial income reported under "Capital ties" mainly concern deposited dividends.

Financial income reported under "Others" mainly concern conversions of transactions at the end-of-month rate, capital gains on investments (sicav, certificates of deposit), interest on borrowings and provisions for risks "exchange rate losses".

NOTE 13. OFF-BALANCE SHEET COMMITMENTS

13.1 FINANCIAL COMMITMENTS

Commitments given and received

€ thousands	**2011**	**2010**
COMMITMENTS GIVEN		
Guarantees and endorsements [(a)]	333,349	531,272
COMMITMENTS RECEIVED		
Guarantees, endorsements and sureties	141	186

(a) Mainly guarantees given by Essilor International to financial institutions in favour of affiliates.

Forward foreign exchange contracts

As at December 31, 2011, forward foreign exchange transactions (excluding cross-currency swaps) were as follows:

€ thousands	Contractual amounts (initial price)	Fair value at December 31, 2011
Foreign currency sell position	144,771	(3,652)
Foreign currency buy position	76,057	71
TOTAL		**(3,581)**

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

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, 2011[(b)]
Purchases of puts			
Sales of puts[(a)]			
Purchases of calls	2,595	(92)	183
Sales of calls[(a)]			
TOTAL		**92**	**183**

(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.

Foreign exchange and interest rate swap

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

In 2010, the Company conducted a reversal of existing interest rate swaps and concluded new ones at lower interest rates for an amount of $100 million.

In 2011, the company subscribed to interest rate swaps for an amount of $200 million and two interest rate caps for amounts of €50 million and $50 million.

€ thousands	Notional amount (USD)	Notional amount (EUR)	Fair value at December 31, 2011
External cross-currency swaps	328,375	250,000	11,779
Internal cross-currency swaps	328,375	250,000	(11,758)
Interest rate swaps	300,000		(7,426)
EUR interest rate caps		50,000	309
USD interest rate caps	50,000		199
TOTAL			**(6,897)**

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

Contractual obligations at December 31, 2010	**Future minimum payments**			
€ thousands	**1 year**	**to 5 years**	**5 years**	**Total**
Software licenses	818			818
Non-cancelable operating leases	3,100	6,200		9,300
TOTAL	**3,918**	**6,200**	**0**	**10,118**

13.4 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, 2011, the valuation of all of these put options if they were fully exercised totaled €96,591 thousand.

NOTE 14. EMPLOYEE DATA

14.1 PENSION, LENGTH-OF-SERVICE AND OTHER OBLIGATIONS

Supplementary pensions

The commitment to executive and similar employees with regard to supplementary pensions was updated in 2011, according to a retrospective method. The actuarial assumptions used for 2011 are as follows: inflation rate (2%), employee turnover rate, salary increase rate (3 %, which is above inflation) and discount rate (4.3%).

On this basis, the total obligation at December 31, 201 stood at €37,956 thousand, including €9,219 thousand funded under insured plans at that date.

€ thousands	**2011**	**2010**
Projected benefit obligation	37,956	33,357
Fair value of plan assets	(9,219)	(10,215)
Deferred items[(a)]	(17,897)	(15,296)
PROVISION RECOGNIZED IN THE BALANCE SHEET	**10,840**	**7,846**

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

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 €2,268 thousand at December 31, 2011 based on a discount rate of 4.3%.

€ thousands	**2011**	**2010**
Projected benefit obligation	2,268	2,253
Fair value of plan assets	0	0
PROVISION RECOGNIZED IN THE BALANCE SHEET	**2,268**	**2,253**

Retirement benefits

The Company's obligation for the payment of retirement benefits for all types of retirement was estimated, according to a retrospective method, at €33,427 thousand at December 31, 2011 based on a discount rate of 4.3%.

€ thousands	**2011**	**2010**
Projected benefit obligation	33,427	31,599
Fair value of plan assets	0	0
Deferred items[(a)]	(16,636)	(16,490)
PROVISION RECOGNIZED IN THE BALANCE SHEET	**16,791**	**15,109**

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

Expenses for the year

€ thousands	**2011**	**2010**
Cost of services rendered over the period	(3,124)	(2,773)
Interest charge on update	(2,921)	(2,647)
Services paid for	3,367	3,429
Expected return from plan assets	376	816
Actuarial losses (gains)	(2,086)	(1,069)
Costs of past servicces	(302)	(465)
Expenses for the year	**(4,690)**	**(2,709)**

14.2 AVERAGE NUMBER OF EMPLOYEES

Analysis of average number of employees	2011	2010
Management	1,254	1,232
Supervisory and administrative	1,324	1,360
Production	886	936
TOTAL	**3,464**	**3,528**

14.3 MANAGEMENT COMPENSATION

	2011		2010	
€ thousands	Executive bodies	Administrative bodies	Executive bodies	Administrative bodies
Overall compensation	2,281	397	2,956	435

Note: Members of executive and administrative bodies benefited equally during 2011 from stock option plans and performance share award plans.

14.4 OTHER EMPLOYEE INFORMATION

"DIF" individual training entitlement

The cumulative number of hours training available to employees under the "DIF" scheme was 318,687 at December 31, 2010.

The cumulative number of hours for which no training request had been received at the balance sheet date was 303,894.

NOTE 15. FEES PAID TO THE AUDITORS AND MEMBERS OF THEIR NETWORKS

	PricewaterhouseCoopers				Mazars			
	Amount		In %		Amount		In %	
€ thousands, except for percentages	2011	2010	2011	2010	2011	2010	2011	2010
AUDIT SERVICES								
Statutory and contractual audit services	462	455			281	274		
Audit-related services	281	430			138	371		
Subtotal	**743**	**885**	**100%**	**100%**	**419**	**645**	**100%**	**100%**
OTHER SERVICES								
Legal and tax advice								
Other								
Subtotal	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**743**	**885**	**100%**	**100%**	**419**	**645**	**100%**	**100%**

NOTE 16. EVENTS AFTER THE BALANCE-SHEET DATE

Acquisitions made in early 2012

In China, Essilor purchased a majority stake in Jiangsu Seeworld Optical Co Ltd, an ophthalmic lens producer located in the City of Danyang with revenues of around €7 million. Youli Optics employs over 300 people and has a lens manufacturing plant for the domestic and export market.

Acquisitions in progress in 2012

In Tunisia, the company signed an agreement to gain a majority stake in the SIVO laboratory and its commercial subsidiary SICOM, which are located in Sfax. SIVO is number one in the Tunisian market and also operates on other markets in North and West Africa thanks to subsidiaries established in Algeria, Morocco, Côte d'Ivoire, Togo and Cameroon. This group has achieved revenues of around €7 million in 2011.

The finalization of the transaction, which requires the approval of various regulatory authorities, should take place in the first half of 2012.

In Turkey, Essilor signed an agreement to acquire the majority of capital in Ipek Optik, one of the largest actors in the Turkish market. Ipek Optik generates annual revenues of about €5 million.

Share buyback

Essilor International is continuing its share buyback policy, the purpose of which is to set off the dilution related to share-based payment programs. As of February 23, the company had redeemed 1,608 million shares on the market for an investment amount of around €91.5 million.

Recent financing

In January 2012, Essilor concluded two new five-year bilateral credit facilities for a total amount of $300 million. In addition, in February 2012, the Group concluded a US private placement of $300 million (one five-year tranche of $200 million and one seven-year tranche of $100 million).

These three sources of funding replace the syndicated facility of €700 million (maturing in May 2012), which was terminated early in February 2012.

NOTE 17. FIVE-YEAR FINANCIAL SUMMARY

€ thousands	**2011**	**2010**	**2009**	**2008**	**2007**
CAPITAL AT YEAR-END					
Share capital	38,527	38,098	38,792	37,984	38,030
Number of ordinary shares outstanding[a]	214,038,296	211,655,342	215,509,972	211,019,922	211,279,315
o/w treasury stock[a]	5,363,126	2,894,112	4,630,653	4,006,005	2,659,810
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. The number of outstanding shares has been adjusted to reflect the effects of the stock-split.

€ thousands	**2011**	**2010**	**2009**	**2008**	**2007**
RESULTS OF OPERATIONS					
Net revenue	678,430	680,533	670,474	714,306	719,551
Profit before tax, depreciation, amortization and provisions	300,219	362,900	246,094	277,208	265,449
Income tax expense	(14,408)	(5,077)	(14,111)	(8,274)	3,496
Employee profit-sharing					
Net profit	273,061	341,947	214,753	239,156	205,079
Total dividends	177,374	173,272	147,616	136,629	129,344

in €	**2011**	**2010**	**2009**	**2008**	**2007**
PER SHARE DATA					
Earnings per share after tax and employee profit sharing, before depreciation, amortization and provisions, excluding treasury stock	1.51	1.76	1.23	1.38	1.26
Earnings per share, excluding treasury stock	1.31	1.64	1.02	1.16	0.98
Net dividend per ordinary share	0.85[a]	0.83	0.70	0.66	0.62
Net dividend per preferred, non-voting share					

(a) Subject to the decision of the Shareholders' Meeting of May 11, 2012.

€ thousands, except for the average number of employee	**2011**	**2010**	**2009**	**2008**	**2007**
EMPLOYEE DATA					
Average number of employees	3,464	3,528	3,584	3,714	3,517
Total payroll	161,028	157,673	151,855	150,856	139,305
Total benefits	81,492	79,270	76,982	74,561	69,770

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, 2011

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, 2011, 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.

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 16, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Christine Bouvry	Pierre Sardet

20.4.1.2 Fees paid to the Auditors and the members of their networks

Years covered: 2011 and 2010.

	PricewaterhouseCoopers				**Mazars**			
	Amount (net of VAT)		Percentage of total (%)		Amount (net of VAT)		Percentage of total (%)	
€ thousands, except for percentages	2011	2010	2011	2010	2011	2010	2011	2010
AUDIT								
Statutory and contractual audit services:								
- Parent company	462	455	17%	14%	281	274	12%	12%
- Consolidated subsidiaries	1,684	2,041	63%	65%	1427	1,272	55%	55%
Audit-related services:								
- Parent company	281	430	11%	14%	138	371	16%	16%
- Consolidated subsidiaries	164	56	6%	2%	1,298	399	17%	17%
SUB-TOTAL	2,591	2,982	98%	95%	3,144	2,317	100%	100%
OTHER SERVICES PROVIDED TO CONSOLIDATED SUBSIDIARIES								
Legal and tax advice	61	163	2%	5%	32	0	0%	0%
Other	0	0	0%	0%	0	0	0%	0%
SUB-TOTAL	61	163	2%	5%	32	0	0%	0%
TOTAL	**2,652**	**3,145**	**100%**	**100%**	**3,176**	**2,317**	**100%**	**100%**

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

20.4.1.3 Report of the Auditors on the parent company financial statements

Year ended December 31, 2011

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, 2011, 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 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 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 your Company from entities that control it or that it controls.

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 16, 2012

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

Shareholders' General Meeting approval of the financial statements for the fiscal year ended December 31, 2011.

ESSILOR INTERNATIONAL SA

147, rue de Paris

94227 Charenton Cedex, France

Dear 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.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

We have not been advised of any agreements or commitments that have been approved in the year ended and would require the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

We have not been advised of any agreements or commitments previously approved by the Shareholders' Meeting and the performance of which may have continued during the year ended.

Neuilly-sur-Seine and Courbevoie – March 16, 2012

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 2010 and 2011 (from January 1, 2010 to December 31, 2010 and from January 1, 2011 to December 31, 2011).

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.

2011 dividend payable in 2012

For 2011, the Board will recommend to the Annual Shareholders' Meeting of May 11, 2012, a 2.4% increase in the net dividend to €0.85 per share for 2011 from €0.83 per share for 2010.

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 2011.

The dividend will be paid as from May 29, 2012, in cash only.

Historical payout rates

Total dividends for 2011 and the previous five years were as follows:

€ millions	Profit attributable to equity holders of Essilor International	total dividend	Payout ratio
2011 IFRS	506	176[(a)]	35%
2010 IFRS	462	172	37%
2009 IFRS	391	146	37%
2008 IFRS	382	136	36%
2007 IFRS	367	128	35%
2006 IFRS	328	113	34%

(a) On the basis of treasury shares as of February 29, 2012, and subject to the decision of the Shareholders' Meeting of May 11, 2012.

Dividend history

Dividends per share for 2011 and the last five years were as follows:

In €	2011	2010	2009	2008	2007	2006
Ordinary shares[a]						
Net dividend	0.85[b]	0.83	0.70	0.66	0.62	0.55
Paid on	May 29, 2012	May 19, 2011	May 28, 2010	May 26, 2009	May 28, 2008	May 15, 2007

(a) Adjusted for the July 2007 two-for-one stock-split.

(b) Subject to the decision of the Shareholders' Meeting of May 11, 2012

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, 2011.

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:

On this subject, refer to Section 21.1.5 of this Registration Document "Conditions governing any acquisition right and/or any obligation attached to the capital subscribed, but unpaid, or any undertaking to increase capital".

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, 2011, the share capital amounted to €38,526,893.28, represented by 214,038,296 shares of common stock, 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, 2011 amounted to 223,947,118.

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 2011

Changes in share capital during the year were as follows:

- €93,836.88 increase, excluding original issue premium, corresponding to the issue of 521,316 new shares, each with a par value of €0.18 subscribed by the Essilor Group 5 and 7-year FCPE.
- €335,094.84 increase, excluding original issue premium, corresponding to the issue of 1,861,638 new shares, each with a par value of €0.18 on exercise of stock options.

At December 31, 2011, the share capital amounted to €38,526,893.28, represented by 214,038,296 ordinary shares, each with a par value of €0.18 and all fully paid.

OWNERSHIP STRUCTURE AT DECEMBER 31, 2011

At December 31, 2011	Number of shares	%	Number of voting rights	%
Employee shareholders (current, former and retired employees)				
- Valoptec International FCPE	6,263,487	2.93	12,515,868	5.59
- Essilor Group 5 and 7 year FCPE	5,269,233	2.46	9,984,525	4.46
- Funds for employees outside France	704,803	0.33	713,506	0.32
- Registered shares held directly by employees	5,362,905	2.51	8,412,620	3.76
SUB-TOTAL	**17,600,428**	**8.22**	**31,626,519**	**14.12**
Partner shareholders[(a)]				
- Direct and administered register shares held by partners	343,240	0.16	386,480	0.17
SUB-TOTAL	**17,943,668**	**8.38**	**32,012,999**	**14.29**
Treasury shares				
- Treasury shares	5,363,126	2.51		
- Liquidity contract				
SUB-TOTAL	**5,363,126**	**2.51**		
PUBLIC	**190,731,502**	**89.11**	**191,934,119**	**85.71**
TOTAL	**214,038,296**	**100.00**	**223,947,118**	**100.00**

(a) The Partner Shareholders determines the proportion of Essilor International shares held by employees, senior managers and, if applicable, former employees and senior managers of companies in which Essilor International held a stake which has subsequently been sold in full.

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, 2011	inc. options in 2011
Options granted [(a)]	13,287,890	85,620
Options cancelled[(a)]	670,292	123,241
Options exercised [(a)]	7,144,512	1,861,638
Options outstanding [(a) and (b)]	5,473,086	

(a) Since the November 14, 2001 plan, there are no longer any subscription options granted under previous plans outstanding).
See also the history of the plans in Section 17.2.2.2.

(b) 2.56% of the capital at December 31, 2011.

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.

STOCK PURCHASE OPTIONS

	At December 31, 2011	in 2011
Options granted [(a)]	1,340,500	
Options cancelled [(a)]	38,026	
Options exercised[(a)]	1,302,474	111,295
Options remaining [(a) and (b)]	0	

(a) Single plan of November 14, 2001. See also history of the plans in Section 17.2.2.2.
(b) 0.00% of the capital at December 31, 2011.

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, 2011	granted in 2011
Rights granted [(a)]	4,615,943	1,267,634
Rights cancelled[(a)]	739,708	37,307
Rights exercised[(a)]	1,672,788	585,346
Rights outstanding[(a) and (b)]	2,203,447	

(a) Since November 22, 2006, first plan to grant rights to performance shares. See also the history of the plans in Section 17.2.2.2.
(b) 1.03% of the capital at December 31, 2011.

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, 2011 due to the exercise of the existing options, regardless of their strike prices, the maximum dilution would be as follows:

At December 31, 2011	Number of shares	%	Number of voting rights	%
Position at year end	214,038,296		223,947,118	
Outstanding stock subscription options	5,473,086	2.56%	5,473,086	2.44%
Outstanding performance share rights	2,203,447	1.03%	2,203,447	0.98%
TOTAL POTENTIAL DILUTION	**7,676,533**	**3.59%**	**7,676,533**	**3.43%**
Total capital diluted at year end	221,714,829		231,623,651	

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, 2011, a total of 214,038,296 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.

In addition, Essilor has been included in the Low Carbon 100 Europe® Index since it was launched. This index launched by NYSE Euronext on October 24, 2008 measures the performance of the 100 largest European companies that emit the lowest levels of CO2 in their sectors.

SRI indices

The Essilor stock is also included in five 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 Index), an international stock index composed of the 120 euro zone companies with the best sustainable development ratings.
- FTSE4Good, published by the Financial Times and the London Stock Exchange (FTSE).
- Ethibel Excellence index;
- ECPI® Ethical Index EURO® index.

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 the stocks in the SBF 250 with significant employee shareholding: at least 3% of the capital in shares held by more than one-fourth of the employees.

For more information about employee share ownership, refer to Section 26.2 "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 of the Bylaws)

The shares are freely transferable and indivisible vis-à-vis the Company.

21.1.1.3.1 Share prices[(a)]

(Source: Euronext Paris)

	Market price, *in euros*			Number of shares outstanding at December 31	Market capitalization at December 31[(b)] *€ millions*
	Session High	Session Low	Closing Price		
2011	57.720	46.605	54.550	214,038,296	10,968
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

(a) Data may be restated following the 2 for 1 stock split on July 16, 2007.

(b) Used by Euronext Paris in the CAC40 index (before capital increase related to the convertible bonds and the Company Savings Plan),

Share prices and trading volume[a]

(Sources: Euronext Paris and Bloomberg)

	Trading volume in number of shares	Trading volume in amounts, *€ millions*	**Market price,** *in euros* Sessions High	Session Low
2010				
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	16,321,474	788.65	49.380	46.605
February	14,167,868	720.72	52.370	48.825
March	25,026,628	1,276.61	52.860	48.780
April	13,986,755	764.10	56.790	52.390
May	23,116,324	1,296.13	57.050	54.590
June	13,064,760	719.35	56.470	53.000
July	15,290,902	861.34	57.720	55.060
August	30,734,788	1,598.82	56.530	46.885
September	23,405,001	1,269.02	56.200	51.730
October	22,785,242	1,186.43	53.990	50.300
November	17,113,404	888.70	53.320	50.300
December	14,155,810	745.44	54.640	51.490
2012				
January	18,092,750	1,018.93	57.500	54.500
February	15,644,939	906.08	60.170	56.150

(a) Stock markets: Euronext Paris until end of December 2010 and Euronext Paris, Turquoise, Bats Europe, Chi-x Alternative as of January 2011.

21.1.2 SHARES NOT REPRESENTING CAPITAL

Not applicable.

21.1.3 TREASURY STOCK

Essilor held 2,833,112 treasury shares and 61,000 shares under the Company's liquidity contract as of December 31, 2010. In 2011, 3,226,655 shares were acquired by the Company at a net average price of €50.55 and 111,295 shares were sold on exercise of stock options at a price of €15.62. In addition, 585,346 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 2011, 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 4, 2012.

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 2011 of the authorizations given by the Combined Ordinary and Extraordinary Shareholders' Meetings of May 11, 2010 and May 5, 2011.

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 support the liquidity contract.

Apart from transactions under the liquidity (market-making) contract that was signed and extended during the period, the Company bought 3,226,655 shares between January 1 and December 31, 2011 at an average gross price of €50.52 and did not sell any shares on the market. The related average trading fees (including commissions net of tax) amounted to €0.03 per share, increasing the average net cost per share to €50.55.

Since March 8, 2010, the company has assigned to Crédit Agricole Cheuvreux the implementation of a liquidity contract that was harmonized with market practices of the French *Autorité des Marchés Financiers* (AMF) on March 21, 2011 and is based on the Ethics charter of the *Association Française des Marchés Financiers* (AMAFI), amended on March 8, 2011.

Under the liquidity contract, the Company bought 1,390,606 shares between January 1 and December 31, 2011 at an average price of €52.68 and sold 1,451,606 shares at an average price of €52.89 over the same period. No security under the liquidity contract was held at December 31, 2011.

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 December 31, 2011, Essilor held 5,363,126 of its own shares, representing 2.51% of share capital. The nominal value of these shares was €965,362.68 and their book value was €264.1 million (i.e. an average net cost of €49.25 per share).

Transactions for the year for the above two objectives 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):

	2011		
	Treasury shares Employees	**Treasury shares Liquidity contract**	**TOTAL treasury shares**
Number of shares at beginning of period - January 1	**2,833,112**	**61,000**	**2,894,112**
Stock options exercised	(111,295)		(111,295)
Delivery of performance shares	(585,346)		(585,346)
Delivery of shares on conversion of Oceane bonds			0
Cancellation of treasury shares			0
Purchase of treasury shares	3,226,655		3,226,655
Change in liquidity contract		(61,000)	(61,000)
Number of shares at end of period - December 31	**5,363,126**	**0**	**5,363,126**

No shares were reallocated among these purposes in 2011.

Summary of previous share buyback programs

Transactions conducted between March 1, 2011[(a)] and February 29, 2012:	
Percentage of capital held directly and indirectly	3.30%
Number of shares cancelled in the last 24 months	6,312,636
Number of shares held in portfolio	7,081,106
Book value of portfolio (in euros)	362,133,379
Market value of portfolio [(b)] (in euros)	423,166,895

(a) Day after the date on which the balance sheet for the previous programs were completed.
(b) On the basis of the closing price on February 29, 2012.

Transactions under the liquidity contract and other transactions

	Total gross flows from March 1, 2011 to February 29, 2012			Open positions at February 29, 2012					
	Purchases[(a)]	Sales[(b)]	Cancellations	Open buy positions		Open sell positions			
				Calls bought	Puts sold	Fwd purch	Puts bought	Calls sold	Forward sales
Number of shares	4,428,777	1,940,049	0						
Average maximum maturity									
Average transaction price, in €	53.96	35.77							
Total amount, in €	238,982,960	69,400,288							

(a) Including 1.7 million shares for €96 million in 2012.
(b) Inclluding delivery on exercise of stock options and performance shares.

Renewal of the authorization to implement a share buyback program proposed at the Shareholders' Meeting of May 11, 2012

In accordance with Article 241-2 of the AMF's General Regulations, the Shareholders' Meeting of May 11, 2012 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 potentially cover debt securities convertible or exchangeable in Company shares, by buying shares for delivery (in the case of delivery of existing shares as part of the rights conversion operation) or by buying shares for cancellation (in the case of new shares created as part of the rights conversion).
- 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 up to a maximum of 5% of the capital.

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 11, 2012: 10% (equivalent to 21,432,277 shares based on the capital at February 29, 2012, for example);
- Maximum percentage of share capital that may be bought back, taking into account the number of own shares held as of February 29, 2012: 6.70%, or for example 21,432,277 - 7,081,106 = 14,351,171 shares based on the capital at February 29, 2012;
- Maximum purchase price per share: €80 (as adjusted if necessary to take into account the effects of any corporate actions);
- Minimum sale price per share: €29 (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 10, 2013.

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. This authority was not used in 2011, but early in 2012. This authorization has not been implemented in 2011. The Board of Directors, during its meeting on February 29, 2012, decided to cancel 2,400,000 treasury shares. This took effect on the trade date of March 12, 2012.

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, 2011 and February 29, 2012

Date granted	Number of options granted	Options granted to Executive Committee	Subscription price, in euros	Number of options oustanding at December 31, 2011	Number of options outstanding at February 29, 2012
November 14, 2001	321,320	60,000	15.620	0	0
November 20, 2002	1,625,160	486,000	20.340	198,892	179,355
November 18, 2002	1,609,140	440,000	20.370	0	0
November 17, 2004[(a)]	1,787,800	537,880	26.500	0	0
January 27, 2005[(a)]	31,500	24,700	27.290	0	0
November 23, 2005[(a)]	1,996,880	680,000	34.700	979,454	850,031
November 22, 2006[(b)]	930,740	128,000	41.460	491,590	470,480
November 14, 2007[(b)]	1,117,770	148,000	43.650	664,450	642,000
November 27, 2008[(b)]	1,568,080	430,000	33.170	1,066,300	1,006,585
November 26, 2009[(b)]	1,579,120	314,160	38.960	1,371,280	1,328,390
November 25, 2010[(b)]	634,760	0	48.010	615,500	610,900
November 24, 2011[(b)]	85,620	0	52.270	85,620	85,140
TOTAL	**13,287,890**	**3,248,740**		**5,473,086**	**5,172,881**

(a) Capped plans

(b) Capped performance plan

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, 2011 and February 29, 2012

Stock subscription options are presented below (information limited to plans for which options are still outstanding).

	At December 31, 2011	in 2011	At February 29, 2012	in 2012
Options granted [a]	13,287,890	85,620	13,287,890	
Options cancelled[a]	670,292	123,241	686,022	15,730
Options exercised[a]	7,144,512	1,861,638	7,428,987	284,475
Options oustanding[a] and [b]	5,473,086		5,172,881	

(a) Since the November 14, 2001 plan there no no more subscription options granted during previous plans outstanding. See also the history of the plans in Chapter 17.2.2.2.

(b) 2.56% of the capital at December 31, 2011.

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, 2011, the total number of shares that may be created as a result of the exercise of the stock subscription options was 5,473,086.

21.1.4.2 Stock purchase options

21.1.4.2.1 Stock purchase options outstanding as of December 31, 2011 and February 29, 2012

Date granted	Number of options granted	Options granted to Executive Committee	Purchase price *in euros*	Number of options oustanding at December 31, 2011	Number of options outstanding at February 29, 2012
November 14, 2001	1,340,500	400,000	15.620		
TOTAL	**1,340,500**	**400,000**		**0**	**0**

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 Combined Ordinary and Extraordinary Shareholders' meeting of January 18, 2001 authorized the Board of Directors to grant, for the first time, options giving the right to purchase existing shares coming from shares purchased by the Company. In 2001, the Board of Directors granted stock options on November 14.

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, 2011 and February 29, 2012

The stock purchase options are presented below:

	At December 31, 2011	Options granted in 2011	At February 12, 2012	Granted in 2012
Options granted[a]	1,340,500			
Options cancelled[a]	38,026			
Options exercised[a]	1,302,474	111,295		
Options outstanding [a] and [b]	0		0	0

(a) Single plan of November 21, 2001. See also the history of the plans in Chapter 17.2.2.2.

(b) 0.00% of the capital at December 31, 2011.

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 2008 and 2009, the second vesting period was extended by 2 years: therefore, it runs from the second to the sixth year.

Conditions that are common to the 2006 to 2009 plans

- If the performance shares are vested:
  - o the number of shares actually received by grantees is determined ratably, based on the average annual increase in the share price;
  - o 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 of the 2010 and 2011 plan

In 2010 and 2011, performance shares were granted to French-resident beneficiaries and, for the first time, to non-resident beneficiaries.

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, 2011 and February 29, 2012

Date granted	Number of rights granted	Granted to Executive Committee	Initial reference price (used to assess performance) in euros	Number of rights outstanding at December 31, 2011	Number of rights outstanding at February 29, 2012
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	0	0
December 18, 2009	65,640	195	38.96	0	0
November 25, 2010	893,458	341,800	48.01	865,568	861,593
December 20, 201	74,355	195	48.01	70,245	69,885
November 24, 2011	1,193,189	346,800	52.27	1,193,189	1,190,909
December 21, 2011	74,445	195	52.27	74,445	73,155
TOTAL	**4,615,943**	**1,501,040**		**2,203,447**	**2,195,542**

21.1.4.3.2 Performance share rights as of December 31, 2011 and February 29, 2012

Performance share rights are presented below:

	At December 31, 2011	**In 2011**	**At February 29, 2012**	**In 2012**
Rights granted[(a)]	4,615,943	1,267,634	4,615,943	
Rights cancelled[(a)]	739,708	37,307	746,803	7,095
Rights exercised[(a)]	1,672,788	585,346	1,673,598	810
Rights outstanding[(a) and (b)]	2,203,447		2,195,542	

(a) From the November 22, 2006 plan, the first plan granting right to performance shares. See the history of the plans in Chapter 17.2.2.2.

(b) 1.03% of the capital at December 31, 2011.

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.

21.1.5 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	2011 usage
May 5, 2011				
13th 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 4, 2013	2011 issue of 521,316 shares with a par value of €0.18, a capital increase (excl. premium) of €93,836.88; subscribed by the Essilor Group 5 and 7-year FCPE, **0.25% of the capital**.
May 11, 2010				
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	85,620 stock options granted to non-resident employees by the Board on November 24, 2011 (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	1,267,634 performance shares granted by the Board on November 24, 2011. (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	2011 grants: Stock options and performance share grants on a total of 1,353,254 shares, representing 0.63% of the capital. Total 2010 and 2011 awards: 1.38% 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	2011 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

Pursuant to the acquisition strategy conducted by the Group and in order to retain the management teams of the companies acquired, Essilor frequently acquires only a majority in the first phase, most frequently between 75 and 90%. Cross options generally expiring in 3 to 5 years are then set up with the sellers for the remaining percentage.

As part of its acquisition programs and particularly in countries with strong growth, Essilor may gradually increase its interest in target companies from 10% to 51% over a 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 year	Number of shares issued	Par value	Premium	New issued capital	New number of shares outstanding
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 subscription options	931,122	166	19,627	36,615	209,206,911
Cancellation of treasury 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 treasury 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 treasury 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 treasury 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**
Subscription of shares reserved for the Essilor FCPE	521,316	94	21,708	38,192	212,176,658
Exercise of subscription options	1,861,638	335	60,996	38,527	214,038,296
Capital increase paid up by capitalizing reserves				38,527	214,038,296
SHARE CAPITAL AT DECEMBER 31, 2011				**38,527**	**214,038,296**

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 2011 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 11, 2012

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 1.5% of the capital.

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 11, 2012, see Section 21.1.3.1, "Share buyback programs."

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 (Charter 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.

21.2.5 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.

From the General Shareholders' Meeting of May 11, 2012, "pure" or "administered" registered shareholders will have the option of receiving their invitation and/or the General Meeting preparatory documents by email.

21.2.5.2 Participation in meetings

To participate in a Shareholders' Meeting in person or by proxy:

- Holders of "pure" registered or "administered" registered shares must be listed as the shareholder of record at midnight, Paris time, on the third business day before the Meeting date.
- Holders of bearer shares must be listed as the shareholder of record at midnight, Paris time, on the third business day before the Meeting date. Ownership of the shares will be evidenced by a certificate of ownership (attestation de participation) issued by the custodian institution that keeps the shareholder's securities account, to be submitted with the postal voting form/proxy or the request for an attendance card issued in the shareholder's name. A certificate of ownership can also be issued to shareholders wishing to attend the Meeting who have not received their attendance card by midnight, Paris time, on the third 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 third 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 2012 Shareholders' Meeting

The Combined Ordinary and Extraordinary Shareholders' Meeting will be called on May 11, 2012.

For information about the financial authorizations to be put to the vote as extraordinary resolutions at the Shareholders' Meeting on May 11, 2012, 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 11, 2012, see Section 21.1.3.1, "Share buyback programs."

21.2.6 CHANGE OF CONTROL PROVISIONS

Refer to Sections 18.4 and 21.2.7.

21.2.7 DISCLOSURE THRESHOLD PROVISIONS

At December 31, 2011

- 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.

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 or new manufacturing processes” in this Registration Document.

Refer also to Section 18.4 – “Arrangements 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 2011 Registration Document and Annual Report will be available as of the date of the Annual Shareholders' Meeting on May 11, 2012

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

The documents published in the *Bulletin des Annonces Légales et Obligatoires* (BALO) are available (in French only) at the following link: http://balo.journal-officiel.gouv.fr/

Search under the name of the Company (Essilor International) or under its SIREN (registration) number: 712049618.

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 10, 2011 and March 7, 2012

1. INFORMATION AVAILABLE ON THE GROUP'S WEBSITE WWW.ESSILOR.COM UNDER "SHAREHOLDERS / AMF INFORMATION"

News releases

Date	Subject	Title
January 10, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights 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 24, 2011	Share buyback program	Weekly disclosure of treasury stock transactions
January 27, 2011	Acquisitions and partnerships	Essilor forges eight new partnerships worldwide
January 31, 2011	Share buyback program	Weekly disclosure of treasury stock transactions
February 4, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of January 31, 2011

Date	Subject	Title
February 8, 2011	Share buyback program	Weekly disclosure of treasury stock transactions
February 21, 2011	Share buyback program	Weekly disclosure of treasury stock transactions
March 2, 2011	2010 revenue and earnings	A year of rapid development
March 3, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of February 28, 2011
March 8, 2011	Share buyback program	Weekly disclosure of treasury stock transactions
March 14, 2011	Share buyback program	Weekly disclosure of treasury stock transactions
March 21, 2011	Share buyback program	Weekly disclosure of treasury stock transactions
March 28, 2011	Share buyback program	Weekly disclosure of treasury stock transactions
March 29, 2011	Publication of a report	Publication of the 2010 Registration Document
April 6, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of March 31, 2011
April 12, 2011	Publication of documents for Annual Shareholders' Meeting	Procedure for requesting or viewing proxy information for the Combined Ordinary and Extraordinary Shareholders' Meeting on May 5, 2011
April 19, 2011	First-quarter 2011 report	First-quarter revenue: +13.4%
May 5, 2011	Shareholders' Meeting	2011 Combined Ordinary and Extraordinary Shareholders' Meeting
May 6, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of April 30, 2011
June 9, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of May 31, 2011
July 1, 2011	Acquisitions and partnerships	Kibbutz Shamir and Essilor announce the finalization of the acquisition of 50% of Shamir Optical by Essilor
July 6, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of June 30, 2011
August 9, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of July 31, 2011
August 16, 2011	Share buyback program	Weekly disclosure of treasury stock transactions
August 26, 2011	First-half 2011 results	Revenue excluding the currency effect: +9.0%
August 26, 2011	Publication of a report	Publication of the Interim Financial Report
August 26, 2011	Products	Essilor launches a new type of lens: OPTIFOG™ anti-fog lenses
September 12, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of August 31, 2011
October 5, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of September 30, 2011
October 21, 2011	Third-quarter 2011 report	Revenue excluding the currency effect at September 30: +9.3%
November 4, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of October 31, 2011

Date	Subject	Title
November 25, 2011	Appointments	Essilor announces the appointment of Hubert Sagnières as Chairman and CEO starting January 2, 2012
December 6, 2011	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of November 30, 2011
December 14, 2011	Acquisitions and partnerships	Essilor acquires Stylemark, a leading US distributor of reading glasses
January 5, 2012	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of December 31, 2011
January 6, 2012	Acquisitions and partnerships	Essilor accelerates its growth in Africa and Latin America and acquires CSC Labs, a major US laboratory
January 23, 2012	Share buyback program	Weekly disclosure of treasury stock transactions
January 25, 2012	Acquisitions and partnerships	Essilor signs two new partnerships in China. The Group also strengthens its position in Switzerland.
January 30, 2012	Share buyback program	Weekly disclosure of treasury stock transactions
February 6, 2012	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of January 31, 2012
February 7, 2012	Share buyback program	Weekly disclosure of treasury stock transactions
February 13, 2012	Share buyback program	Weekly disclosure of treasury stock transactions
February 20, 2012	Share buyback program	Weekly disclosure of treasury stock transactions
February 28, 2012	Share buyback program	Weekly disclosure of treasury stock transactions
March 1, 2012	2011 revenue and earnings	A year of sustained, balanced growth
March 1, 2012	Products	Essilor creates a new standard for protecting eyes against UV rays
March 6, 2012	Monthly disclosure of capital	Disclosure of shares and voting rights outstanding and voting rights as of February 29, 2012
March 7, 2012	Share buyback program	Weekly disclosure of treasury stock transactions

Registration documents

Date	Type of document
March 29, 2011	2010 Registration Document – filed with the AMF under No. D.11-0193.

2. INFORMATION PUBLISHED IN THE *BULLETIN DES ANNONCES LÉGALES ET OBLIGATOIRES* (BALO) (IN FRENCH ONLY)

Date	Issue no.	Subject
March 23, 2011	Bulletin No. 35	Notice of Meeting
April 15, 2011	Bulletin No. 45	Notice of General Meeting
May 18, 2011	Bulletin No. 59	Approval of 2010 financial statements

25 Information on holdings

See Notes 32 to 35 to the consolidated financial statements in Section 20.3.1.5.

26 Appendices to the Registration Document

26.1 Chairman's Report

On Corporate Governance and Internal Control and related Auditors' Report

Dear 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:

- Board membership and application of the principle of equal representation of men and women on it;
- the membership of the Board of Directors and the preparation and organization of Board meetings during the year ended December 31, 2011;
- 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.

This report 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, 2012) 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 February 29, 2012.

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 of 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." The 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 may be consulted at the MEDEF website at the following address: 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) of 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. Directors 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. The calendar for these black-out periods is prepared annually.

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 directors 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 directors 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 internal rules 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 most recent revision of the internal rules was conducted by the Board at its meeting on November 24, 2011. The purpose of this most recent revision was to adapt corporate governance in light of the merger of offices of Chairman of the Board of Directors and Chief Executive Officer and clarify the for risk control procedures.

The main internal rules governing the Board's practices are set out in Section 16.1.2 of the Registration Document and those governing the Committees of the Board are presented in Section 14.1.2 of that Document.

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

Hubert Sagnières, Chief Executive Officer then Chairman and Chief Executive Officer starting January 2, 2012.

Xavier Fontanet, Chairman of the Board of Directors until January 2, 2012, continues to hold a seat on the Board.

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 24.11.11, 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 14 members of the Board as of December 31, 2010, 8 were independent, as follows:

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 directors 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 2011, the Board held six scheduled meetings on the dates planned in 2010 (January 26, March 1, May 5, July 7, August 25 and November 25, 2011). Each meeting lasted an average of two hours. One unscheduled meeting was held on April 5, 2011.

7. ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Company's bylaws state that directors may participate in certain meetings by videoconference or other telecommunications link, with the exception of the cases explicitly stipulated, such as the approval of the financial statements and preparation of the management report. Under the Board's internal rules, directors 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% (unscheduled meeting included). The Company's 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 2011.

Twelve directors attended the Combined (Ordinary and Extraordinary) Shareholders' Meeting held on May 5, 2011.

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. As in prior years, Board members were informed of the black-out periods for 2012, 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 directors at the latest with the call to the next meeting.

10. COMMITTEES OF THE BOARD

Since 1997, the Board of Directors, on the proposal of its Chairman, has had three permanent specialized committees made up of Board members: the Audit Committee, Remunerations Committee and Strategy Committee.

At the end of 2009, the Board decided to set up an Appointments Committee, which held its first meeting in 2010.

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 24, 2011. Extracts from the internal rules are presented in Sections 14 and 16 of this Registration Document.

The Audit Committee

The missions of this committee are carried out with the help of the AMF working group report on audit committees of June 14, 2010. To give an example of one recent topic of discussion, the Audit Committee will soon conduct its self-evaluation in the form of an internal questionnaire, as is the practice of the Board of Directors as a whole.

The Audit Committee met on two occasions regarding the 2011 financial statements; once on August 23, 2011 to examine the semi-annual consolidated financial statements and a second time on February 28, 2012 to review the final consolidated financial statements for 2011. At these meetings, the committee heard Chief Financial Officer and the Corporate Senior Vice President, Legal Affairs, the Vice-President, Internal Audit, and the statutory auditors, who commented on the financial statements and responded to various 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 12 and December 5, 2011.

The following topics were discussed at these various meetings:

- Internal audit team developments and the roadmap for the next three years (see the section "Internal audit");
- Overview of 2011 internal and external audit missions;
- Presentation by the statutory auditors of the audit strategy, their work schedule, and the planning for their work;
- Monitoring of litigation and tax audits in France;
- Development and communication of the "Principles of Essilor" charter of values;
- Development of the compliance program;
- Review of the "integration method" and process by means of various examples;
- Monitoring of risk management;

The Committee's work was presented to the Board of Directors by the Chairman of the Committee, Yves Chevillotte.

The audit committee also met with the statutory auditors with the Group representatives not present.

The attendance rate at Audit Committee meetings in 2010 was 92%.

Appointments Committee

The committee met on January 26, August 25 and October 21, 2011.

In accordance with what was announced at the Annual Shareholders' Meeting in May 2011, the Appointments Committee proposed that the Board of Directors merge, effective January 2, 2012, the offices of the Chairman of the Board of Directors and the Chief Executive Officer, which are held by Hubert Sagnières, and prepared the ensuing changes to corporate governance.

The committee studied Board member candidates and proposed Louise Fréchette, a Canadian, as a Board member. It was mentioned that she played a major role in international associations and global corporate governance and could contribute positively to the development of the Essilor Vision foundation.

If the Annual Shareholders' Meeting of 2012 approves the appointment of Ms. Fréchette to the Board, this will increase the diversity of the Board, both in terms of nationality and gender parity.

The attendance rate was 100%.

Remunerations Committee

The Remunerations Committee met three times in 2011 to examine topics related to:

- senior management compensation;
- evaluation of the classification of independent director and the work of the Board.

Remuneration of senior management

The Chairman of the committee, Michel Rose, presented reports that enabled the Board of Directors to:

- conduct the evaluation of the Chief Executive Officer's financial and personal goals for 2010 and determine the amount of the variable portion of his compensation to pay him for that year; set the structure, goals and terms for evaluating the Chief Executive Officer's variable portion for 2011;
- determine the compensation, starting January 2, 2012, of the Chairman and Chief Executive Officer following the merger of the offices of Chairman of the Board of Directors and Chief Executive Officer. 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 24, 2011, at which they were decided.
- approve the 2011 capped performance share and stock option grants to key managers and talents in the Group, as well as the collective grant of 15 performance shares to employees of the Group's French companies en pursuant to Law 2008-1528 of December 3, 2008.

Evaluation of the classification of independent director and the work of the Board

At the August 24, 2011 Board meeting, the directors were each given a questionnaire to help them review their status 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 24, 2011 Board meeting, the Remunerations Committee presented the results of the directors' self-assessment of the Board's practices.

The attendance rate at Remunerations Committee meetings was 100% in 2011.

Principles and rules for determining senior management compensation in 2011

For any developments regarding the principles and rules established by the Board of Directors to determine compensation and benefits of all kinds granted to the corporate officers, please refer to Chapter 15 ("Compensation and Benefits") of the Registration Document.

For 2012, the Board decided to merge 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. Accordingly, for the Chairman and Chief Executive Officer, the principle of compensation, which includes a fixed portion (base salary) and a variable portion (bonus) tied to goals, is maintained – and the bonus can be increased if the goal is exceeded within a ceiling set at 150% of the target amount, with the understanding that, if necessary, the bonus is tied to general management functions).

For 2012, the definition of the objectives used to determine the variable portion, as well as their measurement method, weighting and amount will be decided by the Board in February 2012.

Moreover, the specific rules governing grants of performance shares and stock options to corporate officers are reviewed below.

Grants of performance shares and stock options are governed by maximum limits:

- 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) each year.

Besides the performance criterion applicable to all plan beneficiaries, a second performance criterion is applied to corporate officers. It is based on the average ratio of actual results of the targets of their variable annual compensation:

- during the acquisition period for performance shares (from two to six years);
- during the period between the year of grant and the year when the option becomes exercisable (inclusive).

Since this average is capped at 1, it can only reduce the number of shares acquired or the number of options exercisable by the senior corporate officers in relation to beneficiaries who are not senior corporate officers.

During their entire term of office, the senior corporate officers are required to keep:

- one third of vested performance shares acquired, or
- one third of the balance of 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;
- to the extent, however, that the number of shares kept from various performance share and stock option grants does not exceed two times the annual monetary compensation (fixed and variable actually received) for the year ended December 31 preceding the acquisition date of the shares or exercise date of the options.

In accordance with the AFEP/MEDEF Code, the senior corporate officers promise not to use a hedging mechanism until the expiration of their term.

Supplementary defined benefit loyalty-based retirement plans

With regard to retirement, executive directors have the same defined-benefit supplementary pension plan (Article 39 of the French General Tax Code) as all other category IIIC and HC executives as defined in the metalworking industry collective bargaining agreement.

Under the terms of this plan, an additional pension benefit is paid to category IIIC and HC executives who:

- have a minimum of ten years of seniority in the Group;
- are members of the workforce of Essilor International (or a member company) and cease their professional activity in that company in order to retire.

If both of these conditions are met, the additional pension is determined at the moment of retirement in the following manner:

- 10% of the reference salary
- plus, for each year of seniority above ten years and less than or equal to twenty years:
  - 1% of the reference salary
  - 1.5% of the fraction of the reference salary above French Social Security tranche C up to 5% of the reference salary.

Strategy Committee

The Strategy Committee met five times in 2011. The primary mission of the committee, as part of the Board's work, is to review the Group's strategies on a regular basis, from products and technologies as well as geographic and marketing angles. After each of its meetings, a summary of presentations and various discussions was presented to the Board of Directors by its Chairman. In 2011, these presentations included:

- market share through the end of 2013 ;
- assessment of acquisitions from 2008 to 2010;
- priorities in the Essilor acquisition plan for the next three years;
- Human Resources needs in mature countries and emerging countries, the need to work on diversity and rethink the concept of mobility;
- R&D projects;
- the progress of operations in the United States;
- Satisloh and the optician instrument department.

The attendance rate at Strategy Committee meetings was 94%.

REPORT ON ESSILOR INTERNATIONAL S.A. INTERNAL CONTROL PROCEDURES

The system of Essilor internal control procedures exists pursuant to the legal framework applicable to companies listed on the Paris Bourse and is inspired by the reference framework for risk management and internal control mechanisms published by the AMF on July 22, 2010.

1. COMPANY INTERNAL CONTROL OBJECTIVES

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

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

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

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 goals of the system of internal controls is to prevent and limit the risk of error or fraud, in particular of an economic, financial and legal nature, to which the Group may be exposed. 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. Indeed, the probability of achieving these goals does not depend solely on the Group's wishes, but on several factors, such as, for example, the uncertainty of the outside world or the commitment of an act of fraud.

Additional information on risks that the Company may face is provided in Section 4 of this Registration Document.

2. COMPONENTS OF THE INTERNAL CONTROL MECHANISM

Control environment and Group values

The control environment that underlies the control mechanism plays an essential role at Essilor. It was forged in a long history of commitment and a very strong entrepreneurial culture among employees and executives. This foundation makes it possible for Essilor to welcome, both now and in the future, an ever-growing number of employees and partners while preserving its corporate culture.

The "Essilor Principles" document, which was prepared in 2011 by the legal and human resources departments and is the product of a broad consultation and gathering of proposals from around the world, is part of this environment and makes it possible to share the mission, principles and values of Essilor. It is organized around three major concepts that give all of the employees of Essilor and of its partners the feeling of sharing the reputation and responsibilities of their Group in the wider sense: a position as a world leader, rapid global expansion and a strong corporate culture. The document is available on the Group's intranet suite and on the website in the 26 languages currently used in the Group's companies worldwide.

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

Sharing and respecting our common principles and values helps us, in our day-to-day work, live out the mission and spirit of our company, which consists of offering everyone ways to "See the world better". Our mission mobilizes us in that good sight is an essential asset to health, as well as to social and professional integration, child development, and personal well-being in our day-to-day lives. Yet 2.5 billion people around the world do not have access to corrective lenses.

At the same time, a part of the charter of Valoptec, an association comprised of active and retired Essilor employees, includes a code of values. The goal of this association is to "promote the adoption by group companies of sound business practices and human resources management policies". The charter upholds the values of respect and trust among individuals. Members promise to uphold this charter as the foremost condition of their membership and, even though Essilor employees who are not Valoptec members do not sign this charter personally, its spirit infuses the corporate culture in a very real way. The members of Valoptec and other employee shareholders together hold 14.1% of the Company's voting rights. The association's bylaws are regularly updated and reviewed to ensure they are aligned with its development.

Organization of internal controls

It is our intention to promote a system of internal control based on:

- clear definitions of responsibilities, backed by the necessary resources and skills, appropriate information systems, procedures and processes, tools and practices;
- internal communication of all the information needed to enable each individual to fulfill his or her responsibilities;
- the identification and analysis of the main risks that could negatively impact the Company, 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 for these general principles is provided by the members of the Executive Committee, who are business executives with oversight of a geographical area or corporate executives such as the Chief Financial Officer and the Senior Vice President, Legal Affairs.

3. PRESENTATION DES PRINCIPALES ACTIVITES DE CONTROLE

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, Internal Control and Risk Analysis

The ongoing mission of the internal audit is to evaluate how well risk management and internal control mechanisms function, ensure their constant oversight and make any recommendations necessary for their improvement. Internal audits are carried out according to the same methodology in all host countries. For each mission, a report is prepared and distributed to the management of the entity, to the regional President of the audited unit, Company senior management, the Corporate Finance and Legal Departments of the Group, as well as, depending on the nature and impact of the points to be discussed, the Senior Management and the heads of the operating and corporate units concerned. This report summarizes the observations made and the recommendations for needed improvements. 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 in accordance with a defined timetable.

The Vice President, Internal Audit is in turn under the authority of one of the Chief Operating Officers and holds discussions at regular intervals with the Senior Management (Chairman and Chief Operating Officers). 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 around teams located at the corporate headquarters in Charenton (for auditing Corporate, Europe and Africa corporate units and operations), Dallas (for auditing North America corporate units and operations), Singapore (for auditing Asia-Pacific and Middle East corporate units and operations) and Rio de Janeiro (for auditing Central America and South America corporate units and operations).

In 2011, under the leadership of its Vice President, the Internal Audit Department defined and began to implement a roadmap for the next three years. This roadmap was created based on a study that combined various benchmarks and best practices in these areas. The roadmap was then presented to the core and enlarged Management team (Executive Committee), to the Audit Committee, as well as various internal audit and internal control partners (including the Statutory Auditors). It was discussed and commented on and resulted in various action plans intended to help the department keep pace with the challenges inherent to a high-growth company.

The roadmap is organized around the following themes: governance, risk management and internal control, terms of office, human resources, technology, performance, quality and value creation.

Thanks to the roadmap,

- the internal control and risk analysis functions with dedicated staff were recently created. For purposes of efficiency and visibility (and consistent with a basic trend observed in large companies), internal control and risk analysis were placed under the authority of the Vice President, Internal Audit. The specific purpose of the internal control function is to guide the updating process for the Group rules reference (Group Finance Manual, or GFM), define and measure compliance with Standard Controls and overseeing the self-evaluation process for the internal quality control in the Group ("iCare" – see below). In cooperation with the management, the risk analysis function will be developed in 2012 and make it possible to gather and structure the various practices that already exist throughout the Group to identify, evaluate and handle the major strategic, operational, compliance and reporting risks;
- a reworking of the self-evaluation campaign "iCare", which has affected over 230 entities through a questionnaire that has been renewed, enriched, and better adapted to their environment. This questionnaire now covers eleven sections (purchases, sales, inventories, fixed assets, cash, consolidation, information systems, compliance, tax regimes, business continuity plans, salaries). The questionnaires include the principles described in the AMF's internal control framework and accompanying guidelines. They are administered through specially designed software and can be signed electronically by the Chairman and the Chief Financial Officer of each entity being evaluated. In addition, tests are conducted by the internal control function and the Internal Audit Department as part of the compliance review type of audit missions. The action plans are being monitored by the operational units, senior management and the Audit Committee;
- the establishment of local audit committees. The purpose of these committees is to bring together, within a given geographical region, the Chairman, the Chief Financial Officer, Internal Audit and Legal Departments as well as any actor considered relevant to the pre-established agenda. These committees regularly review the identified points that may lead to unsatisfactory internal audits and guarantee that the lessons are heeded at the local level;
- an expansion of internal audit resources (initial increase from 10 to 14 full-time employees). Special efforts have been made to guarantee a diversity of skills, experience and cultures within each team with both internal and external hiring and the establishment of an attractive development program. Moreover, internal audits should develop in the form of a rotational program, which represents an additional opportunity for the company to train future managers. Other internal resources may also be added from time to time to the audit team to provide it with special skills (such as purchasing, IT, and taxes) during an audit (guest auditor program) or over a longer period (transition auditor program) after having received accelerated training and provided that there are no potential conflicts of interest;

- a strengthened audit methodology. The assurance and advisory missions carried out by the Internal Audit Department cover a wide spectrum, with specialized working programs that may be classified into the following categories: compliance audits, efficiency reviews (for financial or operational procedures), post acquisition audits, IT audits, special investigations, due diligence (for smaller acquisitions in North America). Accordingly, some audits correspond to a single given entity (legal or operational), whereas others cover several entities at once for one or more specific procedures. An audit plan by geographical area adapted to the maturity of internal controls and the understanding of risks has thus been established;
- the generalized use of internal letters of representation for the various consolidated legal entities, countries and geographical regions.

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 controlling team responsible for analyzing the entity's performance, with guidance from the regional or divisional management accounting department. Group controlling performs consistency tests on management reporting data, to check the overall reliability of the information. It also oversees a network of controllers, provides decision-making guidance and monitors the monthly management results of each Group entity or business unit. Group controlling produces the monthly consolidated management accounts and the consolidated budget, performs monthly variance analyses and checks the consistency of transfer prices. The controllers report to both line and local management.

Sustainable Development

The Sustainable Development Unit plays a cross-functional role. 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 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 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 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 Company 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 Company'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.

Legal Affairs ensures that the Company fulfills its more than sixteen 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 software 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.

Our compliance policy is structured around major legal topics related to Group business activity, especially antitrust law, confidentiality management, and prevention of corruption. It aims to be the first step in instilling a reflexive awareness of legal risks in managers in order to guarantee that this policy is truly effective by gradually building a culture of compliance within the Group.

To this end, 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.

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. Over 400 managers in Europe attended these awareness-raising meetings and over a thousand managers in the United States benefited from these awareness-raising and information campaigns. Similar actions or even guides to the basic rules of antitrust law were completed on a global scale, especially in Asia, including India.

These actions were supplemented by documentation specific to the educational content in order to be accessible to all employees. This consisted of, besides audio kits, electronic media versions of awareness raising actions, guidelines, PowerPoint presentations, best practices sheets and guides, and lists of “do’s and don’ts”. All of this documentation has been put online on the Legal Affairs Department’s intranet site in a section dedicated to compliance for wide distribution and round-the-clock consultation. Updated legal guidelines, as well as guides, charts and manuals for use by employees are also produced.

Local legal teams that have a dotted-line reporting relationship with the Corporate Senior Vice President, Legal Affairs, can thus guarantee uniformity an continuity in the deployment of our policy by adapting this documentation and the awareness raising meetings to local contexts. They also regularly prepare and send to the operational entities legal guidelines on professional topics relating to security and standards and prepare legal and compliance guides for employees in their regions.

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.

As part of the execution of the roadmap and the identification of legal risks, audits for antitrust law and trade practices in the major European subsidiaries have been conducted. Audit reports have been presented to the Senior Management and the Corporate Europe Division with recommendations to be implemented as part of an ongoing plan to improve our prevention policy.

Given the Group’s business activities, confidentiality is also an important topic for compliance. Actions to raise awareness of best practices have been conducted, in particular with the global teams of the Operations Department, Global Engineering, and R&D, marketing, and IT Department teams. A special guide detailing the best practices to be complied with as part of the collaborative platforms (Wetalk, Wedoo) accessible via the intranet site was presented to the teams in question.

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 and in Europe. 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. Documentation specific to purchases (guidelines, practical information sheets, do’s and don’ts) is also available on the Legal Affairs Department’s intranet site. It provides special information to purchasers in the geographical regions.

In light of the new legal requirements as part of the fight against corruption, the obligations and challenges mentioned in the UK Bribery Act that are applicable on a global scale were presented to the Executive Committee. As part of the initial actions to raise manager awareness, a news flash accompanied by the distribution of an audio kit detailing the obligations and actions to be implemented was distributed worldwide.

Compliance actions are communicated regularly in internal publications such as Connection, Essilook, and Repères.

Lastly, compliance procedures are gradually being deployed throughout the Company, relating mainly to Company-wide agreements and charters such as the charter for the protection of personal data, the updating of the charter for information and communication technology, the charter for IT administrators, a computer systems security policy that defines roles and responsibilities, and the principles and processes needed for their implementation (such as confidentiality management) in the Group’s computer systems. 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 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. In order to guarantee that information is complete and accessible to all employees, this memorandum on securities legislation is supplemented by an audio kit that explains in everyday terms the legal obligations dealing with financial information and documentation on respecting confidentiality.

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 Chief Operating Officers 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 funding, risk hedging and cash management of the Group. It also provides a general advisory and assistance role for the Group subsidiaries for these missions. It reports directly to the Corporate finance department.

Medium- and long-term financing as well as the basics of short-term liquidities are managed in a centralized manner by the parent company through bank loans, private investments, confirmed medium-term lines of credit or commercial paper. The financing of the major Group subsidiaries is guaranteed through cash pooling and short- and medium-term loans, which allow for liquidity to be centralized.

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 Group financing is centralized at the parent company, interest-rate risk management is also centralized there.

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

It also participates with the Consolidation department in the proper compliance with procedures related to the application of IFRS 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. It also includes ethical criteria that are applicable to the entire Group and focused around four themes: human rights, working conditions, the environment and the fight against corruption.

The GFM is accessible online in French and English on the Group's intranet site and a dedicated extranet address. It is an indispensible tool, both for the preparation of financial statements and for guaranteeing and maintaining an internal control environment that is adapted in the Group's entities. 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 application of all of the rules and procedures contained in the GFM is the responsibility of corporate and business managers (financial managers, purchasers, etc.) at the local and Group level.

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. A specific manual includes a glossary describing the information to be entered for each module in accordance with Group rules (income statement, balance sheet, notes, 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).

Various reporting, reports or controls by external bodies (monthly, quarterly or annually) facilitate the monitoring and control of our subsidiaries' operations, especially in the areas of accounting, financial and logistical performance; monitoring of commercial activities; workplace accidents; health and safety audits; APAVE inspections; ISO certifications; sustainable development reports; claims and claims prevention, insurance, litigation, etc.

Moreover, each function has the responsibility to document (in line with the GFM rules) the specific procedures to follow. An intranet charter makes it possible to coordinate at an international level the various actions related to the circulation and sharing of information via the ESSILOR intranet.

d) Essilor is included in six sustainable development indices: ASPI Eurozone®, ECPI® Ethical EMU Equity, ECPI® ETHICAL Europe Equity, FTSE4Good, Ethibel Excellence and STOXX® Global ESG Leaders.

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.

Essilor International would like to take this opportunity to renew for the coming year its commitments to include the ten principles of the Global Compact in its strategies and operations.

f) Attentive to and aware of 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. Essilor has also been associated with the Water Disclosure Initiative since its creation by the CDP.

g) The ophthalmic lens production plants under the direct control of Essilor have ISO 9001-certified quality management systems (100%), ISO 14001-certified environmental management systems (100%) and OHSAS 18001-certified workplace health and safety systems (100%). They guarantee the regular maintenance of these systems and the renewal of their certifications in subsequent accreditation audits.

5. INTERNAL CONTROL PROCEDURES RELATING TO THE PRODUCTION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Each operating division draws up its own three-year business plan setting strategic objectives based on the overall strategy decided by the Company's senior management. The medium-term business plan submitted to senior management reflects these strategic objectives and the related action plans.

The budgeting process begins each year in August, with significant input from the regional units, which provide analyses of transaction volumes between the central marketing unit, the logistics unit and the regions. Each 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 June 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 GFM apply to all Group companies, whether or not they are consolidated, and the work plans of local management, internal controlling and the internal auditors include checking that the procedures are implemented. Moreover, at each closing date, the financial information deemed most relevant is presented by the Financial Department to the Audit Committee. Such meetings, which are attended by the statutory auditors, discuss all material transactions and the main accounting options selected to address potential risks.

Finally, even though it is not an integral part of the internal control procedures, the statutory auditors review the accounting and internal control systems to plan their missions, deign their audit strategies and test a certain number of key internal controls. The accounts of all Group subsidiaries are audited by local auditors, most of whom are members of the networks of the accounting firms that audit the Group's consolidated accounts.

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 Essilor Board of Directors voted on the October 2008 AFEP/MEDEF recommendations concerning the compensation of executive directors of listed companies.

The Board of Directors approved these recommendations, 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; the large number of Essilor shares held by them is in fact the clearest illustration of this.

Annual review of each BOARD MEMBER with regard to independence criteria

In 2005, the Board reviewed for the first time the situation of each director with regard to the independence criteria established in the AFEP/MEDEF's 2003 corporate governance report. Every following year, the Board has examined the situation of each Board member based on the independence criteria set out in the 2008 Corporate Governance Code. The most recent review took place at its meeting on November 24, 2011.

After conducting this thorough review, the Board determined that, out of the 14 members of the Board , eight member s can be considered "independent", which is over the 50% required by the internal rules and the AFEP/MEDEF Code, and one Board member will reach the 12-year limit in office in 2012, which is the conventional definition of the end of independence for an external Board member.

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 internal rules of the Board of Directors and the Director's charter. In 2011, 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:

<u>Major themes common to all responses</u>

- mutual respect between all directors;
- integration of new directors perceived as highly successful by the "old-timers"; a feeling that the company will be in good hands after they leave;
- high level of involvement;
- respect of Essilor management and real passion for the corporate culture;
- unanimous interest in following and understanding Essilor's growth in R&D.

<u>Major points emphasized</u>

- good practical management of the Board but preparatory documents and minutes could be received in a more timely fashion;
- strong demand for understanding R&D and production, meeting Executive Committee members, visiting sites (R&D, Asia, new FGX-type activities);

- receive annual global updates at Strategy Committee meetings on strategic priorities and their progress;
- request for ongoing competitive mapping;
- request for annual, in-depth treatments of corporate governance topics.

In conclusion, this most recent self-evaluation demonstrated that the directors consider the Board to be very well prepared and very well supervised and that its effectiveness has shown further improvement.

The directors believe that the evaluation conducted internally, considering that everyone was involved, is effective and, for the time being, do not wish to engage the service of an external firm.

The matters discussed by the Board in 2011 and the decisions taken covered a wide range of areas, including:

- the Group's business performance;
- competition;
- the interim, annual, and estimated consolidated financial statements;
- annual budget;
- press releases on 2010 earnings and earnings for the first half of 2011;
- presentations or summary reports from the Audit Committee, Strategy Committee, Appointments Committee and Remuneration Committee;
- a general survey of the body of shareholders;
- commission trading points;
- 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;
- 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;
- renewal of the office of Chief Executive Officer;
- senior management compensation;
- allocation of directors' fees;
- corporate governance issues;
- stock market ethics;
- an amendment to the internal rules to reflect the change in governance;
- the composition of committees;
- the main employee-related issues;
- professional equality between men and women;
- press articles and financial analysts' research reports;
- delegations and sub-delegations of authority to the Chief Executive Officer;
- the dates of Board meetings and the Annual General Meeting in 2012.

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 had 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 internal rules 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. Starting January 2, 2012, since this change and assumption of office has been carried out, the Board decided to merge the offices of Chairman of the Board of Directors and Chief Executive Officer into the hands of the Chief Executive Officer.

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 General Meeting may also amend the rights of various classes of shares; but, in the event that a decision by the Extraordinary General Meeting would affect the rights attached to a class of shares, this decision will become final only after it has been ratified by a Special Meeting of the shareholders for the class targeted. 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, February 29, 2012

The Chairman of the Board of Directors

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, 2011

To the Sahreholders

ESSILOR INTERNATIONAL SA

147, rue de Paris

94227 Charenton Cedex

Dear Shareholders,

In our capacity as statutory auditors of ESSILOR INTERNATIONAL, 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, 2011 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 16, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Christine Bouvry	Pierre Sardet

26.2 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.

This report is in compliance with the New Economic Regulations (NER) Act. Disclosures with a broader scope properly including Essilor's legal entities worldwide are presented in Section 26.3 of this Registration Document. The report in Section 26.3 complies with the structure of the Global Reporting Initiative (GRI) and anticipates the requirements of the act of July 12, 2010, known as the Grenelle II Act.

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 Section 26.3 of this Registration Document as part of the "Report on the Group's economic, human and environmental contribution to sustainable development." This report anticipates the requirements of the act of July 2, 2010, known as the Grenelle II Act.

1.

1.1

Parent company workforce

2,963 permanent employees + **196** fixed-term employees = **3,159** (total France) + **223** (Essilor Industries) = **3,382**.

Out of the **196** fixed-term employees as of December 31, 2011, **148** (76%) were young people in training (under alternating work-study programs) with qualifications ranging from vocational diplomas to graduate degrees.

New hires

110 permanent employees + **169** fixed-term employees = **279** total.

Terminations

No lay-off plans involving more than nine employees were implemented in France in 2011.

Thirty-seven employees were terminated for other reasons (poor performance, medical unfitness or misconduct) and **two** were laid off.

Overtime

In 2011, employees in France worked a total of **73,819** 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 37½-hour week (See Section 2 below: Organization of working hours

Of the **73,819** overtime hours worked in 2011, **33,904** (**46%**) were included in the fixed wage paid for a 37½-hour week.

Temporary staff and subcontractors

In France, temporary employees represented the equivalent of **248** full-time employees in 2011, calculated on a monthly average basis. Of these employees, **48%** replaced permanent employees on leave of absence and **52%** were taken on to cope with surges in business activity. **Ten** temporary employees were subsequently hired under fixed-term contracts and **22** under permanent contracts.

In addition, **399** employees of subcontractors worked for the Company in 2011. They included **108** facilities maintenance employees, **149** IT engineers, **30** security guards, **27** company restaurant staff, **3** security officers and **82** 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 nine employees were carried out in France in 2011.

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 **1,086** monthly-paid employees work a 36-hour week, the **640** shift-workers work a 33½-hour week and the **271** hourly paid employees work a 38½-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, 32½ hours and 37½ hours respectively. The **986** 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 **176** 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. A total of **355** employees work part time, including **140** employees in progressive retirement under the working-time-reduction agreement.

Absenteeism

In 2010, the absenteeism rate was **5.2%**. The causes were sick leave of less than 6 months (**67.0%**), maternity leave (**17.7%**), authorized leaves of absence (**5.9%**), workplace accidents (**3.2%**), leaves of absence for personal reasons (**3.0%**), paternity leave (**2.4%**), and commuting accidents (**0.8%**).

3.

Compensation

The total payroll in 2011 amounted to **€161,027 thousand**.

Payroll taxes and other employee benefits expense

Payroll taxes and other employee benefits expense, excluding discretionary profit-sharing, amounted to **€81,492 thousand** in 2011.

Compensation increases

Average compensation increases – all employee categories combined – stood at **3.7%** in 2010 and 2011.

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 Title IV, Book IV of the French Labor Code.

Gender equality

The "gender equality" working group, comprised of representatives from the Human Resources Department and trade unions, held a series of seven meetings that resulted in the signing of a gender equality agreement. (See paragraph under "Collective bargaining agreements")

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 2011:

- addendum to the agreement on pension benefits for Essilor International managers, manager-level class employees and sales representatives;
- addenda to the company-wide agreement on health, disability and death insurance;
- addendum to the company-wide agreement relating to the management of Essilor employees near retirement;
- addenda to the incentive agreement;
- agreement on the allocation of performance share rights granted by the Board of Directors on November 24, 2011;
- agreement on the allocation of the incentive supplement for 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. The management systems of the three production sites in France are certified, as are 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 2011, **39** accidents with lost work time and **25** accidents without lost work time were reported involving Essilor employees in France, together with **2** accidents with lost work time and **4** accidents without lost work time involving temporary staff.

Occupational illnesses

Fourteen cases of occupational illness were reported in France in 2011. They were "Table 57" illnesses (musculoskeletal disorders caused by work-related movements and postures).

6.

Training

In 2011, Essilor's training budget for all French entities represented **4.1%** of total payroll. Against a general backdrop of controlled expenses, Essilor elected to maintain an investment level of **more than 4%** of payroll in employee skills development, thus continuing the Group's investment that goes back more than a decade.

More than 1,800 Essilor employees in France attended at least one training course in 2011, i.e. more than **57%** of total staff. More than **60,000** hours of training were given. This financial investment covered all company employees. In the last three years, **nine out of 10 employees** attended at least one company-funded training course. No distinction was made for age, gender or socio-professional category.

Essilor's training investment policy focuses on three key areas: business market strategies, divided by the Human Resources Department into business competency challenges; providing support to individual employees to enhance their on-the-job performance; and developing workforce talent and employability. The common cornerstone is employment and skill set management (GPEC), which drives, and is the focal point of, all HR processes. The goal of training is to assist staff with their professional challenges, in the short and medium term, as the Company's strategy and businesses evolve.

Close attention is paid to establishing training programs that cover all manner of learning, specifically external initiatives for staff to acquire new knowledge, in-house initiatives to ensure professional qualifications are tailored to local requirements, self-teaching programs allowing employees to take responsibility for their own development, feedback from management. and assessment of acquired skills to record progress.

In 2011, as in previous years, **40%** of training initiatives related to business competencies. Essilor invests heavily in the technical skills of all Group employees, the key areas being sales and marketing, manufacturing and optics. Training in multidisciplinary skills – leadership development, management techniques, team effectiveness management, for example – represented **30%** of total training hours in 2011, while English-language training accounted for **20%** of hours. In recent years, training in this area has increased as a result of the Company's international expansion. As in 2010, certification training programs accounted for **5%** of total training hours.

There were also numerous training courses on quality control, the environment and health and safety, held at the Company's various facilities.

Almost **260** 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). This was almost **10% of Essilor's employees** based in France. 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.

Eleven skill-set assessments were completed during the year.

As well as training our permanent employees, Essilor also employed **244** people under alternating work-study programs, including **210** apprentices at all diploma levels, from the vocational diplomas to graduate degrees.

A total of **101** new contracts were sign in 2011, attesting to our commitment over more than 20 years to helping students to gain work experience.

This commitment to training and career development for recent graduates is also reflected in our support of the Volunteer for International Experience program, under which Essilor managed **58** assignments of between one and two years at our international subsidiaries. Of these, **18** were new.

7.

Employment and integration of people with disabilities

In 2011, Essilor employed **168** people with disabilities in France, including **121** administrative and production employees and **47** managers and supervisors, of which **12** 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.

The agreement was put into practical effect during the 2011 fiscal year with the hiring of **four** people with disabilities. We diversified our hiring methods by posting our advertisements on specialist websites and using the services of two recruitment firms exclusively dedicated to people with disabilities.

Educational initiatives at all of our facilities led to positive changes in our approach to disability. We were recognized for our efforts in this area on **35** different occasions. A substantial number of modifications were made to workstations to accommodate people with disabilities.

We also completed our insertion program with an "ESAT" (initiative to facilitate integration into the labor market for people with disabilities) workshop for **10** people plus **one** supervisor at one of our production plants in Meuse. In 2011 the volume of services provided by disabled workers increased significantly.

8.

Health and welfare benefits

In France in 2011, Essilor paid **€6,039,578** to finance employee benefit plans (liability, health, short- and long-term disability, and death insurance) and **€2,272,570** to finance supplementary pension plans.

The Company’s statutory contribution to employee commuting costs amounted to **€2,886,887** and the cost of meal vouchers issued to employees was **€1,279,934.**

The total budget awarded to the various Labor-Management Committees to finance employee leisure activities was **€1,692,004,** representing 1.15% of the total payroll in France, and a further **€290,683** were paid to cover the Labor-Management Committees’ administrative costs.

Match-funding payments to the Vacation Vouchers plan covering **659** employees amounted to **€558,916**.

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.In 2011 this amounted to **€205,075** and applied to **618** employees.

The 0.45% government housing subsidy came to **€630,384.**

The cost of employee medical visits was **€352,078**.

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, Version 3.1 in 2011) 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 2011, payments to subcontractors in France represented **12.5%** of purchases.

The Essilor European Dialogue and Information Committee (EEDIC) held a plenary session in the Paris region in 2011 and for the first time welcomed the representative from the Czech Republic, a country new to the committee that year.

This major meeting was also an opportunity to welcome the new President – Europe Region, **Eric Léonard**, who presented Essilor's 2010 results and prospects for 2011, talked at length with participants and answered their many questions.

The EEDIC also welcomed for the first time **Paul du Saillant**, one of the Group's two Chief Operating Officers, who gave a comprehensive overview of Essilor's strategy and presented the major organizational changes.

The Group's Corporate Senior Vice President, Human Resources, **Marc François-Brazier**, then presented a report on the human resources policy implemented in 2011. It continues in the same vein as the priorities defined in 2010 that address the challenges of new growth and the Group's development.

The session ended with an update on the organization of information systems in Europe and the Facility Management project.

All participants commented on the quality and transparency of the dialogue and were very pleased with the fruitful exchanges they had with members of the EEDIC, who were very attentive and open to discussion.

In addition to this plenary session, the officers of EEDIC met on three other occasions in 2011, in March, September and November. In between, they were kept constantly informed of major changes in Europe.

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 **12,800** 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.

In 2011 the **Essilor Academy to Save Energy** (EASE) website offered three online training sessions while continuing to provide a constant flow of information on good practices and monitor energy-saving technological developments. The website is run by the Global Engineering Department within Worldwide Operations and also provides access to helpful documents that are often the result of meetings on controlling water and energy use.

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 Section 26.3 of the 2011 Registration Document, under the title, "Report on the Group's economic, human and environmental contribution to sustainable development." This report anticipates the requirements of the Act of July 2, 2010, known as the Grenelle II Act.

1.

Use of natural resources, waste, discharges and stress

Water

352,533 m^3 (2010: 329,390 m^3). Consumption increased by approximately 7% in France, due to a sharp increase in operations at two facilities. The overall reduction in the quantity of water used per lens produced within the Group's international scope remains one of our goals and 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 2011 were CR39 monomers (**830** metric tons vs. 808 metric tons in 2010) and polycarbonate pellets for Airwear® lenses (**596** metric tons vs.668 metric tons in 2010). The year-on-year increases were largely due to changes in Airwear® inventory.

Energy

102.2 GWh. (Electricity: **72.8** GWh, / Gas: **29.0** GWh, / Fuel oil: **0.4** GWh) (2010: 110.4 GWh). The steady improvement in energy efficiency per lens produced was also a feature of 2011.

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

A joint complaint was filed about the noise and fecal nuisance of corvine birds nesting in centuries-old trees on one of our sites, in a petition entitled "Petition against nuisance caused by crows and overgrown shrubbery." Neighbors disturbed by this natural occurrence has already complained about this during the 2008 fiscal year.

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.

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 2011 to prevent any damage to the environment totaled **€2,645,000** (2009: €1,808.000).

6.

Environmental organization and management systems

Staffed with experts in occupational health and safety, chemical management, ergonomics and the environment, the Environment, Health and Safety Department ("Global EHS Department") provides the network of EHS correspondents throughout the organization with assistance and support in these areas.

The opportunity arose in 2011 to introduce software for managing safety data sheets in the new Globally Harmonized System (GHS) and improve EHS risk management through the use of a change management tool.

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 2011, 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 representatives of the Instruments Division and other Essilor subsidiaries and legal entities.

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 (excluding the Nikon-Essilor plant). 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, 2011 and, in fact, have been since December 31, 2005. In 2011, 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 (excluding the Nikon-Essilor plant). 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, 2011 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 2011, inspection audits were carried out.

The certification ratio of the occupational health and safety management systems of the Group's upstream production facilities 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-certified, representing a **100%** certification rate, which is maintained through regular audits.

26.3 Report on the Group's economic, human (social and societal) and environmental contribution over an expanded perimeter.

Section 26.3 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 Section 26.2 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, covering a perimeter that substantially corresponds to the parent company.

For this reason, reporting with a broader scope properly extended to Essilor's legal entities worldwide had to be made in an appropriate format. Section 26.3 has been created for that purpose. For fiscal 2011, it combines the longstanding use of the guidelines of the Global Reporting Initiative (GRI) with those of the NRE Act, and anticipates the guidelines not yet specified as of December 31, 2011 in the law on the "national commitment to the environment " known as the Grenelle II Act promulgated on July 12, 2010.

Essilor's current non-financial reporting already integrates the NRE Act over varying perimeters for international extension to the legal entities that are operationally controlled directly. Essilor has begun and will progressively continue this international extension to the legal entities that are financially consolidated.

The promulgation on July 12, 2010 of the law defining the "national commitment to the environment" known as Grenelle II led Essilor International to replace the information about the Global Value® rating which was published in Appendix 4 of previous Registration Documents with a moderate assurance report established on the basis of a selection of non-financial indicators by the independent firm KPMG Audit.

Important

See the note on methodology at the end of this Section 26.3.

PROFILE

1. STRATEGY AND ANALYSIS		
§1.1	Statement from the most senior decision-maker of the organization	Refer to the corresponding pages of this 2011 registration document and/or the 2011 Annual Report. See the Chairman's Report in Section 26.1. **Renewal of Essilor International's commitment to integrate the ten principles of the Global Compact in its strategy and operations.** In March 2003, we received the letter signed by Georg Kell, Executive Head, Global Compact, who thanked us for our commitment to the Global Compact. Nine years later, Essilor International is proud to continue to support this UN initiative, and I am pleased to renew this annual commitment of Essilor International, which is included with our Communication On Progress (COP). Hubert Sagnières Chairman and Chief Executive Officer Essilor International is included in the six major social responsibility indices: ASPI Eurozone®, ECPI® Ethical EMU Equity, ECPI® Ethical Europe Equity, FTSE4Good, Ethibel Excellence and STOXX® Global ESG Leaders Indices.
§1.2	Description of key impacts, risks and opportunities	Key impacts, risks and opportunities are described in several sections of this 2011 Registration Document. Please refer to these sections. Essilor International's greatest opportunity in terms of sustainable development is access, so that the greatest number can finally achieve "Better Life through Better Sight℠" to quote the signature of the Essilor Vision Foundation and "Seeing the World Better®" to adopt the group's motto and, as a result, help facilitate access to its products and services for the largest number of people.
2. ORGANIZATION PROFILE		
§2.1	Name of the organization	Essilor International
§2.2	Primary products, and/or services and corresponding brands	Refer to the corresponding pages of this 2011 registration document and/or the 2011 Annual Report. **The world leader in ophthalmic optics,** Essilor conducts research, develops, produces and markets its broad lines of corrective lenses to improve and protect sight around the world. 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 in the 2011 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 in the 2011 Registration Document.
§2.6	Nature of ownership and legal form	Refer to the corresponding pages in the 2011 Registration Document.
§2.7	Markets served	Refer to the corresponding pages in the 2011 Registration Document.
§2.8	Scale of the reporting organization	Refer to the corresponding pages in this 2011 registration document. For fiscal 2011, the total number of employees in all entities was **48,700**. (Gross perimeter).
§2.9	Significant changes during the reporting period	Refer to the corresponding pages of this 2011 registration document and the note on methodology at the end of this Section 26.3.
§2.10	Awards received during the reporting period	Entangled Talents: a 21st century social learning system The initiative of innovative knowledge transmission at Essilor International known as the LOFT (for Learning organization For Tomorrow) has been announced as a winner of the "MIX" **Management 2.0 Challenge** among over 140 entries instructing how to overcome the design limits of Management 1.0 principles. The worldwide contest initiated by The Harvard Business Review, The London Business School and Mc Kinsey&Co among other sponsors, recognized the innovative approach of a global training eco-system designed for sustainability. Mainly thanks to the development ad empowerment of hyper-local resources at shop floor level and global best practices or know-how sharing support through collaborative tools. In 2011, the Brazilian subsidiary of Essilor was again recognized as one of the top 100 companies in which to work in Brazil by the Great Place to Work® Institute. Also in 2011, the Indian subsidiary of Essilor received a similar recognition, which was awarded by the prestigious CMO Asia Award during the Suntec in Singapore. In 2011, Essilor International was ranked by FORBES magazine as 25th among the one hundred most innovative companies in the world. The Essilor Vision "See the World Better to Live Better" Foundation stepped up its action in 2011 by expanding the reach of its Adopt-a-School and Kids Vision for Life programs. For the Adopt-a-School program, new teams were created across the United States with a growing number of volunteers among Essilor of America employees and customers plus other company stakeholders. The Kids Vision for Life program, already very solidly established in the Dallas Fort-Worth area, continued in 2011 to benefit from the highly appreciated contribution of the Alcon company and its teams, transforming these two Texas cities into Vision capitals and expanding their projects to other metropolitan areas in the state.

3. REPPORT PARAMETERS

Report profile

§3.1	Reporting period for information provided	January 1, 2010 to December 31, 2011. Refer to the section "Reporting period" in the note on methodology at the end of this Section 26.3.
§3.2	Date of most recent report (if any)	Appendices 2, 3, and 4 of the 2010 Registration Document will provide other information on Essilor International's contribution to Sustainable Development and the reports for several previous years on the website of the company at www.essilor.com.
§3.3	Reporting cycle	Annual
§3.4	Contact	Claude Darnault, Chief Sustainability Officer

Report perimeter and scope

§3.5	Process for defining report content	Responsibility for the Corporate Sustainability Department, via the network of subsidiaries using the "Hypérion® Sustainability" reporting system. Refer to the section on "Selection and Relevance of Indicators" in the note on methodology at the end of this Section 26.3.
§3.6	Perimeter of the report	Relevant perimeter: **95.1%** of the employees. (33,530 / 35,249) (92.2% in 2010) Gross perimeter: **68.9%** of the employees. (33,530 / 48,700) (58.4% in 2010) Refer to the section on "Reporting perimeter" in the methodology note at the end of this Section 26.3.
§3.7	State any specific limitations (...) on the scope	Until fiscal 2011, the affiliated companies were not included in the non-financial reporting. Only the companies operationally controlled directly reported their non-financial data. In 2011, the group initiated a process to gradually add the financially consolidated companies to the non-financial reporting.

§3.8	Basis for reporting on joint ventures, etc. (...)	Previously not applicable for these situations. Joint ventures were not included in the scope of non-financial reporting. They will now be progressively included. This is the case for Nikon-Essilor for fiscal 2011, for example. The non-financial reporting of the Essilor Group includes "previous year", "current year at equivalent perimeter" and "current year with extended perimeter" information to facilitate comparisons. Please refer to the sections on "Reporting standards used" and "Reporting perimeter" in the note on methodologies at the end of Section 26.3.
§3.9	Data measurement techniques and bases of calculations	Through direct measure readings or accounting data based on invoices. 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. Please refer to the sections on "Reporting Tools" and "Procedures for the collection, consolidation and control of data" in the note on methodology at the end of Section 26.3.
§3.10	Explanations of the effects of any re-statements	Provided as needed
§3.11	Significant changes	For 2011, the number of sites that report their data in the non-financial reporting tool rose sharply from 2010. In effect, for 2011, Essilor anticipated the publication of the Grenelle II Act, by beginning to progressively include in its non-financial report the entities consolidated financially in the group, starting with those that are significant because of the number of employees. Note that Essilor, until 2011, wanted to integrate only the entities in which the group exercised daily direct operational control. The 2011 perimeter includes the addition of two recent, major acquisitions: Satisloh and FGX International, the joint-venture Nikon-Essilor in Japan, the GKB entity in India, Polylite in Taiwan and Chemiglas and Essilor in South Korea. These changes raised the reporting perimeter from 92.2% in 2010 to **95.1%** in 2011 et and the scope of gross reporting from 58.4% in 2010 to **68.9%** in 2011.
GRI content index		
§3.12	Table identifying the location of information	Section 26.3 adopts the guidelines of the NRE Act and the GRI, and anticipates the future requirements of Grenelle II for sustainable development reporting but does not contain tables identifying the location of the required information items. For this information, refer to the general index of this Registration Document.
Third-party assurance		
§3.13	Policy and current practice on validation of the report	Refer to Section 26.4 of this registration document, where you will find the assurance report established on the basis of the audit of non-financial information for the year 2011.

4. GOVERNANCE, COMMITMENTS AND DIALOGUE

Governance

§4.1	Governance structure of the organization	Refer to the corresponding pages in the 2011 Registration Document.
§4.2	Indicate whether the Chairman of the Board of Directors is also an executive officer	Refer to the corresponding pages in the 2011 Registration Document.
§4.3	(...) indicate the number of independent and/or non-executive board members	Refer to the corresponding pages in the 2011 Registration Document.
§4.4	Mechanisms (...) for providing recommendations or directions to the Board of Directors.	Refer to the corresponding pages in the 2011 Registration Document.
§4.5	Linkage between compensation (...) and the organization's performance	Refer to the corresponding pages in the 2011 Registration Document.
§4.6	Processes implemented by the Board of Directors to avoid conflicts of interest	Refer to the corresponding pages of this 2011 registration document. A policy prohibiting trading during fixed periods and transmitted every year is applied to Group Board members, executives and other senior managers.
§4.7	Process for determining the qualifications and expertise	Refer to the corresponding pages in the 2011 Registration Document.
§4.8	Statements of mission or values, codes of conduct and principles	Document, "Essilor 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 Group Executive Committee 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 in the 2011 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 process** model is implemented within Worldwide Operations. A Health, Safety and Environment Charter and Guide have been applied to any project since 2002. The eco-design, eco-efficiency process has been implemented since 2004. Several hundred group researchers and project managers have been trained in this process. Essilor International has signed the UN Global Compact and is included in six major Social Responsibility Indices: **ASPI Eurozone®**, **ECPI® Ethical EMU Equity**, **ECPI® Ethical Europe Equity**, **FTSE4Good**, **Ethibel Excellence** and **STOXX® Global ESG Leaders Indices.**
§4.12	Externally developed charters, principles and other initiatives	Essilor International has been a signatory of the Global Compact since 2003. As a signatory, the Group supports and promotes the four texts founding the ten principles of the Compact: 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®. will find a number of other initiatives conducted by Essilor International to make its fair contribution to Sustainable Development on the company's website at www.essilor.com. Please refer to these documents.
§4.13	Memberships in associations	Not applicable
Dialogue with stakeholders		
§4.14	List of stakeholders included 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 financing micro-finance institutions, the other dedicated to the assistance and financing of 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 can develop synergies with the Group.
§4.16	Approaches to stakeholder engagement, including frequency of engagement	Wherever and whenever necessary
§4.17	Key topics and concerns raised by dialogue with stakeholders	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**. En 2011 Essilor International established the first Vision center in the United States, resulting from the partnership agreement signed in 2010 with one of its leading partners, **Lions Club International Foundation**, and local Lions Clubs. will learn about our many other partners on the company's website at www.essilor.com. 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 2011 Registration Document. Please refer to the corresponding pages. Essilor's socio-economic footprint can be summarized by the following items in descending order of importance: Revenues €**4,190** million, Suppliers €**1,934** million, Employees €**1,288** million, Taxes €**179** million, Shareholders €**175** million, Financial Expenses **€3** million.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	The Group is not usually 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 2011 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 is generally applied to raw materials and the various key products or services used in the composition or production of corrective lenses. The Group also generates significant business flows with its suppliers of generally consumable products and local services, on a quasi exclusive base for all purchases out of the scope of this central referencing. The centrally referenced local product distributors also benefit from the proximity of the group, resulting in a balanced situation.
EC7	Procedures for local hiring and proportion of executive management hired at the main operational sites	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 executive management hired locally at the main operational sites is greater than 80%.
INDIRECT ECONOMIC IMPACTS		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through a commercial, in-kind, or pro bono service	The global indicator EC8 is not relevant to the Group's industry segment. It is therefore not reported.

ENVIRONMENTAL PERFORMANCE INDICATORS

			2011 expanded perimeter	2011 equivalent perimeter	2010 For information
MATERIALS					
EN1	Materials used	Raw materials standard substrates	**6,040 t**	**5,813 t**	**5,066 t**
		Raw materials other substrates	**7,716 t**	**6,961 t**	**7,098 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 elastomer joints for example). For reasons of quality, the use of recycled organic materials cannot be considered in the manufacture of ophthalmic lenses. It is used for other products.		
ENERGY					
EN3	Direct energy consumption by primary energy source	Electricity	**436,4** GWh ☑	**400.6** GWh	**382.8** GWh
		Gas	**69.2** GWh ☑	**63.6** GWh	**73.3** GWh
		Liquid fuel	**7.5** GWh ☑	**7.0** GWh	**6.7** 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 customers) and business travel. In 2011, the first two categories were calculated and translated into tons of CO_2 equivalent emitted, which are provided under **EN 17**. A second evaluation of emissions of CO_2 equivalent from tertiary transportation was done in 2011 over a perimeter that includes a measurement of direct fllows to the end customers of six, high-volume prescription laboratories in the world, and the flows from the last kilometre of the prescription labs in France and the United States.. This perimeter will be increased again in 2012 for the first pertinent publication. The emissions related to professional travel recorded for a population of about 1500 people, 700 of whom are considered "major travelers" are also provided under **EN 17**. The geographic and infrastructure differences among the countries and continents does not allow extrapolation of the partial results obtained to a larger perimeter with sufficient reliability. This type of measurement will therefore be extended to other categories. The use of corrective lenses **does not require any energy source**. Their end of life impact is **negligible**.		
WATER					
EN8	Total volume of water used	Total water consumption	**2,800,339** m^3 ☑	**2,437,078** m^3	**2,398,173** 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	**0** m^2
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity outside protected areas		See note at the bottom of the page (a)	See note at the bottom of the page (a)	See note at the bottom of the page (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. In 2011, Essilor added to its traditional reporting procedures using the indicators EN 11 and EN 12 the use of its biodiversity mapping of all its sites around the world.

☑ Data verified by KPMG Audit.

		2011 Expanded perimeter	2011 Equivalent perimeter	2010 For information
EMISSIONS, EFFLUENTS AND WASTE				
EN16[(a)]	Total direct and indirect greenhouse gas emissions by weight ($t\ CO_2$ eq.)	**53,640** t ☑ See note at the bottom of the page (a)	**49,272 t** See note at the bottom of the page (a)	**35,810 t** See note at the bottom of the page (a)
	For 2011, the comparison is difficult because of the change in average conversion factor for electricity consumption into emissions of CO_2 equivalent, which went from 1 kWh = 50 g to 1 kWh = 86 g for electricity. See note at the bottom of the page (a).			
EN17[(a)]	Other relevant indirect greenhouse gas emissions by weight ($t\ CO_2$ eq.)	**20,960 t**	**20,960 t**	**18,047 t**
	Equivalent CO_2 emissions linked to primary transportation (from a production unit to a distribution center) in 2011 was **4,390** tons (2010: 4,736 tons). Emissions of CO_2 equivalent related to secondary transportation (from a distribution center to a subsidiary) in 2011 amounted to **10,850** tons (2010: 9.491 tons). The valuation of CO_2 emissions related to a significant portion of professional travel for 2011 was **5,720 t** (2010: 3,820 tons).			
EN 16 EN 17	**Total emissions related to EN 16 and EN 17**	**74,600 t**	**70,232 t**	**53,857 t**
EN19	Emissions of ozone-depleting substances by weight	**0 t**	**0 t**	**0 t**
EN20	NOx, SOx, and other significant air emissions by type and weight	See note at the bottom of the page (b)	See note at the bottom of the page (b)	See note at the bottom of the page (b)
EN21	Total water discharge by quality and destination	The Group controls the quality of its water discharges. Suspended materials, COD, 5-day BOD, heavy metals and other general criteria like pH or more specific ones depending on the requirements of local water agencies are monitored through the environmental management systems. The **consolidation** of the local data reported in EN21 is not considered relevant information. The Group's water discharges are treated in compliance with local regulations.		
EN22	Total weight of waste by type and treatment method — Total quantity of solid waste	**24,268** t ☑	**19,305 t**	**20,480 t**
EN23	Total number and volume of significant spills	**1** See note at the bottom of the page (c)	**1** See note at the bottom of the page (c)	**1**

(a) **Important notes**:

► Since 2002, Essilor has published its Carbon Footprint, using a conversion factor of **50 grams CO_2 equivalent per kilowatt hour** for the portion of the emissions related to electricity consumption. The source of our data came from monthly monitoring of the content of greenhouse gases from EDF's production which this company has published every month since 2002, using the ACV method.

For 2011, Essilor decided to change the source of this data and, for the first time, use the conversion factors published by the International Energy Agency. At the time of the annual reporting, only the data published in the IEA Statistics 2010 Edition were available. The average value for France (Average 06-08) was used, which is **86 grams CO_2 equivalent per kilowatt hour** (87 in 2006 / 90 in 2007 / 83 in 2008). It was applied to the total consumption of the entities that report consumption.

The use of this new conversion factor along contributed to an increase of 72% in the calculations (86/50).

► Likewise, since 2002, Essilor has published its Carbon Footprint using a conversion factor of **200 grams of CO_2 equivalent per kilowatt hour of gas** for the portion of the emissions related to its gas consumption and **300 grams of CO_2 equivalent per kilowatt hour of fuel oil** which are applied to the total consumption of the entities that report it. The source of our rounded off data comes from the guide for emission factors of ADEME, which has transferred this activity to the Association Bilan Carbone (ABC).

For 2011, Essilor decided to change the source of this data by including the sum of Scope 1 and Scope 2 of the GHG Protocol, while remaining faithful to the same source and continuing to round off these values to the next highest value. At the time of the annual report, only the data published in the Guide to Emissions Factor Version 6.1 of June 2010 were available. The rounded-off data used retain the same conversion factor of **200 grams of CO_2 equivalent per kilowatt hour of gas** and **300 grams of CO_2 equivalent per kilowatt hour of fuel oil.** They have been applied to the total consumption of the entities that report it..

The use of this new factor is, therefore, neutral for the calculations.

(b) The Group's NOx and SOx emissions are negligible. This indicator is not currently part of non-financial reporting.

(c) Two sulfuric acid tanks fell during transport because of a break in the pallet on which they were placed, spilling most of the content of 400 liters on the ground. Safety procedures, including evacuation of personnel and immediate calls for assistance from emergency crews, assisted by the local safety response team from Essilor were effective. There was no injuries to persons or damage to the environment..

☑ Data verified by KPMG Audit.

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 reasons of quality, the use of this recycle material is not possible in the manufacture of new lenses. It is used for other products. The objectives and targets regularly defined in the environmental management systems are essentially designed to reduce the environmental impacts, particularly to reduce, recycle and reuse resources to the extent possible.			
EN27	Percentage of products sold and packaging materials recycle or reused by category	The Group has initiated permanent measures to reduce, reuse and recycle its packaging materials. Some Essilor customers have established 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**	**0**
	Total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Non-monetary sanctions	**0**	**0**	**0**

SOCIAL PERFORMANCE INDICATORS

			2011 Expanded perimeter	2011 Equivalent perimeter	2010 For information
LABOR PRACTICES, LABOR/MANAGEMENT RELATIONS AND DECENT WORK					
Employment					
LA1	Total workforce by employment type, employment contract, and region	Women	**17,809 (53%)**	**14,118 (54%)**	**13,326 (53%)**
		Men	**15,721 (47%)**	**11,807 (46%)**	**11,620 (47%)**
		Total	**33,530**	**25,925**	**24,946**
LA2	Total number and rate of employee turnover by age group, gender, and region	As a Percentage	**8.3%**	**8.9%**	**8.8%**

Regular opinion polls conducted with employees.

In 2011, a new opinion poll was conducted with all Essilor employees in thirty-six countries of the world, representing 30,206 people. The primary objective was to give them the opportunity to express their opinions and obtain an update of changes in their opinions since the previous three surveys. It was also designed to refine the new analyses by geographic region, seniority and managerial responsibility. This gave us a comprehensive mapping of employee opinion in 2011. Finally, it was used concretely to implement action plans as part of continuing improvement in the group's Human Resource policies, both globally and locally.

It contained a question with thirty-nine points, organized on the basis of five theme, which included 15 new questions, six questions just for managers, questions specific to certain regions and/or grouped entities, five segmented questions (work place, activities, responsibilities, seniority, gender) and one open question. Space was reserved for open ideas and individuals comments.

Twenty-four thousands employees completed the survey, 81%, which improved the 59% return rate from the previous survey. Returns based on regions varied from 72% to 92%. Return from managers was 22% and from non-managers 78%. The breakdown by seniority in the group reveals a significant portion of employees with less than ten years (31% with 1 to 4 years and 27% with 5 to 10 years).

The satisfaction rate remained generally high, along with relations with the hierarchy, with a desire for them to show a stronger daily presence. Essilor continues to be a company considered to be committed to innovation with good growth potential. Employees often expressed a desire to improve employee motivation and we noted, without surprise, that the emerging countries in particular expressed a remarkable confidence in the future, both individual and collective. Finally, the survey shows that the actions implemented to improve the transmission of general information about the group have had a positive result, which has significantly improved since the last survey.

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

			2011 Expanded perimeter	2011 Equivalent perimeter	2010 For information
LA7	Rates of workplace accidents, occupational illness, lost work days, absenteeism and number of work-related fatalities	Accidents with lost work time	**156**	**120**	**172**
		Accidents without lost work time	**387**	**345**	**339**
		Fatal accidents	**0**	**0**	**0**
		Lost work days	**3,772**	**3,096**	**3,205**
		Rate of absenteeism	**4.7%** ☑	**4.8%**	**4.8%**
	Frequency rate for **2011**			**3.8** ☑	
	Gravity rate for **2011**			**0.11** ☑	

(a) As a signatory of the Global Compact, Essilor complies with supports and promotes 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).

☑ Data verified by KPMG Audit

			2011 Expanded perimeter	2011 Equivalent perimeter	2010 For information
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 2011, the watch unit continues to work closely with contracted health experts who follow the recommendations of the World Health Organization. The watch unit can be activated immediately in the event of a new crisis. For example, it was this health watch unit that in 2011 took the measures to anticipate and manage preventively for the Group the various indirect remote consequences and the distant potential secondary effects of the accident at the Fukushima nuclear plant, which fortunately were limited to the implementation of exceptional monitoring and control procedures.		
Training and education					
LA10	Average hours of training per year per employee by employee category	Number of employee hours	**506,762**	**494,960**	**479,050**
		Number of management hours	**209,526**	**199,483**	**217,034**
		Total	**716,288** ☑	**694,443**	**696,084**
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		As of this date, the diversity indicators are known and measured locally when the laws permits, but not consolidated as a whole. See note at the bottom of the page (b).		
LA14[(b)]	Ratio of base salary for men and women by employee category		As of this date, this indicator is not measured with sufficient scope. See note at the bottom of the page (b).		

(b) As a signatory of the Global Compact, Essilor complies with, supports and promotes, 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).

☑ Data verified by KPMG Audit

		2011 Perimeter expanded	2011 Equivalent perimeter	2010 For information
HUMAN RIGHTS				
Investment and purchasing practices[(a)]				
HR1[(a)]	Percentage and total number of significant investment agreements that include human rights clauses or are subject to control on this point	**0%**	**0%**	**0%**
HR2[(a)]	Percentage of major suppliers and contractors whose respect for human rights has been verified and measured	**0%**	**0%**	**0%**
Non-discrimination[(b)]				
HR4[(b)]	Total number of incidents of discrimination and actions taken	**0**	**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**	**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**	**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**	**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 business for local entrepreneurs and jobs for local populations. Environmental commitments and impacts are assessed in the context of the ISO 14001 certified environment management systems. The many examples of the Group's contributions to communities are provided on the company's website www.essilor.com and on the website of its foundation www.essilorvisionfoundation.org Please consult these sites.		
Corruption[(c)]				
SO2[(c)]	Percentage and total number of business units analyzed for risks-related to corruption	**ε %**	**ε %**	**ε %**
SO3[(c)]	Percentage of employees trained in the organization’s anti-corruption policies and procedures	This indicator is not covered at this time.[(b)] See note at the bottom of the page (c).		
SO4[(c)]	Actions taken in response to incidents of corruption	Termination for cause. Sanctions are listed in the Internal Regulations and/or other relevant documents.[(c)] See note at the bottom of the page (c).		

(a) The sector in which Essilor operates is fortunately considered to be a sector in which Human Rights are not a characteristic challenge. This does not prevent Essilor from respecting and ensuring they are respected, within its sphere of influence. Essilor pays very close attention to the selection of its local suppliers in countries considered more exposed to Human Rights challenges. The General Conditions for Purchasing, which include social, societal and environmental responsibility criteria which are considered in the evaluation of suppliers have been completed by a Charter of Responsible Purchasing which restates, among other items, the 10 principles of the Global Compact. This charter was the subject of an awareness campaign for procurement employees during 2011.

(b) As a signatory of the Global Compact, Essilor complies with, supports and promotes the eight conventions of the ILO in particular:

► in the case of the **HR4** indicator, more specifically the fundamental conventions No. **100** concerning equal pay and **111** concerning discrimination (employment and professional). The few allegations brought to us each year which have triggered a procedure to classify incidents of discrimination, generally average two to five a year groupwide, have not been proven. There was no procedure leading to sanctions in 2011.

► in the case of the **HR5** indicator, more specifically fundamental conventions No. **87** governing union freedom and the protection of union rights and No. **98** concerning the right to organize and collective bargaining. As of this date, no activity has been identified as presenting a risk in this area.

► for the indicator **HR6**, more specifically the fundamental conventions No. **138** on the minimum age and No. **182** on the worst forms of child labor. As of this date, no activity has been identified as presenting a risk in this area.

► for indicator **HR7**, more specifically the fundamental conventions No. **29** on forced labor and No. **105** on the abolition of forced labor. As of this date, no activity has been identified as presenting a risk in this area.

(c) The sector in which Essilor operates is fortunately considered to be a sector in which corruption is not a characteristic challenge. 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 complies with, supports and promotes the UN convention against corruption. As needed, certain areas of strategic activities, including but not limited to acquisitions, are analyzed for corruption risks. This is why a negligible percentage is indicated in the table.

			2011 Expanded perimeter	2011 Equivalent perimeter	2010 For information
Public policies					
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**	**0**
	and total number of non-monetary sanctions for non-compliance with laws and regulations	Non-monetary sanctions	**0**	**0**	**0**
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 categories of products and services. The HSE Charter for products and the HSE project guide to which it refers have been established on the basis of knowledge of steps in the life cycle.		
Products and services labelling					
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		This information is in multiple forms based on the products and services offered as a whole. Each Group distribution subsidiary has information in the local language and complies with these information requirements.		
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**	**0**

METHODOLOGY

Reference to the Global Compact

Essilor International has been a signatory of the Global Compact since 2003 and assiduously follows its recommendations for providing information about progress (COP). **At the publication of this Compact in 2011, Essilor International renewed its commitment to make the ten principles of the Global Compact an important part of its strategy and its daily operations to continue the success of its corporate mission, to ensure that one day each and every person on our planet can "See better to live better[SM]" to live the motto of the Essilor Foundation and learn to "See the World better" to live the motto of the Group.**

Essilor International summarized its sustainable development policy as one of the key components of its overall performance over time with transparency on the economic, human (employment and social), and environmental aspects of its businesses. The report on its non-financial information which has been published since 2002 is therefore one of the important elements of its contribution to sustainable development and its continued progress.

Reference to the Objectives of the Millennium for Development

Because of the nature of its products and services, which offer both daily well-being, and clear utility and social impact, Essilor International contributes indirectly to the achievement of several of the Millennium objectives, the most correlated of which are the second (primary education for all), the sixth [fight diseases (blindness and uncorrected refraction errors for visual health)], the seventh (protect the environment) and the eighth (institute a global partnership for development).

Reference to the company's contribution to Sustainable Development

Therefore, the ultimate goal in establishing this non-financial reports was to ensure and each and every employer working in the group appropriates all the elements and aspects that form sustainable development. Created in 2002, the Group Department of Sustainable Development wanted to be a small unit at the Corporate level backed by the operational divisions and the Corporate support functions and Business Units management teams around the world. These units learned the issues and transmitted them to their teams, creating over time the same number of sustainable development ambassadors who today act and provide an example in their daily life and work, in their communities and in the company's sphere of influence, well beyond its conventional boundaries.

The regular organization of a major competition of medal winners in sustainable development has contributed to the sharing and dissemination of best practices.

The existence of quality, environmental and occupation health and safety management systems has ensures the organized establishment of virtuous circles as part of a process for continuous improvement. The anticipation and prevention of risks has resulted in innovation and the constant discovery of new areas of opportunity and savings.

The presence of powerful employee shareholding plans encourages this appropriation of the often forward-looking issues of sustainable development. It goes well beyond a feeling of belonging and is very closely correlated with the economic and human objectives of the company.

Objective and quality of the reporting

In addition to an annual publication that is a milestone and is useful daily as an integral part of a process of continuing improvement, the objective of the non-financial reporting is to provide the reader with information in addition to what is normally provided by financial reporting.. In this respect, very careful attention has been paid to the quality of the non-financial reports, with the goal of bringing it to the same level as the quality of the financial reporting. This explains a number of choices made by Essilor International 1) to rely on the Group's Finance Departments to prepare these two reports; 2) for the duplication of the same reporting tool in two very specific twin applications, but in which the share base of functionalities, activation and control procedures, ease of us, knowledge of the tool and ongoing training in upgrades and updates of common general information are identical or similar; 3) to place the reporting of its non-financial information, often called a sustainable development report, within the annual registration document, thus facilitating consolidation and the analysis of all relevant information to allow the reader to judge the overall performance of the company within a single document.

Reporting standards used

Until 2011, Essilor International published its non-financial information on the basis of two distinct standards. The first corresponds to the structure of Article 116 of the French New Economic Regulations (NRE) and the second to the Global Reporting Initiative (GRI).

Since 2007, this dual publication is centralized respectively in Appendices 2 and 3 of the registration document.

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 the annual reports for those years.

In order to ensure that the information disclosed in Section 26.2 (NRE standards) of 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, over a perimeter scope that essentially to the parent company.

The information published in Section 26.3 (GRI Standards) of these Registration Documents related to a perimeter regularly expanded to the legal entities operationally controlled directly by Essilor around the world.

The promulgation on July 12, 2010 of the law defining the "national commitment for the environment" known as **Grenelle II** led Essilor International to make the following decisions as of fiscal 2011:

1- Combine the longstanding use the guidelines of the Global Reporting Initiative (GRI) with those of the NRE Act, and anticipate the guidelines not yet specified as of December 31, 2011 in the law on the "national commitment to the environment " known as the Grenelle II Act promulgated on July 12, 2010.

The current non-financial reporting already integrates the NRE Act over varying perimeters for international extension to the legal entities which are operationally controlled directly. Essilor has initiated and will regularly continue this international expansion to the financially consolidated legal entities.

2- Replace the information about the Global Value® rating which was published in Appendix 4 of previous Registration Documents with a moderate assurance report established by a specialized auditing firm. The report for 2011 can be found in Section 26.4.

Since 2006, the date of publication of its second separate sustinable development report, Essilor International has used the non-financial ratings agency **BMJ Ratings**. This agency developed the **Global Value**® model, which analyzes the contribution of the different non-financial criteria to the economic performance of a company. With this rating, Essilor International wanted to have its sustainable development policy evaluated through an in-depth audit and measure the impact of this policy on its total performance. The group also believes that this evaluation model would be widely used by companies working to establish a correlation between the implementation of virtuous circles of sustainable development and their contribution to the creation of value. After five years of publication, it was found that the **Global Value**® model was appreciated by several companies, but it never became a benchmark with investors and analysts.

In addition, while the non-financial information of Essilor International has been audited every since since 2002 by its auditors in the Department of Sustainable Development, it did not result in in-depth site audits and did not include a specific assurance report.

This is why Essilor decided to use, beginning in **2011**, an audit firm to conduct the verification of a selection of the company's non-financial information using a proven methodology which includes verification work on site and which results in an assurance report that will not replace the old rating.

We remind the reader that the total performance index for Essilor International measured on a scale from **0.70** (below 1, economic performance is degraded because of an insufficiently organized or performing sustainable development policy) to **1.40** (above 1, the non-financial choices contributed to a better economic performance) according to the **Global Value**® model was established in the years **2006, 2007, 2008, 2009 and 2010** respectively at **1.22**, then **1.25** then **1.27**, then **1.29** and finally **1.29**.

3- Progressively expand the non-financial reporting to the legal entities **financially consolidated** by the group.

Until then, Essilor International published its non-financial reporting on a perimeter that covered the legal entities for which the group exercised **direct operational control**, for which reporting was pertinent. Measured by the ratio between the number of employees working in these entities and the total number of employees working in this universe, this perimeter was **92.2%** for fiscal **2010.** It is **95.1%** for **2011**. The remaining **4.9%** correspond either to very small legal entities, or to legal entities whose activity, administrative for example, have no relevance for reporting, or to entities created too recently, toward the end of the year, for example.

Subject to the publication of its implementing decree, the law known as **Grenelle II** stipulates that this non-financial reports must now cover a perimeter that corresponds to the legal entities **financially controlled** by the group.

In order to remain consistent with its wish to give the reader quality and complete reporting for both non-financial and financial report, Essilor decided to begin for fiscal year 2011 to report the non-financial information with a perimeter that covers the legal entities **financially consolidated** by the Group. Therefore, this will eventually include all consolidated companies, whatever the capital control and joint ventures as well.

4- Maintain the objective to eventually conduct this reporting regularly for a perimeter that covers at least **85%** of the Group's employees.

The Group would not be in a position to commit 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 the end of their first year in the Group.

Selection and relevance of the indicators

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.

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.

The main sustainable development challenge for the company is the challenge of access. We believe that 4 billion out of the 7 billion people on the earth need visual correction. As of this date, approximately 1.6 billion can see well. In contrast, 2.4 billion cannot.

The Group's mission is summarized in its motto "Seeing the World better" and in the motto of its Foundation "See well to Live Better"SM.

The Group's sustainable development policy is perfectly aligned with its mission, the ideal pairing of its economic strategic and human objectives, and is the foundation for its position as a responsible business in its operations.

Viewed from this standpoint, the economic indicators of sustainable development reveal their real importance. This is why the choice to associate very closely all the financial and non-financial indicators was made by the Group.

Specific methodologies for the indicators

The calculation methodologies used for certain social indicators may be heterogeneous because of the variation in definition in France and internationally. For the indicator "Absentee rates" in particular, the French sites used the social assessment definition, which is different from the definition recommended by the Group's reporting procedures. Thus, absenteeism under the social assessment definition (business days not worked/number of business days X average full-time eq. Employees) results in absentee data reported in business days and average number of employees as "full-time equivalent", while the Group procedures recommend reporting absenteeism in calendar days and is based on average number of employees (calendar days absent / 365 × average number of employees).

The indicators "Frequency rate" and "Gravity rate" published in 2011 are smaller in scope than the reporting perimeter for the other indicators.

Reporting perimeter

For fiscal 2011, the number of sites that report their data in the non-financial reporting tool was up over 2010. In effect, for fiscal 2011, Essilor anticipated the publication of Grenelle II and began to progressively include in its non-financial report the financially consolidated group entities, beginning with those which have a large number of employees. It should be noted that Essilor until 2011 included only the entities for which the group exercised directly, daily operational control..

The 2011 reporting scope includes the addition of two recent major acquisitions, Satisloh and FGX International, the joint venture Nikon-Essilor in Japan, the GKB group in India, Polylite in Taiwan and Chemiglas and Essilor in South Korea. These changes in perimeter from one year to the next required that we establish three comparisons: previous year, current year with constant perimeter and current year with expanded perimeter.

These entities were included in the interim non-financial reporting at the end of June 2011 in order to issue a first report to identify and perform the corrective actions needed, if necessary.

The steady acquisition policy conducted by Essilor led to Group to define the reporting perimeter for the non-financial information by distinguishing the gross perimeter from the relevant perimeter. The relevant perimeter has been used since fiscal 2008.

For information the gross perimeter corresponding to the total number of employees in all business units, whatever the control, was **48,700** employees in 2011.

Relevant perimeter 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 **33,530** out of **35,249** employees in 2011.

The relevant reporting scope in 2011 reached **95.1%**. (92.2 % in 2010).

The gross perimeter for 2011 was **68.9%** (58.4% in 2010).

One of the consequences of the Group's decision to anticipate the publication of Grenelle II in 2011 is that it will now be the gross perimeter that should regularly increase as new financially controlled, no longer directly operationally controlled entities are included in the Group's non-financial reporting.

The Group notes that it cannot 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 the end of their first year.

Reporting period

January 1 to December 31, 2011.

Interim reporting is conducted each year at the end of June, showing the non-financial results from January 1 to June 30. It provides an update and allows the Group to identify and perform with enough time any correctie actions that may be necessary in the entities that are reporting their data for the first time, and to prepare them for the first real reporting at the end of the year for the period showing non-financial results from January 1 to December 31.

If a second case of lack of preparation occurs, which has never happened, but cannot be exclude, the non-financial results of the entity in question might not be published. If only a portion cannot be published, it will be explained in a specific not explaining the delay for one year.

Reporting tool

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. This is a financial closing application from the Oracle group, known as Hypérion® which has been copied in Hypérion® Figures for financial reporting and Hyperion® Sustainability for non-financial reporting.

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.

Procedures for collecting, consolidating and controlling data

Collection is performed by the Group's finance departments from specialists in each unit, generally the Department of Human Resources or the Department of Health, Hygiene and Safety for the social information, and from Management or the finance departments themselves for societal information, and the Department of Purchasing in collaboration with the Department of the Environment or Department of General Services for the environmental information. As consolidation and control of the non-financial information is performed using a specific data application and a twin to the one used for financial reporting, the non-financial reporting tool has similar functionalities.

Ultimately, it is the Department of Sustainable Development which is responsible for the general control and publication of the non-financial reporting.

Independent verification

Through the mission to verify a selection of environmental and social indicators with a moderate assurance level performed by KPMG Audit.

For fiscal 2011, the data verified by KPMG Audit are identified by the following symbol indicated on the data reported: ☑

Through annual verifications by the auditors.

Conclusion

The non-financial reporting of the Essilor Group is part of a process of ongoing improvement driven by the following objectives:

- continue to make sustainable development one of the fundamentals that support the Group's development strategy;
- do not isolate its economic aspects from its human (employment and social), environmental or governance aspects;
- therefore integrate it within a single document that provides the financial and non-financial information.

Note that for the years 2003 and 2006, this information was presented in the separate document titled "Seeing the World Better (2003, 2006). Our contribution to sustainable development.". The corresponding information for 2002, 2004 and 2005 was provided in the annual reports for those years. Since 2007, it has been part of the annual Registration Document.

In future years, Essilor reserves the right to publish the same type of information in a different document, as needed.

26.4 Report expressing reasonable assurance on certain environmental and social performance indicators published in the Essilor Group 2011 Registration Document.

Following a request that has been made to us by the Essilor Group, we have performed a review allowing us to express reasonable assurance on the 2011 environmental and social performance indicators[1] ("the Data") selected by Essilor Group and identified by a symbol ☑in the tables in Section 26.3 of the 2011 Registration Document.

The conclusions below pertain only to these Data and not to all indicators contained therein.

These Data were prepared under the responsibility of the Sustainable Development Department, in accordance with the reporting protocol that can be obtained from the Sustainable Development Department ("the Reporting Criteria"). The methodological note at the end of Section 26.3 of this Registration Document provides details of the methods used for collecting and calculating the published indicators. Our responsibility is to express a conclusion on the selected Data based on our review.

Nature and extent of the assurance engagement

We performed our review in accordance with ISAE 3000 and professional standards applicable in France.

We implemented limited procedures leading us to express reasonable assurance that the selected Data are free of material misstatement. A higher level of assurance would have required a more extensive engagement.

For the selected Data, we have:

- assessed the Reporting Criteria for relevance, reliability, objectivity, understandability and completeness;
- conducted interviews and surveys on the implementation of the Reporting Criteria at certain sites[2] (the "Entities"); and
- tested the consolidated Data for consistency.

The Entities selected for the Group Data account for 22% to 27% of the environmental performance Data and 17% to 35% of the social performance Data.

Comments on our procedures

The reporting procedure requires us to make the following comments:

- for indicators relating to absenteeism and workplace accident with lost work time frequency and severity rates, greater effort is required to educate users about the reporting criteria and the systematic upload of data;
- for indicators relating to the use of water and energy, in the absence of supporting documentation such as invoices, methods for estimating data are not consistent between sites. Consequently we are clarifying the reporting procedures used;
- the rules for uploading certain data should be standardized. In particular, consolidation of data from entities lying within the scope of France should be done within the same IT system in order to automate calculations, store data and implement automatic consistency checks.

1. Indicators vérified :

Environmental performance indicators	Social performance indicators
Energy use	*Rate of absenteeism*
Total water use	*Workplace accident with lost work time frequency rate*
Greenhouse gas emissions (scopes 1 and 2)	*Workplace accident with lost work time severity rate*
Total quantity of waste	*Total number of training hours*

2. BBGR Pongelot (Provins), E.I. Dijon, E.I. Les Battants, Essilor Manufacturing Thailand, Essilor España, Essilor Portugal and Essilor Germany.

Conclusion

During the course of our review, it came to light that for data identified by a symbol and indicators regarding:

- the rate of absenteeism, when no data was uploaded by an entity, data were based on a flat rate and not on the actual findings at the site;
- workplace accident with lost work time frequency and severity rates, our checks showed that the data used to calculate these rates came from an operational management system whose scope is currently being expanded and, for the year in question, is narrower than the reporting scope of other indicators. Furthermore, the definition of days lost to accidents was not always properly implemented at the Group's sites.

Based on our review and subject to the reservations expressed for the above indicators, we have not identified any other material anomalies likely to call into question the fact that the examined Data contained in Section 26.3 of this 2011 Registration Document and identified by the symbol ☑ have been prepared in all material respects in accordance with the Reporting Criteria.

Paris La Défense, March 20, 2012

KMPG Audit

A department of KPMG S.A.

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Partner

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The information presented in this Registration Document was mainly
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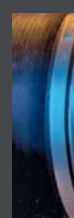

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