2009
REGISTRATION DOCUMENT

essilor

DOCUMENTS INCORPORATED BY REFERENCE

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

- The management review for the year ended December 31, 2007, the main contents of which are inserted in the different sections of the 2007 Registration Document, the consolidated financial statements and Auditors' report on the consolidated financial statements for the year ended December 31, 2007, presented on pages 81 to 149 and 180 to 181 of the 2007 Registration Document filed with the AMF on March 28, 2008 under no. D.08-0161.
- The management review for the year ended December 31, 2008, the main contents of which are inserted in the different sections of the 2008 Registration Document, the consolidated financial statements and Auditors' report on the consolidated financial statements for the year ended December 31, 2008, presented on pages 81 to 142 and 176 to 182 of the 2008 Registration Document filed with the AMF on March 30, 2009 under no. D.09-0167.

The 2007 and 2008 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, "Documents on Display".

PRELIMINARY INFORMATION

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 International" or "the Company".

Reporting period

Unless otherwise specified, the information contained in this Registration Document and its appendices concerns the fiscal year ended December 31, 2009.

At their Combined Ordinary and Extraordinary Meeting on May 11, 2007, Essilor shareholders approved an increase in the par value of existing Essilor shares from €0.35 to €0.36 and a subsequent two-for-one stock split.

Market information

Unless otherwise specified:

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

TRADEMARKS

Airwear®, Crizal®, Crizal Avancé™ with Scotchgard™ Protector, Crizal Forte®, DDV™, Definity®, Essibox™, Essilor®, Essilor® Azio® 360°, Eyecode™, Mr Blue®, Twin Rx Technology®, Varilux®, Varilux Comfort®, Varilux® Ellipse®, Varilux® India 360°™, Varilux® Ipseo®, Varilux® Panamic®, Varilux Physio®, Varilux Physio® Short, Vision Haute Résolution™, Visioffice®, W.A.V.E. Technology™, Xperio™, are trademarks filed or registered in the name of Essilor International.

Neva® Max et Premier™ are trademarks filed or registered in the name of BBGR. Transitions® is a registered trademark of Transitions Optical Inc. Global Value® is an analysis model registered by BMJ Ratings. The Scotchgard Protector trademark is owned by 3M Company. Duo-Flex™ and Toro-Flex™ are registered trademarks of Satisloh. The Nikon trademark is owned by Nikon Corporation.

Registration Document

and Annual Financial Report

2009

FILING INFORMATION

The French version of this Registration Document was filed with the French securities regulator (Autorité des Marchés Financiers - AMF) on March 30, 2010 under no. D.10-0189, in accordance with Article 212-13 of the AMF's General Regulations. It may not be used in connection with a financial transaction unless it is accompanied by an information memorandum approved by the Autorité des Marchés Financiers.

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1 PERSONS RESPONSIBLE

1.1 Person responsible for the Registration Document

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

1.2 Statement by the person responsible for the Registration Document

I declare, having taken all reasonable care to ensure that such is the case, that 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.

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 and the consolidated group. The management report information provided in Sections 9 and 10 (Operating and Financial Review), Section 4 (Risk Factors) and Section 21 (Share Capital) presents fairly the changes in business, results and financial position of the Company and the consolidated group, as well as a description of their principal risks and contingencies.

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2007 incorporated herein by reference includes an emphasis of matter. The report may be found on pages 180 and 181 of the 2007 Registration Document filed with the French securities regulator (Autorité des Marchés Financiers) under no. D.08.0161

The Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2009 presented in this Registration Document includes an emphasis of matter. This report may be found on pages 176 and 177.

I obtained a statement from the Auditors at the end of their engagement affirming that they had examined the information about the financial position and accounts contained in the Registration Document and read said document in its entirety.

Charenton, March 30, 2010

Hubert Sagnières

2 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

Crystal Park

63 rue de Villiers

92200 Neuilly-sur-Seine

First appointed: June 14, 1983

(Befec Mulquin et Associés, 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).

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

PricewaterhouseCoopers Audit is represented by Jacques Denizeau (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 re-appointed

No auditors resigned in 2009.

On May 11, 2007, shareholders re-appointed PricewaterhouseCoopers Audit and appointed Mazars to replace Cabinet Dauge & Associés.

3 SELECTED FINANCIAL INFORMATION

3.1 Selected historical financial information

MAIN CONSOLIDATED FINANCIAL INFORMATION

€ millions, excluding share data	**2009**	**2008**	**2007**
CONSOLIDATED INCOME STATEMENT			
Revenue	3,268	3,074	2,908
Contribution from operations	594	551	527
Operating profit	555	515	505
Profit attributable to equity holders of Essilor International	394	382	367
Basic earnings per ordinary share, in €	1.91	1.85	1.78
Diluted earnings per ordinary share, in €	1.89	1.81	1.74
CONSOLIDATED BALANCE SHEET			
Share capital	39	38	38
Equity attributable to equity holders of Essilor International	2,716	2,351	2,156
Net debt	(93)	112	(260)
TOTAL ASSETS	**4,168**	**4,067**	**3,514**
CONSOLIDATED CASH FLOW STATEMENT			
Net cash from operating activities	515	497	492
Net cash used in investing activities	(277)	(650)	(365)
Net cash used in financing activities	(369)	(36)	(22)
Net increase (decrease) in cash and cash equivalents	(131)	(189)	104
Cash and cash equivalents at December 31	364	487	677

In a recessionary economy, 2009 saw an unprecedented slowdown in the ophthalmic optical market. Essilor nevertheless demonstrated the solidity of its growth model and gained new market share by leveraging its innovative products and efficient distribution networks and by speeding up deployment of its acquisitions strategy.

The year's highlights included:

- Firm volumes and a significant increase in revenue.
- Successful new products, including the new Crizal anti-reflective lens, Xperio polarizing lens and Mr Blue edger.
- Continued implementation of the acquisitions program, with the purchase of 27 new companies on five continents during the year.
- Record high contribution margin, at 18.2% of revenue, helping to drive 3.2% growth in earnings per share.
- A 24.6% increase in free cash flow to €390 million.

Further advances in strengthening the balance sheet, as reflected in the Company's net cash position of over €92.8 million.

3.2 Selected financial information for interim periods

Financial information for interim periods has not been included in this Registration Document. Financial results for first-half 2009 were published on August 27, 2009. The first-half results press release, the consolidated balance sheet at June 30, 2009 and the consolidated income statement and cash flow statement for the six months ended at that date, and the first-half 2009 results presentation may be downloaded from www.essilor.com in the Publications section.

4 RISK FACTORS

4.1 Operational risks

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

4.2 Market risks

Market risks are managed by the Corporate Treasury and Financing department. The head of this 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 Company's financing strategy is designed to ensure that borrowing needs are met at all times, in terms of both amounts and duration, by diversifying sources of financing.

At December 31, 2009, the Company had a net cash position of €93 million. Long-term borrowings at that date totaled €228 million.

The Company also has two syndicated credit facilities for a total of €1,700 million expiring between 2012 and 2014. Neither of these facilities was drawn down at December 31, 2009.

4.2.2 INTEREST RATE RISK

Essilor International raises financing for its own needs as well as for substantially all of the needs of subsidiaries. Interest rate risks are therefore managed at corporate level.

The Company's interest rate management policy consists of protecting positions against the effects of an unfavorable change in interest rates and taking advantage of or locking in the benefits of favorable rates.

At December 31, 2009, 86% of the gross debt was at fixed rates of interest.

4.2.3 COUNTERPARTY AND INVESTMENT RISK

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

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

At December 31, 2009, counterparties for investment and capital markets transactions carried out by the Corporate Treasury and Financing department were all rated at least A-1 (short-term) and A+ (long-term) by Standard & Poor's, and 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).

4.2.4 CURRENCY RISK

Currency market transactions are entered into solely to hedge risks arising on business operations. The Company does not carry out any currency trading transactions without any underlying commercial transaction.

Currency risks are systematically hedged using appropriate market instruments such as forward and spot exchange contracts, currency options and collars. Intercompany transactions are billed in the local currency of the importer or exporter, so that only a limited number of subsidiaries are exposed to material currency risks, that are hedged by the subsidiaries concerned with support from Corporate Treasury. The other subsidiaries' exposure, which is very limited, is monitored by Corporate Treasury. The Company's manufacturing units operate essentially in US dollars; this means that the bulk of intercompany transactions are billed in dollars, helping to reduce net exposures.

The majority of currency risks from manufacturing subsidiaries exposed to the US dollar's decline against certain Asian currencies (other than the yen) have been hedged.

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

At the end of 2008, the German competition authorities (*Bundeskartellamt* – BKA) launched an investigation into possible breaches of German law on cartels concerning all major players in the ophthalmic optics market, including two of our subsidiaries. They provided responses and clarified certain elements. The BKA subsequently informally notified the subsidiaries of its initial findings and withdrew certain complaints.

Based on those discussions with the BKA and information received by the lawyers retained to defend our subsidiaries, it is possible that the fine could be significantly higher than the provision set aside in the accounts.

To date, the subsidiaries have not been formally notified of any breach of German law on cartels or of any fine or other penalty. If such a notification is received, they will lodge an appeal with the German courts.

Based on the information available at the year end, the Company recorded a provision of €9.2 million, corresponding to its best estimate of the risk incurred in relation to this investigation.

To the Company's knowledge, there are no other current or threatened claims, litigation proceedings or arbitration that would be likely to have a material adverse effect on its financial position, results of operations, profitability, business or assets and liabilities.

The accounting methods used to calculate provisions for contingencies are explained in Section 20.3.1.5, Note 1.32.

4.4 Industrial and environmental risks

4.4.1 INDUSTRIAL RISKS

See Section 6 for an overview of the Company's business.

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

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

4.4.2 ENVIRONMENTAL RISKS

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

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

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

Refer to Section 8.2 for more information on environmental risks.

4.5 Insurance

The Company has high level risk prevention programs and follows a risk prevention and protection strategy designed to drive constant improvement in behaviors, procedures and equipment.

Our 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. Our insurers' engineering departments are consulted concerning the design and protection of all new construction projects and other major works. The projects are reviewed and adjusted to take into account both the needs of the business 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 Company's financial position.

In view of the nature of our business, we are 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 our Company.

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, professional and environmental liability). The liability insurance program was extended during the year to include the Company's liability as a sponsor of biomedical research. By covering clinical trials, the policy extension keeps pace with changes in the scope of our research and development activities.

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.

Essilor does not have any captive insurance company and minority-owned entities manage their insurance needs independently.

All policies have low deductibles and transfer substantially all of the risk to the insurance market.

No major insurance claims were reported in 2009 and no Essilor companies are involved in any significant litigation.

To determine the required level of cover, we estimated the extent of our exposure to major risks, after taking into account the mitigating effects of internal controls, preventive and protective measures and alternative flows.

Based on the results of this analysis, in 2009 our maximum insurance cover was kept at €150 million for property and casualty risks and business interruption, and at €1.5 million for transportation risks.

In 2009, the total cost of our worldwide insurance programs came to €3.29 million, up over 2008 due to the constantly broadening scope of coverage.

5 INFORMATION ABOUT THE COMPANY

5.1 History and development of the Company

5.1.1 Legal and commercial name of the Company

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

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 incorporation and length of life of the Company

Essilor International was incorporated on October 6, 1971 for a 99-year term expiring on October 6, 2070.

5.1.4 Domicile, legal form, legislation, corporate purpose and accounting period

Domicile

Headquarters: 147, rue de Paris - 94220 Charenton-le-Pont, France.

The telephone number for Company headquarters is +33 (0)1 49 77 42 24.

The telephone number for the Investor Relations Department is +33 (0)1 49 77 42 16.

Legal form and legislation

Essilor International is a French joint stock company (*société anonyme*) with a Board of Directors. It is governed by French law, including the Commercial Code (*Code de Commerce, livre II*).

Corporate purpose (Article 2 of the Bylaws)

Essilor International'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, sunlenses, protective glasses 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.

Accounting period

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 rapid international expansion

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

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

5.1.5.3 Essilor becomes the global market leader

Strategic 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 the Company'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 Company has continued to expand rapidly in international markets (see table below).

This strategy has enabled Essilor to consolidate and expand its positions in North America (led by a large-scale program of prescription laboratory acquisitions), Latin America, Europe and Asia, while at the same time affirming its leadership in fast-growing Asian markets, particularly China and India. It has also created opportunities for the Company to bring new technologies and distribution networks on board, and also to expand the product offer in all regions of the world. In 2009, 41.4% of revenue was generated in North America and 14.6% in the Asia-Pacific region and Latin America.

A SUSTAINED GLOBALIZATION STRATEGY

Year	Europe	North America	Latin America	Asia-Pacific
2007	• In France, Essilor acquires Novacel, a European lens distributor. • In the United Kingdom, the Company acquires Sinclair Optical Services and United Optical, two prescription laboratories. • In Norway, the Company acquires Sentralslip, a lens edging and mounting laboratory. • In Serbia, a new subsidiary is set up.	• United States: Essilor of America continues to expand its network of prescription laboratories, acquiring Beitler McKee Optical; Personal Eyes; Sutherlin Optical; Premier Optics and Gold Optical Enterprises; GK Optical and Dispensers Optical. • The Company acquires OOGP, one of the five largest contact lens distributors in the US. • Essilor also acquires KBco, a US distributor of polarized lenses. • In Canada, Essilor acquires Optique Cristal.	• Essilor makes its first Brazilian acquisition, purchasing a stake in Unilab, a prescription lens laboratory.	• Essilor acquires Integrated Lens Technology Pte Ltd (ILT), a Singapore-based ophthalmic lens distributor that serves Asia, Europe, the Middle East and Latin America. • In China, Nikon-Essilor acquires all outstanding shares of Nikon Beijing, its local distributor.
2008	• In Switzerland, Essilor acquires Satisloh, the world's leading supplier of prescription laboratory equipment. • In Italy, the Company acquires Galileo, a major player in the Italian market. • In Germany, Essilor buys out its local distributor, Nika. • In the Netherlands, O'Max, a distributor of optometric and edging equipment is purchased. • In Eastern Europe, Essilor acquires Omega Optix (Czech Republic and Slovakia), Optymal Ood (Bulgaria) and Optika Hulgikaubanduse Oü (Estonia).	• United States: Essilor of America acquires 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 and Pinnacle. • In Canada, Essilor acquires Westlab Optical.	• In Brazil, Essilor acquires 51% of Technopark.	• In India, Essilor acquires 20/20 Rx Lens and Sankar & Co. • In Malaysia, Essilor acquires the country's leading independent laboratory Frame N' Lenses.

Year	Europe	North America	Latin America	Asia-Pacific
2009	• In France, Novisia, an Essilor subsidiary, acquires a majority stake in Mont Royal, a lens distributor with a prescription laboratory. • In the United Kingdom, the Company acquires Wholesale Lens Corporation Limited, a lens distributor, and Horizon, a prescription laboratory. • In Belgium, the Company acquires De Ceunynck, a lens distributor with a prescription laboratory. • In Poland, Essilor raises its stake in JZO from 10% to 51%.	• Essilor of America acquires majority stakes in the following prescription laboratories: Barnett & Ramel; McLeod Optical; Ultimate Optical and Apex Optical; Orion Progressive Lab; Optical Dimensions; Truckee Meadows Optical; Abba Optical and Vision Pointe Optical, together with a minority interest in Cherry Optical. • Essilor also acquires 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 raises its stake in prescription laboratory TechCite from 50% to 100%.	• In Brazil, Essilor acquires 51% of GBO, a lens distributor.	• In India, Essilor increases its stake in GKB Rx Lens Private Ltd from 50% to 76% and acquires a controlling interest in Lens & Spects. • In the Middle East, a 50/50 joint venture is set up with Amico in Dubai. • In Australia, equity interests are acquired in three prescription laboratories – Prescription Glass Pty Ltd, Precision Optics Pty Ltd and Wallace Everett Lens Technology Pty Ltd – and in Sunix. • In South Africa, Essilor acquires Vision Optics.

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, we entered into a partnership with US-based PPG Industries to develop Transitions variable-tint plastic lenses.
- In 1999, we 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, we 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, we established a partnership with India's GKB Rx Lens.

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
- Design, primarily in progressive lenses.

Technologies developed by other industries are regularly integrated to constantly improve 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 2009, new surface coatings and new lenses were unveiled. See Section 6.1.2 for information on new products and/or services.

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	**2009**	**2008**
Property, plant and equipment and intangible assets	125.3	184.3
Depreciation and amortization	161.0	146.0
Financial investments net of cash acquired	152.9	457.5
Purchases of Essilor shares	76.1	112.6

Purchases of property, plant and equipment

Capital expenditure net of the proceeds from asset sales totaled €125.3 million or 3.8% of consolidated revenue in 2009 compared to €184.3 million in 2008.

By region, Europe accounted for €43 million of these outlays, North America €39 million, and the rest of the world €43 million. By application, the expenditure broke down as follows:

- 19% was devoted to production facilities to increase plant capacity, notably for anti-reflective and high index lenses.
- Close to 67% was spent on equipping prescription laboratories, in particular with the anti-reflective coating units and CNC machines needed to deploy the digital surfacing technology used to produce customized progressive lenses.
- The balance went to various uses in Research and Development and Instruments, as well as to the acquisition of software licenses for operational and analytical IT systems.

Expenditure commitments for the first two months of 2010 represented an estimated €7 million, of which Europe accounted for €4 million, North America €2 million, and the rest of the world €1 million.

Financial investments

Financial investments net of cash acquired amounted to €152.9 million in 2009, versus €475.5 million in 2008. These investments mainly related to acquisitions made by the Company.

The Company also spent €76.1 million (net of disposal proceeds) on share buybacks in 2009, compared with €112.6 million in 2008.

In early 2010, Essilor made several acquisitions in various parts of the world. Details of these acquisitions may be found in Section 12.3. – Events occurring after the year-end.

5.2.2 PRINCIPAL OUTSTANDING INVESTMENTS

Capital expenditure commitments payable represented approximately €64 million at December 31, 2009, corresponding mainly to outstanding orders for equipment. This amount broke down as follows: €26 million in Europe, €27 million in North America and €11 million for the rest of the world.

5.2.3 PRINCIPAL FUTURE INVESTMENTS

In 2010 we are continuing to invest in production equipment and prescription lens facilities, as well as in projects to increase prescription and digital surfacing technology capacity. We are also pursuing the information systems upgrade program undertaken in Europe.

In the area of financial investments, we will continue to implement a very active acquisition strategy as illustrated by the FGX acquisition.

6 BUSINESS OVERVIEW

6.1 Core businesses

6.1.1 OPERATIONS

6.1.1.1 Business segments

Essilor is sharply focused on the ophthalmic lens market, which accounts for nearly 97% of revenue.

Optical lenses and instruments

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

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

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

- The Varilux range of progressive lenses.
- The Crizal line of anti-reflective, smudge-proof and antistatic lenses.
- Nikon lenses and Transitions variable-tint lenses, under agreements with Nikon Corporation and Transitions Optical Inc.
- Xperio polarized lenses.

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

Equipment

The Equipment division 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.

Consolidated revenue

€ millions	**2009**	**2008**
Optical lenses and instruments[(a)]	3,164.4	3,038.3
Equipment[(b) and (c)]	103.5	36.1
TOTAL	**3,268.0**	**3,074.4**

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

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

(c) The 2008 total includes only three months' revenue for Satisloh, which was acquired on October 1.

6.1.1.2 Organization of the ophthalmic lens industry

The ophthalmic lens industry is organized around four separate businesses corresponding to the four stages in lens production: 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</td><td colspan="2">Other manufacturers</td></tr>
<tr><td>Lens finishers</td><td>Independent laboratories</td><td rowspan="2">Optical chains with integrated laboratories</td></tr>
<tr><td>Retailers</td><td colspan="2">Independent opticians – Non-integrated optical chains</td></tr>
<tr><td>End customers</td><td colspan="3">Consumers</td></tr>
</table>

Chemical companies and glass manufacturers

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

Lens manufacturers

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

Prescription lens laboratories

Prescription laboratories transform semi-finished lenses into finished lenses corresponding to the exact specifications of an optician's order. This customization enables them to deliver the broadest possible array of correction combinations, especially for presbyopia. In the process, they edge and polish the semi-finished lenses and then apply tinting, anti-UV, scratch-proofing, anti-reflective, smudge-proofing, antistatic, light-filtering and other coatings.

Retailers and optical chains

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

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

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

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

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

6.1.1.3 A global organization

Essilor has a worldwide network of plants and prescription laboratories.

6.1.1.3.1 Production plants

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

PLANT LOCATIONS (AS OF DECEMBER 31, 2009)

(Ville, date d'entrée dans le Groupe)

North and South America	Europe	Asia-Pacific
United States	**Ireland**	**Philippines**
• Carbondale, Pennsylvania - 1995	• Ennis - 1991	• Marivelès - 1980
•Dudley, Massachusetts - 1995	**France**	• Laguna - 1999
Mexico	• Dijon - 1972	**Thailand**
• Chihuahua - 1985	• Ligny en Barrois (Les Battants) - 1959	• Bangkok - 1990
Puerto Rico	• Sézanne - 1974	**China**
• Ponce - 1986		• Shanghai - 1997
Brazil		**India**
• Manaus - 1989		• Bangalore - 1998
		Japan
		• Nikon-Essilor plant in Nasu - 2000

The above table presents the 15 Essilor plants operated as of December 31, 2009. However, the production base also includes the following facilities:

- Two plants in China and South Korea owned by Chemiglas, a subsidiary of Essilor Korea, our 50/50 joint venture with Samyung Trading Co. Ltd.
- The production units of BNL in France and Specialty Lens Corp in the United States, which were both acquired in 2003.

6.1.1.3.2 Prescription lens laboratories

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

At year-end 2009, the 311 prescription laboratories in the Essilor and Nikon-Essilor network were located as follows:

North America	180
Europe	45
Asia-Pacific	74
Latin America	12

6.1.1.3.3 Logistics centers

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

6.1.1.4 2009 business review

The following has been excerpted from Management's Discussion and Analysis dated March 3, 2010.

6.1.1.4.1 Consolidated revenue

Revenue growth in 2009	Reported	Like-for-like	Changes in scope of consolidation	Currency effect
€ millions	193.5	1.9	151.9	39.6
In %	6.3%	0.1%	4.9%	1.3%

Consolidated revenue rose 6.3% to €3,267.9 million in 2009.

- On a like-for-like basis, revenue grew by 0.1%, reflecting stable lens revenue and a 2.3% increase in revenue from instrument sales.
- Consolidation of companies acquired in 2008 and 2009 accounted for 4.9% of reported growth, of which 2.3% from Satisloh.
- The 1.3% positive currency effect was mainly due to the early-2009 rise in the dollar and – to a lesser extent – the yen against the euro, which offset the negative impact on revenue of the weaker British pound, Brazilian real and Korean won.

Refer to Section 6.2 for more information on 2009 revenue by market.

6.1.1.4.2 Research and development

Additional information about research and development can be found in Section 11 – Research and Development, Patents and Licenses.

6.1.1.4.3 Production and capital expenditure

Essilor manufactures unifocal lenses as well as semi-finished lenses that are sent to the prescription laboratories for edging and polishing and for the application of coatings. During 2009, we continued to optimize production costs and achieved further productivity gains in a year shaped by stable production volumes. A total of around 210 million lenses were manufactured at our plants, not including production by our joint ventures in Japan (Nikon Essilor), South Korea and China.

Highlights of the year included the start-up of production of Trivex, a new 1.53-index lens, in Puerto Rico and production of Crizal Forte and Transitions VI lenses at several of our plants. The Operations department continued to implement the Change Accelerating Program (CAP) launched in 2006, which focuses on:

- Improving customer satisfaction, as measured by service quality indicators.
- Cutting the cost of non-quality (with a 50% reduction achieved to date). Reducing time to market.
- Developing our human capital (through training and communication initiatives).
- Improving the Company's environmental performance, with a 30% reduction in water use and a 10% cut in electricity use.

6.1.1.4.4 Global prescription lens production and finishing

Our 311 prescription laboratories located throughout the world edge and polish semi-finished lenses, apply coatings and then shape the lenses to fit the frame (and in some cases, mount the lenses). They also produce the most advanced progressive lenses, using digital surfacing technologies. The laboratories' objective is to deliver made-to-order lenses to opticians, optometrists, group purchasing organizations or integrated optical chains within the shortest possible timeframe.

In 2009, 63 million lenses were produced by our prescription laboratories, excluding those acquired during the year and the 21 laboratories signed up as partners (of which ten in the United States, four in Europe and seven in the Asia-Pacific region).

Significant increases in installed production capacity were needed to support the global launch of the Crizal Forte anti-reflective lens. Its deployment was completed in less than six months in Europe and North and South America, setting a new efficiency record. Ramp-up of digital surfacing continued, with this technology deployed for most new products launched during the year in order to offer the market the latest innovations in optical design. As a result, digitally surfaced lenses accounted for an expanding proportion of our output.

Alongside local prescription laboratories, the server laboratories recently opened in India, Thailand and Mexico produced growing quantities of lenses for the European, American and Asian markets.

Lastly, during 2009 Essilor and Satisloh teams began working together, pooling their expertise to develop a new lens polisher.

6.1.1.4.5 Logistics

Our supply chain teams simultaneously manage deliveries of mass-produced lenses and prescription lenses made to customers' specifications. Upstream production logistics processes are designed to reduce inventory levels and operating costs while maintaining service levels, while downstream in the distribution and prescription laboratory networks, the focus is on continuously improving the responsiveness of made-to-order processes.

Products are delivered from fifteen different plants to central warehouses and prescription laboratories, and from there to points of sale throughout the world.

During 2009, the improvement drive mainly concerned manufacturing efficiency and the rationalization of transport operations.

Last year's product launches led to a further increase in the number of stock-keeping units. Dealing with over 540,000 references, our supply chain teams around the world constantly demonstrate their ability to manage complex product flows.

In 2009, we continued to roll out the Value Added Services Center (VASC) program. Based on delayed-differentiation production methods for unifocal lenses, whereby the finishing operations – consisting mainly of incorporating value-added features and applying coatings – are launched only when the factory receives the customer order, the program is designed to expand offerings specifically tailored to local demand while keeping inventories as low as possible.

Measures to rationalize transport operations were also stepped up, with sea freight replacing air freight for 80% of stock lenses shipped from Asia to the United States in 2009, and road freight beginning to take over from air freight in the United States. These measures not only helped to cut CO_2 emissions, they also drove down costs while preserving service quality.

Lastly, improved operating practices between the various Essilor entities led to very high service levels and a 4% reduction in lens inventories.

6.1.1.4.6 2009 acquisitions

In 2009, we actively pursued our acquisitions-led strategy, acquiring 27 new companies representing annual revenues of €128 million.

United States

Essilor of America expanded its country-wide network of prescription laboratories by acquiring controlling interests in:

- **Barnett & Ramel** ($10.8 million in annual revenue) in Nebraska.
- **McLeod Optical** ($10 million in annual revenue) in Rhode Island.
- **Ultimate Optical** and **Apex Optical** ($6.3 million and $2.7 million in annual revenue) in Florida.
- **Orion Progressive Lab** ($5 million in annual revenue) in Wisconsin.
- **Optical Dimensions** ($3.7 million in annual revenue) in Michigan.
- **Truckee Meadows Optical** ($3 million in annual revenue) in Nevada.
- **Abba Optical** ($2.2 million in annual revenue) in Georgia.
- **Vision Pointe Optical** ($1.1 million in annual revenue) in Idaho.

- And a minority interest in **Cherry Optical** ($8 million in annual revenue) in Michigan.

Majority stakes were also acquired in:

- **OptiSource International** ($5.3 million in annual revenue), a manufacturer and distributor of equipment and consumables for opticians and laboratories.
- **Frames For America** ($10 million in annual revenue), an on-line retailer of prescription eyeglasses, sunglasses and contact lenses.

Canada

Nikon Optical Canada, a subsidiary of Nikon-Essilor, increased its stake in **TechCite,** a prescription laboratory located in Calgary, Alberta with annual revenue of C$6.8 million, from 50% to 100%.

Brazil

In Brazil, we acquired 51% of **GBO** (€3 million in annual revenue), a major distributor of finished and semi-finished lenses based in São Paulo.

Europe

In France, Novisia, an Essilor subsidiary and the exclusive distributor of Nikon lenses in continental Europe, acquired a majority stake in **Mont-Royal** (€10 million in annual revenue), a lens distributor with a prescription laboratory based in the Lorraine region.

In the United Kingdom, we acquired a majority interest in **Wholesale Lens Corporation Limited** (€9.5 million in annual revenue), an ophthalmic lens wholesaler based in Croydon, a suburb of London, and 95% of **Horizon** (€3.4 million in annual revenue), a prescription laboratory located in Bedfordshire.

In Belgium, we acquired **De Ceunynck** (€17 million in annual revenue), BBGR's long-time distributor which has a prescription laboratory located close to Antwerp.

In Poland, we raised our stake in **JZO** (€15.5 million in annual revenue), the ophthalmic optics market leader and a BBGR distributor, to 51% from 10% previously.

Asia

In India, we raised from 50% to 76% our interest in **GKB Rx Lens Private Ltd**, operator of a network of prescription laboratories in the Kolkata region with annual revenue of around €20 million, and acquired control of **Lens and Spects** (€0.45 million in annual revenue), which comprises a distributor and two prescription laboratories operating in four cities in western India.

In the Middle East, we signed a contract with our partner **Amico** to set up a 50/50 joint venture to operate Amico's prescription laboratory in Dubai serving the United Arab Emirates, Oman, Qatar and Kuwait. Amico is the local market-leading distributor of ophthalmic optics products with €3.5 million in annual revenue.

In Australia, we acquired stakes in three prescription laboratories – **Prescription Glass Pty Ltd, Precision Optics Pty Ltd** and **Wallace Everett Lens Technology Pty Ltd** – and in Sunix, a developer of optometric practice management systems. These four companies together represent annual revenue of €3.6 million.

In South Africa, we acquired a majority interest in **Vision Optics** (€0.7 million in annual revenue), a prescription lens laboratory located in Durban.

FGX International

In December of last year, we agreed to acquire **FGX International**, the leading designer and marketer of non-prescription eyewear in the United States with revenue of $259.3 million in 2009. The transaction is subject to regulatory approvals and the affirmative vote of a majority of FGX's shareholders. The acquisition was completed in March 2010.

For more information, refer to Section 12.3 – Events occuring after the year-end.

6.1.2 New products and / or services

In 2009, we continued the rapid pace of product launches. They included:

Eyecode

Because each eye is unique, each lens should also be unique

Fifty years after inventing the Varilux lens, in 2009 we unveiled a new technological breakthrough with Eyecode, an ultra-personalized lens. In addition to requiring a specific prescription, each eye has its own anatomical, mobility and physiological needs that most lenses of even the highest quality didn't take into account. With Eyecode, it is now possible to provide truly custom solutions based on precise calculations. The Eyecode lens is built using a dynamic 3D measuring system that incorporates up to 20 different parameters, creating lenses that are up to five times more optically precise than ordinary lenses.

Essilor's patented Visioffice 3D process pinpoints the patient's eye rotation center, which is as unique as a fingerprint.

By accurately measuring all the parameters required for the Essilor premium range lenses, Visioffice technology brings personalization to the highest level. It delivers instant, effortless viewing, allowing lens wearers to enjoy greater visual comfort and freedom of movement.

Designed for single-vision and Varilux lenses, Eyecode was successfully introduced in Germany, Switzerland and Austria in 2009. It will continue to be rolled out in Europe and North America in January 2010.

Varilux India 360°

The progressive lens for Indian eyes

At the end of 2008, we launched Essilor Azio 360°, a comprehensive range of lenses for Asian eyeglass wearers. Spurred by its success, we decided to develop a similar concept for the presbyopic market in India. The first line of progressive lenses specially designed for Indian wearers was introduced in June 2009 under the name Varilux India 360°. Following the example of Azio, and with the help of our Indian subsidiary, we launched programs in India and Singapore to determine the specific characteristics of eyeglass wearers in those countries, in particular by conducting studies in various parts of India. The Varilux India range takes into account eye length, which tends to be shorter among Indian people, as well as viewing conditions and reading distance.

Based on these results, digital surfacing technology was used to adapt three flagship Varilux lenses (Physio, Ellipse and Comfort) to the specific needs of the Indian population. Varilux Physio Short lenses, which are adapted to small frames, will also soon be available in the Azio and India product lines.

Crizal Forte

The market's most advanced lens coating

Introduced globally in 2009, Crizal Forte is Essilor's state-of-the-art range of lens coatings. Since the first Crizal lens was launched in 1993, we have steadily integrated the latest technological innovations in order to make Crizal the most advanced anti-reflective coating in the market.

Crizal Forte provides unsurpassed visual clarity by eliminating glare, smudges and dust, while also protecting against scratches. Four technologies and five patents went into the making of this product. A new campaign in 2010 promotes Crizal's unique water-repellent properties, which give the wearer clearer vision in all circumstances. Illustrating the success of Crizal Forte, in 2009, 11 million lenses were sold in 23 countries, already accounting for 34% of Crizal's worldwide sales. According to a survey conducted in August 2009, 92% of 600 eyecare professionals in France, Germany and the United Kingdom were very satisfied with the new product.

Xperio

Power to the details/Experience the outdoors like never before

Introduced in the United States and India in 2009, Xperio is a new polarized lens brand. When the sun's rays hit a smooth, horizontal surface such as a road, sand, snow or water, the reflected light is polarized, creating reflections that make it difficult to see. Xperio polarized lenses have a thin optical film that blocks unwanted glare. Through our partnership with Kbco, one of the largest polarized lens distributors in the United States, we have strengthened our expertise in this technology, which consists of incorporating new molecules into the polarizing filter to enhance color perception and improve contrast. In addition to delivering superior optical performance, Xperio polarized lenses completely block UV rays that often cause eye problems and vision damage. The Xperio range offers a total of 16 lens design and material combinations. Its deployment will continue in Europe, Asia and Canada in 2010.

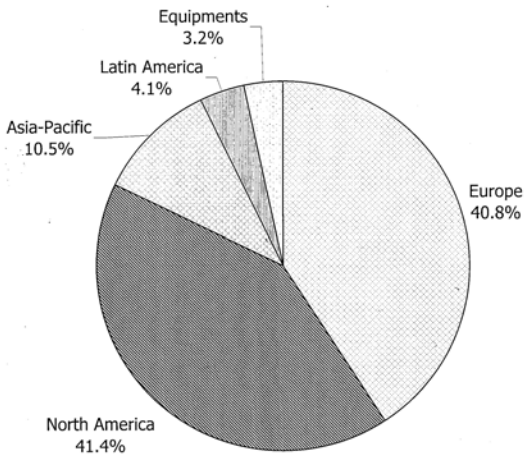
6.2 Principal markets

6.2.1 SALES PERFORMANCE BY GEOGRAPHIC MARKET

Revenue growth by region

Revenue *€ millions*	2009	2008	Change (reported)	Change (like-for-like)
Europe	1,331.7	1,356.3	-1.8%	-2.7%
North America	1,354.0	1,253.0	8.1%	-0.4%
Asia-Pacific	344.7	301.8	14.2%	12.3%
Latin America	134.0	127.2	5.3%	7.0%
Equipment	103.5	36.1	186.9%	-7.0%

Revenue by region



For more information about total revenue, refer to Section 6.1.1.4.1.

6.2.2 LENS AND OPTICAL INSTRUMENT BUSINESS

EUROPE

In 2009, we continued to deploy our multi-network system, making further bolt-on acquisitions in certain countries. By allowing us to capture strong demand for entry-level products while continuing to pursue our innovation strategy, this system helped to limit the decline in our Company's like-for-like revenue to 2.7% in last year's very challenging environment.

France was a prime example of the multi-network system's effectiveness, with revenue declining by just 0.4%. Strengthened partnerships with independent opticians delivered good results, driving a robust improvement in the product mix. Progressive lens sales grew at a healthy rate and the new Crizal Forte anti-reflective treatment was an immediate success across all customer segments. BBGR successfully launched its new Premier service offer, followed at the end of the year by the new Neva Max coating. Novacel reported strong revenue growth, reflecting the company's good positioning in terms of both product and customer segments. Lastly, the distribution network was expanded with the acquisition of the Mont-Royal prescription laboratory, which will enable Novisia to speed up its development as exclusive distributor of Nikon lenses in France.

In the **Central region**, revenue contracted by 5.7%, reflecting a steep drop in unit lens sales in the Netherlands as a result of a change in optical expense reimbursement rates. In Germany, instrument sales to opticians rose sharply, led by the Visioffice personalized measuring system that was essential to the successful launch of the Eyecode option available for part of the Varilux range. Operations in Belgium were strengthened with the acquisition of BBGR's local distributor, De Ceunynck.

In the **Southern region,** the 2.3% decline in revenue reflected uneven performances. After a very difficult first half in Spain, network and product repositioning measures helped to drive a strong recovery in sales in the latter part of the year. In Italy, the good strategic fit between the various lens distribution networks had a favorable impact on revenue, which was also boosted by the strong showing in the instruments market. In Portugal, revenue continued to grow steadily.

In the **Northern region,** stiff competition among optical chains in all Scandinavian countries contributed to a 5% fall in revenue, although we did succeed in winning a contract with a major local chain in Finland. In the challenging United Kingdom market, we increased our market share with independent opticians and prescription laboratories, as well as with regional chains.

Although sales in the **Eastern region** were severely dampened by the unfavorable economic environment, ending the year down 1.3%, we nevertheless recorded market share gains. In Poland, where we acquired our first prescription laboratory (JZO) during the year, our revenue performance was satisfactory, while in Russia, our local subsidiary chalked up a number of marketing successes in its start-up year and enjoyed very strong momentum.

NORTH AMERICA

In North America, revenues held firm like-for-like in a recessionary environment.

In the **United States,** revenue dipped by just 0.4%. Essilor of America continued to leverage the depth and breadth of its prescription laboratory network to win additional market share based on unit sales, while product and marketing innovation helped to drive improvement in the product mix. For example, Crizal Avancé with Scotchgard Protector established a firm foothold in the anti-reflective coatings market and our new Xperio brand acted as a catalyst for growth in the polarized lens segment (i.e. lenses that filter light reflected off flat surfaces).

The prescription laboratories delivered a resilient performance, thanks to the close ties established with HMOs and certain eyecare cooperatives. Similarly, the network serving independent prescription laboratories performed well, increasing its market share over the year. In a flat corrective sunglass lens market, the new Xperio polarized lenses helped to drive strong growth in Kbco's sales to independent opticians and optical chains, while OOGP, a contact lens distributor operating on the West Coast, enjoyed sustained demand for these products.

On the downside, sales to major optical chains declined overall compared with 2008. The ramp-up of prescription lens production at the Chihuahua plant in Mexico nevertheless helped to drive growth in sales to certain leading banners and last year also saw another surge in sales to integrated retailers.

Market coverage was expanded through new partnerships with ten prescription laboratories scattered throughout the United States.

In **Canada,** like-for-like revenue was slightly down on 2008, mainly as a result of lower unit sales.

ASIA-PACIFIC

The Asia-Pacific region breaks down into five markets: Japan (where we are present through our joint venture with the Nikon group), Australia and New Zealand, India, China and a market comprising Southeast Asia, South Korea, Hong Kong and Taiwan. Also included in the Asia-Pacific region are the markets in the Middle East, as well as in Eastern and Southern Africa. In all, revenue generated in these markets rose 12.3% like-for-like in 2009.

In **Japan**, a market that has been falling rapidly in value in recent years, Nikon-Essilor's revenue contracted by a fairly limited 5.8% thanks mainly to healthy growth in unit sales of progressive lenses.

Revenues generated by the prescription laboratory network in **Oceania** expanded by a satisfactory 6.9%, while strong performances by Varilux and Crizal drove an improvement in the product mix in **Australia.**

We delivered our best performance in **India,** with all distribution networks contributing to a sharp rise in unit sales combined with a favorable shift in product mix.

In **China,** unit sales grew at a healthy rate, helped by the successful launch of Azio, a range of lenses specially adapted to the needs of Asian eyeglass wearers.

We also enjoyed strong growth in the **ASEAN** countries, as well as in **Taiwan** and **Hong Kong.** In Thailand, for example, our networks achieved significant market share gains, while in **South Korea,** revenue expanded rapidly, led by new products and higher unit sales.

In **South Africa** too we reported a very good performance, while the opening of a subsidiary in the **Middle East** will enable us to serve the Gulf States directly.

LATIN AMERICA

After expanding rapidly in 2008, revenue in Latin America rose a solid 7% in 2009 despite the economic slowdown.

In **Brazil,** which accounts for nearly 90% of total revenue generated in the region, sales of high-end products continued to grow, led by anti-reflective coatings particularly in the latter part of the year following the launch of Crizal Forte. Significant investments were made during the year to increase anti-reflective lens production capacity and make these lenses more widely available throughout the country. The acquisition of Technopark led to market share gains in the São Paulo region where this prescription laboratory is located. At the end of the year, we acquired GBO, a São Paulo-based distribution company.

In **Mexico,** the signature of a contract with an optical chain and strong demand for surface coatings helped to drive rapid growth. During the year, we signed a partnership agreement with a prescription laboratory in the Guadalajara region for the use of Crizal technology.

In **Argentina,** the pace of growth slowed mainly as a result of operating problems experienced by a major customer, the effects of which were partly offset by the acquisition of new customers.

In the **other Latin American countries,** which are served by distribution partners, despite heightened competition we nevertheless recorded market share gains in several countries such as Costa Rica.

OPTICAL INSTRUMENTS

Essilor manufactures and sells several types of optical instruments, including lens-edging instruments for opticians and prescription laboratories, a segment where it is world leader, and vision screening instruments used by occupational physicians, or in schools or military bases. We have also developed services designed to make the routine tasks performed by opticians a lot easier.

In 2009, instrument sales grew 2.3% like-for-like, a performance that strengthened our position in a market weakened by eyecare professionals' reluctance to invest in new equipment.

The new Mr Blue edger won an award at the SILMO international optics show in Paris and was also an outstanding commercial success. As powerful as it is easy to use, the edger is already on sale in Europe, Brazil and Canada and will be rolled out worldwide at the beginning of 2010. The improved entry-level grinders (Delta and Delta T), offering enhanced grooving and beveling, were also well received by customers. Other growth drivers included Visioffice in some European countries and service offers such as Essibox, a data-sharing platform for opticians that makes mounting easier by transferring data automatically between the Essibox application and the optician's various tools.

In the United States, National Optronics, the country's leading supplier of lens edging instruments for prescription laboratories, experienced only a limited falloff in sales. During the year, the company launched Helix, a faster and more compact edger offering increased optical precision. In emerging markets, instrument sales grew at a healthy rate, led by market share gains in Brazil and good performance under existing contracts in India. In China, we strengthened the organization of our instruments business and developed a grinder aligned with local market demand to be added to our offer in 2010.

6.2.3 LABORATORY EQUIPMENT

Highlights of the year also included the integration of newly acquired Satisloh, the world's leading supplier of prescription laboratory equipment.

In a particularly challenging year for the capital goods industry, Satisloh held the decline in sales (including to Essilor) to around 9%, thereby enabling the company to increase its market share. And despite the falloff in orders, Satisloh's operating margin held firm.

During 2009, the Satisloh and Essilor teams started working together on projects to unleash the considerable synergies existing between the two organizations. For example, in consumables, Satisloh achieved savings in purchasing, distribution and logistics by teaming up with Essilor subsidiary Delamare. In the United States, Satisloh and National Optronics leveraged the excellent strategic fit between their product line-ups to support the sales dynamic and identify manufacturing synergies, particularly in the area of purchasing.

Last year also saw numerous innovations, including On-Block Manufacturing ("OBM"), the new standard of excellence for production flows. With this new model, all stages in the laboratory finishing process (surfacing, polishing, application of anti-reflective coating and other varnishes and coatings) can be carried out without blocking and deblocking the semi-finished lens between each stage, thereby considerably reducing the time needed to produce each lens. The OBM system can be deployed gradually, without laboratories having to renew their entire installed capacity.

During 2009, Satisloh also began rolling out a new range of automated polishers (Duo-Flex) and manual polishers (Toro-Flex).

Lastly, the Group continued to expand its geographic reach by opening a new plant in Zhongshan in China's Pearl River delta. The plant assembles surfacing, anti-reflective coating and polishing machines, mainly for the Asian market, and already has 30 employees.

6.3 Exceptional factors

Apart from the global economic crisis, no exceptional factors influenced the Company's main businesses or markets in 2009.

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

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

6.5 Competitive position

ESSILOR'S POSITION IN THE OPTICAL MARKETS

Optical lenses and instruments

Essilor is the world's leading ophthalmic optics company, ahead of Hoya (Japan) and Carl Zeiss Vision (Germany). According to the available figures, the global ophthalmic market is estimated at around €9 billion, with nearly 1 billion lenses sold per year worldwide. Its long-term growth is in the 2% to 3% range. Essilor's global market share is around 26% in volume terms.

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

- The Varilux range of progressive lenses.
- The Crizal line of anti-reflective, smudge-proof and antistatic lenses.
- Nikon lenses and Transitions variable-tint lenses, under agreements with Nikon Corporation and Transitions Optical Inc.

Our strategy is focused on developing innovative, high-quality processes and services. Every year, we launch an extensive array of new products by combining different materials, optical designs and treatments. This innovation strategy enhances our product mix and responds to strong demand from eyecare professionals and consumers alike. With 540,000 references, we have the broadest product offer in the market.

In 2009, the global ophthalmic market was held back by the world economic crisis, but maintained stable volumes thanks to growth in Asia (based on our internal data). Essilor's unit sales also held firm, reflecting market share gains on the launch of new products and our strategy of acquiring independent laboratories and wholesalers.

Long-term growth in our market segments is driven by:

- The shift in demand from glass to plastic lenses, primarily in emerging markets.
- The use of new plastic materials such as high-index, very high-index and polycarbonate, which make thinner lenses possible.
- The shift from bifocals to progressive lenses.
- The development of surface coatings and multi-layer lenses, led by anti-reflective and smudge-proof coatings, and variable-tint lenses.
- Increasing demand in developing markets, driven by their expanding middle classes.

Across market segments, demand continued to shift away from glass lenses in 2009, while growing niches such as anti-reflective, high-index, very high-index and polarized lenses enjoyed a strong performance.

Laboratory equipment

The Equipment business is primarily represented by Satisloh. According to our estimates, the market for prescription laboratory equipment and consumables represents €350 million.

Satisloh is the world's number one distributor of surfacing machines and anti-reflective coating units. The company has grown in the past two years to represent an estimated 40% share of the global market, led by sales of surfacing equipment. Satisloh's customers include prescription laboratories, integrated optical chains and lens manufacturers. Its main competitors in surfacing and anti-reflective equipment are Germany-based Schneider and Leybold, respectively.

In 2009, the equipment market contracted by around 10% to 15%, according to Satisloh's estimates. This was attributable to reduced capital expenditure by the customer base, despite promising worldwide growth in digital surfacing technology.

For more information about Equipment, refer to Section 6.2.3 – Laboratory equipment.

7 ORGANIZATIONAL STRUCTURE

7.1 Description of the Company

Essilor International is the parent company of the Essilor Group and is listed on the NYSE Euronext Paris stock exchange (ISIN code: FR0000121667). In addition to its holding company activities, Essilor International also conducts manufacturing operations in France and distributes products to the French network, as well as managing a logistics platform serving its European subsidiaries.

Most of the French and foreign subsidiaries are held directly by Essilor International, with the exception of:

- Subsidiaries within the BBGR distribution network in Europe and Pro-Optic in Canada, which are held indirectly through BBGR SAS.
- Finishing laboratories in Canada, which are held indirectly through Essilor Canada.
- Finishing laboratories in the United States and Gentex Optics, which are held indirectly through Essilor of America Holding Inc.
- Finishing laboratories in Australia, which are held indirectly through Essilor Australia.
- The Satisloh group subsidiaries, which are held by Satisloh.

7.2 List of significant 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).

8 PROPERTY, PLANTS 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 €803 million at December 31, 2009 compared to €811 million at the end of 2008. 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 (Section 20.3.1.5):

- Analysis of property, plant and equipment and related movements: Notes 12 and 13.
- Geographic location of property, plant and equipment and intangible assets (carrying amount) and additions for the period: Note 3.
- Finance lease liabilities, by maturity: Note 22.2.
- Commitments under non-cancelable operating leases by maturity: Note 24.

Details of capital expenditure for 2009 are provided in Section 5.2.

See Section 6.1.1.3.

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.

We operate 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, we have long been committed to implementing and maintaining environmental management systems that accurately measure even the slightest environmental impacts of our operations and enable us to prevent and manage them effectively. We also encourage 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. In addition to improving our environmental stewardship, implementing and maintaining environmental management systems helps to make our plants more efficient, 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.

9 OPERATING AND FINANCIAL REVIEW

9.1 Financial condition

BALANCE SHEET

Goodwill

Goodwill totaled €1,060 million at December 31, 2009, an increase of €102.

Inventories

Inventories amounted to €486 million at December 31, 2009, an increase of €10 million, up 1% like-for-like.

Investments

Refer to Section 5.2.

Change in net debt

€ millions			
Operating cash flow (before WCR)	586	Purchases of property, plant and equipment	125
Conversions of OCEANE convertible bonds and other	153	Change in WCR	71
Issue of share capital	37	Dividends	139
Other	2	Financial investments net of the proceeds from disposals	161
		Share buybacks	76
		Change in net debt	206

Essilor's business model continued to demonstrate its ability to generate strong cash flow in 2009. Net cash from operating activities totaled €515 million, providing ample funds to finance the Company's growth by covering:

- The rise in working capital requirement due to an increase in trade receivables.
- €125 million in gross capital expenditure, representing 3.8% of revenue.

As a result, free cash flow increased 24.6% to €390 million.

The strong cash flow performance enabled us to continue deploying our acquisitions and partnership strategy around the world (with €161 million invested, net of acquired cash, including €8.1 million for other long-term financial investments), pursue the share buyback program (€76.1 million) and increase the dividend (with €136 million paid out to Essilor International shareholders).

At December 31, 2009, the Company had a net cash position of €92.8 million, equivalent to 3.4% of consolidated equity.

Key Ratios

Return on equity (ROE) came to 14.7% in 2009, down from 16.4% the previous year.

Return on assets (corresponding to the ratio of EBIT to non-current assets and working capital) remained stable at 20.4%, compared with 20.8% in 2008.

9.2 Operating results

9.2.1 SIGNIFICANT FACTORS AFFECTING OPERATING PROFIT

Revenue

For more information on revenue, refer to Section 6.1.1.4.1 – Consolidated Revenue and Section 6.2 – Principal Markets.

Gross margin

Gross margin (corresponding to revenue less cost of sales) amounted to €1,832.6 million. The margin rate narrowed by 0.8 points to 56.1% in 2009 due to the dilutive impact of acquisitions, in particular Satisloh. Excluding the impact of these acquisitions, the gross margin rate was unchanged for the year.

Operating expenses

Operating expenses amounted to €1,238.2 million in 2009. As a percentage of revenue, they declined by 1.1 points during the year, to 37.9%.

The decrease reflected:

- Disciplined management of selling and distribution costs (€706.6 million) and considerable savings on overheads at a time of sustained research and development spending (€151.2 million after deducting a €10.4 million research tax credit).
- The positive impact of acquisitions, which had a lower operating expense/revenue ratio than other Essilor entities.

Contribution from operations in euros and as a percentage of revenue

Contribution from operations[a]	2009	2008	Change
€ millions	594.4	551.2	7.9%
As a % of revenue	18.2%	17.9%	

(a) Operating profit before share-based payments, restructuring costs and other non-recurring items, and goodwill impairment.

Change in contribution from operations[a] in 2009	Reported	Like-for-like	Change in scope of consolidation	Currency effect
€ millions	43.2	29.7	4.9	8.6
In %	7.9%	5.4%	0.9	1.6%

(a) Operating profit before share-based payments, restructuring costs and other non-recurring items, and goodwill impairment.

In all, contribution from operations increased 7.9% to €594.4 million in 2009, while the contribution margin improved by 0.3 points, despite the dilutive impact of consolidating Satisloh.

Other income and expenses from operations

Other income and expenses from operations represented a net expense of €39.2 million in 2009, up €2.6 million from the year before.

The main expense items were:

- Compensation costs on share-based payments (€21.9 million), reflecting stock option and performance share costs (€20.5 million) and the discount granted to employees who purchased shares through the Employee Stock Ownership Plan (€1.4 million).
- Restructuring costs to rationalize production facilities for €11.4 million
- and charges to provisions for contingencies, claims and litigation for €4.7 million.

Operating profit

In 2009, operating profit (corresponding to contribution from operations plus or minus other income and expenses from operations and gains and losses on asset disposals) rose 7.9% to €555.2 million from €514.5 million in 2008, representing 17% of revenue versus 16.7%.

Change in operating profit in 2009	Reported	Like-for-like	Change in scope of consolidation	Currency effect
€ millions	40.7	27.4	4.7	8.7
In %	7.9%	5.3%	0.9%	1.7%

9.2.2 SIGNIFICANT CHANGES TO NET SALES OR REVENUES

There were no significant changes to net sales or revenues in 2008.

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 equity holders of the parent and earnings per share

Consolidated net profit totaled €401.9 million for the year, an increase of 3.4%. Profit attributable to equity holders rose 3.1% to end the year at €394 million, thereby holding net margin (net profit as a percentage of revenue) close to the 2008 rate, at 12.1%. Earnings per share grew 3.2% to €1.91.

For more information on revenue and operating profit, see Sections 6.1.1.4.1 – Consolidated Revenue, 6.2 – Principal Markets and 9.2.1 – Significant Factors Materially Affecting Operating Profit.

Net profit also reflects the following costs and expenses:

Finance costs and other financial income and expenses

Finance costs and other financial income and expenses represented a net expense of €11.2 million compared with €2.5 million in 2008, mainly reflecting the increase in net finance costs due to the higher average net debt for the year and, to a lesser extent, a decline in interest income.

Income tax expense

Income tax expense for the year came to €168.2 million, representing an effective tax rate of 30.9%, up from 29.2% in 2008. The increase was due to a €26.1 million provision booked in 2009 in respect of various tax audits and proceedings underway within the Company.

Excluding this non-recurring provision expense, the effective tax rate was 26.1%. The improvement was primarily led by a decline in the tax rate in Brazil and the faster earnings growth in low tax regions.

Share of profits of associates

The share of profits of associates Sperian Protection (15%-owned), Transitions (49%-owned) and VisionWeb (44%-owned) remained stable, at €26 million, reflecting lower earnings at Sperian Protection offset by a strong 2009 performance at Transitions.

10 LIQUIDITY AND CAPITAL RESOURCES

10.1 Information on capital resources

Equity is presented in the consolidated balance sheet (Section 20.3.1.3).

10.2 Cash flows

The cash flow statement is presented in Section 20.3.1.4.

10.3 Information on borrowing requirements and funding structure

At December 31, 2009, the Company had €303 million in financing facilities with an average remaining life 3.5 years, comprising a bank loan and a convertible bond (Oceane) issue.

We also have two syndicated credit facilities for a total of €1,700 million with an average remaining life of 3.6 years. Neither of these facilities was drawn down at December 31, 2009.

	In € millions	Issue date	Maturity
Bank loan	250	February 2007	February 2014
Oceane convertible bonds	53	July 2003	July 2010
Syndicated credit facility	700	May 2005	May 2012
Syndicated credit facility	1,000	June 2007	June 2014

At December 31, 2009, taking into account the portfolio of short-term investments, the Company had a net cash position of €93 million.

For more information, refer to the notes to the consolidated financial statements (Section 20.3.1.5, Note 26).

10.4 Restrictions on the use of capital resourc

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

10.5 Anticipated sources of funds

The Company considers that current funds are sufficient and appropriate for anticipated short and medium-term investments.

11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 Research and development

RESEARCH AND DEVELOPMENT

Innovation represents a core component of our strategy to grow the business and secure competitive advantage. Our Research and Development teams leverage the best talent worldwide to develop technological solutions and innovative products and services to meet individual vision correction needs. We devote roughly 5% of consolidated revenue to R&D, engineering and the development of new production processes, spending €151.2 million in 2009 and €144.5 million in 2008, part of which was financed by research tax credits.

Our R&D strategy focuses on driving technological breakthroughs, supported by extensive patent filings. As of December 31, 2009, the Company held 610 sets of patents, representing approximately 5,100 patents and patent applications in France and abroad, excluding those held by Transitions, Nikon-Essilor and Satisloh. For more information, see Section 11.2.

A total of 120 new products were launched in 2009, and our R&D teams continued to enhance our digital surfacing technologies to create new product lines that deliver a more customized lens solution for every wearer. We also expanded our range of anti-reflective, anti-smudge and anti-static varnishes and coatings. See Section 6.1.2 – New Products.

R&D ORGANIZATION

The R&D Department is organized around two sections, optical properties and materials (substrates and surface treatments).

Excluding the Engineering Department, the R&D team comprises nearly 500 people based at three R&D centers in France, Florida (United States) and Singapore. Another R&D team is based in Japan at the Nikon Essilor International Joint Research Center which was created through the strategic alliance with Nikon.

PARTNERSHIP-DRIVEN INNOVATION

The R&D Department also works in partnership with outside research organizations and universities to conduct research into new technologies. Essilor technologies have already been successfully combined with technologies developed by our partners, such as US-based PPG Industries in variable-tint lenses and Japan's Nikon in materials and surface treatments.

In 2009, the research and development program continued to broaden its horizons by creating new partnerships. A compelling example was the July inauguration of the Nikon Essilor International Joint Research Center in cooperation with Nikon Corporation. The center is located in Japan's Kanagawa Science Park just south of Tokyo. Its main purpose is to identify and develop breakthrough materials and optical and ophthalmic technologies that will contribute to the development of new Essilor and Nikon products.

The R&D center in Singapore has launched a partnership with India's Chennai-based Elite School of Optometry within one of the country's leading ophthalmological hospitals.

In France, a research partnership launched in 2008 with Institut de la Vision gained momentum during the year, mainly driven by the Descartes Consortium of companies focused on low-vision research.

11.2 Patents and licenses

As of December 31, 2009, the Company held 610 sets of patents, representing a total of approximately 5,100 patents and patent applications in France and abroad. Sixty-six inventions were patented during the year.

The portfolio does not include patents held by the Transitions and Nikon-Essilor joint ventures, or those of Satisloh which was acquired in 2008.

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.

While there may be some uncertainty concerning the short-term outlook (see Section 12.4 – 2010 Outlook), we believe that the medium and long-term growth outlook in the ophthalmic lens market is good, as many people in the world still need glasses, the world's population is aging and these lenses represent the least expensive option for correcting faulty vision. What's more, recent advances have made lenses even more attractive in relation to competing technologies.

12.3 Events occurring after the year-end

Recent acquisitions

In January 2010, Essilor expanded its coverage of the Chinese market by acquiring **Danyang ILT Optics Co. Ltd,** an ophthalmic lens manufacturer with revenue of some €7 million, generated in the domestic and export markets.

The Company has also acquired a majority stake in **Ghanada Optical Co. LLC**, a prescription laboratory based in Abu Dhabi that serves the United Arab Emirates and the Gulf states.

In addition, the Company has announced the formation of a long-term joint venture with Luxottica for the Australian and New Zealand markets. Under the terms of the agreement, the joint venture will manage **Eyebiz Pty Limited,** Luxottica's Sydney-based optical lens finishing laboratory which, as a result of this alliance, will be majority-controlled by Essilor.

Lastly, at the end of 2009 Essilor International and FGX International Holdings Limited announced that they had signed an agreement whereby Essilor will acquire **FGX International**, the leading designer and marketer of non-prescription reading glasses in the United States. The acquisition was completed in March 2010.

In January 2009, Essilor announced the signature of a letter of intent to acquire US-based **Signet Armorlite**. The acquisition was subject to anti-trust approvals in several countries. The last of these was obtained in the first quarter of 2010 and the acquisition is scheduled to be completed in the first half of the current year.

Liquidity contract on Essilor share

Since March 8, 2010, the Company's liquidity contract has been managed by Cheuvreux with an initial funding of €10 million.

Transactions are conducted in compliance with the principles outlined in the AMF decision of March 22, 2005 recognizing liquidity contracts as an acceptable market practice and with the latest AMAFI Code of Ethics.

The contract was previously managed by Rothschild & Cie Banque.

Resolutions tabled at the Annual Shareholders' Meeting of May 11, 2010

The resolutions tabled at the Annual Shareholders' Meeting of May 11, 2010 are presented in Sections 16.1.1. (Ratification of the appointment of a Director), 21.1.3.1. (Renewal of the authorization to implement a share buyback program proposed at the Annual Shareholders' Meeting of May 11, 2010), 21.2.4.2. (Resolutions related to shareholders' rights tabled at the Annual Shareholders' Meeting of May 11, 2010) and 21.2.7 (Disclosure thresholds).

12.4 2010 outlook

The economic environment is expected to be more favorable in 2010 than in 2009, as global business activity maintains its gradual recovery. The optics market holds growth potential due to the aging of the world's population, the potential of high value-added products and the growth of the middle class in emerging countries. Building on the successes achieved in 2009 under the current business model, we plan to pursue market share more aggressively.

2010 will be a landmark year for product launches in the premium and mid-range segments, as well as for geographic deployment, particularly in China, India and Latin America. The strategy of bolt-on acquisitions will be stepped up along with the integration of major recently acquired businesses (FGX). We expect to see a gradual improvement in revenue and aim to further enhance operating efficiency.

13 PROFIT FORECASTS OR ESTIMATES

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

14 MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

14.1 Members of the Board of Directors, the Committees of the Board and senior management

14.1.1 THE BOARD OF DIRECTORS

The Company's bylaws (Article 12) stipulate that the Board of Directors shall have at least three and no more than fifteen members, not including directors representing employee shareholders (Article 24.4 of the bylaws). As of December 31, 2009, the Board had fifteen members, including three members representing employee shareholders. Directors are elected for a three-year term and may stand for re-election. The terms of one-third of the directors expire at each Annual Shareholders' Meeting, so that the entire Board is re-elected over a rolling three-year period. The average age of directors in 2009 was 56. Each director is required to hold 1,000 Essilor International shares.

At the Annual Shareholders' Meeting on May 15, 2009, Olivier Pécoux was re-elected as director for a three-year term and Michel Besson and Jean Burelle stepped down when their terms expired at the close of the Meeting, as they had served on the Board for the maximum aggregate period recommended under French corporate governance rules. Philippe Germond also stepped down at the close of the Meeting. Benoît Bazin, Bernard Hours and Antoine Bernard de Sainte Affrique were elected to the Board as new directors and the Board's appointment of Yves Gillet to replace Serge Zins as director representing employee shareholders was ratified.

At its meeting of August 26, 2009, the Board of Directors appointed Hubert Sagnières – Chief Operating Officer at the time – as Chief Executive Officer from January 1, 2010 until the Annual Shareholders' Meeting to be called to approve the 2010 financial statements, corresponding to the end of his term as director. The Board also decided that Xavier Fontanet – Chairman and Chief Executive Officer at the time – would continue to serve as Chairman from January 1, 2010 until the Annual Shareholders' Meeting to be called to approve the 2009 financial statements, corresponding to the end of his term as director.

The criteria for determining directors' 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 including on November 26, 2009. These criteria, which comply with the AFEP/MEDEF corporate governance code, are as follows:

"A director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to color his or her judgment.

In particular:

- The director is not an employee or corporate officer (*mandataire social*) of the company, nor an employee or director of its parent or of one of its consolidated subsidiaries, and has not been one during the previous five years.
- The director is not a corporate officer of a company in which the company holds, either directly or indirectly, a directorship, or in which a directorship is held by an employee of the company designated as such or by a current or former (going back five years) corporate officer of the company.
- The director is none of the following (whether directly or indirectly): a customer, supplier, investment banker or commercial banker – in each case – which is material for the company or its group, or for which the company or its group represents a material proportion of the entity's activity.
- The director does not have any close family ties with a corporate officer (*mandataire social*) of the company.
- The director has not been an auditor of the company over the past five years.
- The director has not been a director of the company for more than twelve years.

Directors representing significant shareholders of the company or its parent company are considered independent as long as they do not in whole or in part control the company.

Beyond a threshold of 10% of the share capital or voting rights, the Board shall examine individually each case in order to determine whether the given director may be considered independent or not, taking 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 26, 2009, the Board reviewed the definition of an independent director in relation to the criteria stipulated in the AFEF/MEDEF corporate governance report of 2003, which were taken up in full in the AFEP/MEDEF corporate governance code of December 2008.

At its meeting of November 26, 2009, the Board of Directors determined that nine of the fifteen members of the Board 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 majority shareholder.

MEMBERS OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2009

Xavier Fontanet, Chairman and Chief Executive Officer

Philippe Alfroid, Chief Operating Officer until June 30, 2009

Hubert Sagnières, Chief Operating Officer

Independent directors:

The independence of each individual director was reviewed by the Board during 2009. For further information on this topic, see the first part of the Chairman's report on corporate governance and internal control, published in Appendix 1 of this Registration Document.

Alain Aspect

Benoît Bazin

Antoine Bernard de Saint Affrique

Yves Chevillotte

Bridget Cosgrave

Bernard Hours

Maurice Marchand-Tonel

Olivier Pécoux

Michel Rose

Directors representing employee shareholders:

Aïcha Mokdahi

Yves Gillet

Alain Thomas

LIST OF DIRECTORSHIPS AT DECEMBER 31, 2009

Name and additional information	First elected	Current term ends	Other directorships
XAVIER FONTANET Age: 61 Number of shares: 222,864 Main function within the Company **- CHAIRMAN AND CHIEF EXECUTIVE OFFICER** (until January 1, 2010) **- CHAIRMAN OF THE BOARD OF DIRECTORS** (since January 1, 2010) Business address ESSILOR INTERNATIONAL 147 rue de Paris 94227 CHARENTON CEDEX - FRANCE	June 15, 1992	2010	**CHAIRMAN:** - EOA Holding Co., Inc. (USA) **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) - Essilor Manufacturing India Private Ltd (India) - Essilor India PVT Ltd (India) - Essilor Amico (L.L.C.) (United Arab Emirates)[a] **External companies** - L'Oréal - Crédit Agricole SA - Fonds stratégique d'investissement (SA)
HUBERT SAGNIERES Age: 54 Number of shares: 11,073 Main function within the Company **- CHIEF OPERATING OFFICER** (until January 1, 2010) - **CHIEF EXECUTIVE OFFICER** (since January 1, 2010) - President, North America and Europe Regions Business address ESSILOR OF AMERICA INC. 13555 North Stemmons DALLAS TX 75234 - USA	May 14, 2008	2011	**CHAIRMAN AND CHIEF EXECUTIVE OFFICER** - Essilor of America, Inc. (USA) **DIRECTOR:** **Essilor International and subsidiaries** - Essilor of America, Inc. (USA) - Nassau Lens Co., Inc. (USA)[b] - Transitions Optical Inc. (USA) - Frames for America, Inc. (USA)[a] - K&W Optical Limited (Canada) - Essilor Canada Ltee/Ltd (Canada) - Transitions Optical Holdings B.V. (Netherlands) - Vision Web Inc. (USA) - Essilor Vision Foundation (USA)
PHILIPPE ALFROID Age: 64 Number of shares: 218,139 Main function within the Company - **CHIEF OPERATING OFFICER** (Retired since June 30, 2009)[b] Continues to hold a seat on the Board. Business address: not applicable	May 6, 1996	2011	**CHAIRMAN:** - Essilor of America, Inc. (USA) - Omega Optical Holdings, Inc. (USA) [b] **CHAIRMAN OF THE SUPERVISORY BOARD:** - Faiveley Transport (formerly Faiveley SA) **Essilor International and subsidiaries** **DIRECTOR:** - Sperian Protection - Essilor of America, Inc. (USA) - Gentex Optics, Inc. (USA) [b] - EOA Holding Co, Inc. (USA) [b] - EOA Investment, Inc. (USA) [b] - Omega Optical Holdings, Inc (USA) [b] - Essilor Canada Ltee/Ltd (Canada) [b] - Pro-Optic Canada, Inc. (Canada) [b] - Shanghai Essilor Optical Company Ltd (China) [b] **External companies** **DIRECTOR:** - Faiveley Transport [b] - Eurogerm [a]

(a) Appointed during 2009.
(b) Term expires in 2009.

Name and additional information	First elected	Current term ends	Other directorships
ALAIN ASPECT Independent director Age: 62 Number of shares: 1,060 Main function outside the Company - Senior researcher at CNRS (Institut d'Optique in Orsay) - Professor at Ecole Polytechnique and Institut d'Optique - Supervises the atom optics group at Institut d'Optique Business address INSTITUT D'OPTIQUE Campus polytechnique – RD 128 91127 PALAISEAU CEDEX - FRANCE	June 16, 1997	2011	
BENOIT BAZIN Independent director[a] Age: 41 Number of shares: 1,000 Main function outside the Company **DEPUTY CHIEF EXECUTIVE OFFICER** (since January 1, 2010) - Compagnie de Saint-Gobain **CHAIRMAN** - Saint-Gobain Distribution Bâtiment[a] Building Distribution sector. Business address SAINT-GOBAIN Les Miroirs – 18 avenue d'Alsace 92096 PARIS LA DEFENSE - FRANCE	May 15, 2009	2012	**Saint-Gobain Group** **CHAIRMAN:** - Partidis [a] - Saint-Gobain Distribution Bâtiment Suisse AG (Switzerland) [a] **CHAIRMAN OF THE SUPERVISORY BOARD:** - Point P S.A. [a] - Lapeyre [a] **CHAIRMAN OF THE BOARD OF DIRECTORS:** - Projeo [a] - Saint-Gobain Distribution Nordic AB (Scandinavia) [a] **DIRECTOR:** - Jewson Ltd (United Kingdom) [a] - Saint-Gobain Building Distribution Ltd (United Kingdom) [a] - Norandex Building Material Distribution Inc. (USA) [a]
ANTOINE BERNARD DE SAINT-AFFRIQUE Independent director [a] Age: 45 Number of shares: 1,000 Main function outside the Company **EXECUTIVE VICE PRESIDENT** - Unilever, Skin care and Skin cleansing Activity [a] Business address UNILEVER 100 Victoria Embankment - Blackfriars EC4P 4BQ LONDON - UK	May 15, 2009	2012	**Unilever Group** **EXECUTIVE VICE PRESIDENT:** - Unilever (Central & Eastern Europe)[b] **DIRECTOR:** - Inmarko (Russian Federation)
MICHEL BESSON Independent director [b] Age: 75 Number of shares: 2,000 (held in registered form until May 15, 2009) Business address: not applicable	Jun 16, 1997	May 15, 2009	**DIRECTOR:** - Essilor of America, Inc. (USA) **NATIONAL CHAIRMAN:** - Association France-Etats-Unis **MEMBER OF THE MANAGING BOARD:** - SAS Club de Port-La-Galère

(a) Appointed during 2009.
(b) Term expires in 2009.

Name and additional information	First elected	Current term ends	Other directorships
JEAN BURELLE Independent director [(b)] Age: 70 Number of shares: 2,000 (held in registered form until May 15, 2009) Main function outside the Company **CHAIRMAN AND CHIEF EXECUTIVE OFFICER** - Burelle SA - Burelle Participations (S.A.) Business address BURELLE S.A. 1 rue François 1er 75008 PARIS - FRANCE	June 16, 1997	May 15, 2009	**CHAIRMAN AND CHIEF EXECUTIVE OFFICER** - Sogec 2 SA (Sicav) **CHAIRMAN:** - MEDEF International (Association) - Harvard Business School Club de France (Association) **PERMANENT REPRESENTATIVE OF Burelle Participations (S.A.) :** - Sycovest 1 (Sicav) **DIRECTOR:** - Rémy Cointreau - Compagnie Plastic Omnium (S.A.) - Compania Plastic Omnium (Spain) - Signal AG (Switzerland) - AESCRA EM (Association) **MEMBER OF THE SUPERVISORY BOARD:** - Soparexo SCA - Banque Jean-Philippe Hottinguer (SCA)
YVES CHEVILLOTTE Independent director Age: 66 Retired since January 2004. Number of shares: 1,498 Business address: not applicable	May 14, 2004	2010	**VICE CHAIRMAN OF THE BOARD OF DIRECTORS:** -SA Soredic **VICE CHAIRMAN OF THE SUPERVISORY BOARD:** - Finaref
BRIDGET COSGRAVE Independent director Age: 48 Number of shares: 2,015 Main function outside the Company **CHIEF EXECUTIVE OFFICER** - Digital Europe (Belgium)[(a)] Business address DIGITAL EUROPE Rue Joseph II - 20.B-1000 BRUSSELS - BELGIUM	May 11, 2007	2010	**DIRECTOR:** - SES SA (Société Européenne des Satellites) (Luxembourg) - SES Astra (Luxembourg) - SES World skies (Luxembourg)
PHILIPPE GERMOND Independent director [(b)] Age:52 Number of shares: 1,000 (held in registered form until May 15, 2009) Main function outside the Company **CHAIRMAN AND CHIEF EXECUTIVE OFFICER** - Pari Mutuel Urbain (PMU) [(a)] Business address PMU 2 rue du Professeur Florian Delbarre 75015 PARIS - FRANCE	January 31, 2001 Appointed by the board of Directors May 3, 2001 Ratified by the Annual Shareholders' meeting	May 15, 2009	**CHAIRMAN AND MEMBER OF THE SUPERVISORY BOARD:** Qosmos **MANAGER:** Philippe Germond Conseil **DIRECTOR:** Ecole Centrale Paris

(a) Appointed during 2009.
(b) Term expires in 2009.

Name and additional information	First elected	Current term ends	Other directorships
YVES GILLET Director representing employee shareholders [(a)] Age:46 Number of shares: 11,107 Main function within the Company **CHIEF EXECUTIVE OFFICER** - Essilor España, SA Business address ESSILOR ESPAÑA S.A. C/Labastida s/n 28034 MADRID - SPAIN	January 28, 2009 Appointed by the board of Directors May 15, 2009 Ratified by the Annual Shareholders' meeting	2010	**MEMBER OF THE BOARD OF DIRECTORS:** - Valoptec Association **MEMBER OF THE SUPERVISORY BOARD:** - FCPE Valoptec International
BERNARD HOURS Independent director [(a)] Age: 53 Number of shares: 1,000 Main function outside the Company **CHIEF OPERATING OFFICER** - Danone (S.A.) Business address DANONE 17 boulevard Haussmann 75009 PARIS - FRANCE	May 15, 2009	2012	**Danone Group** **CHAIRMAN OF THE SUPERVISORY BOARD:** - Danone Baby and Medical Nutrition B.V. (Netherlands) [(b)] - Danone Baby and Medical Nutrition Netherland (Netherlands) [(b)] **MEMBER OF THE SUPERVISORY BOARD:** - Ceprodi **DIRECTOR:** - Danone (S.A.) - Flam's - Stoneyfield Farm, Inc. (USA) [(b)] - Fondation d'Entreprise Danone (Association) **PERMANENT REPRESENTATIVE OF DANONE (S.A.) :** - Danone S.A. (Spain)
MAURICE MARCHAND-TONEL Independent director Age: 65 Number of shares: 1,000 Main function outside the Company **CHAIRMAN** - European American Chamber of Commerce (France) Business address: not applicable	November 22, 2006 Appointed by the board of Directors May 11, 2007 Ratified by the Annual Shareholders' meeting	2011	**CHAIRMAN OF THE SUPERVISORY BOARD:** - Du Pareil au Même [(b)] **MEMBER OF THE SUPERVISORY BOARD:** - Faiveley Transport [(a)] **DIRECTOR:** - European American Chamber of Commerce (Cincinnati, USA) - European American Chamber of Commerce (New York, USA) - French American Chamber of Commerce (Chicago, USA)
AICHA MOKDAHI Director representing employee shareholders Age: 54 Number of shares: 4,990 Main function within the Company **- BBGR EXTERNAL GROWTH DIRECTOR** **- SUPPLY CHAIN DIRECTOR FOR ESSILOR EUROPE** Business address ESSILOR INTERNATIONAL 147 rue de Paris 94227 CHARENTON CEDEX - FRANCE	January 24, 2007 Appointed by the board of Directors May 11, 2007 Ratified by the Annual Shareholders' meeting	2011	**CHAIRMAN OF THE BOARD OF DIRECTORS:** - Valoptec Association

(a) Appointed during 2009.
(b) Term expires in 2009.

Name and additional information	First elected	Current term ends	Other directorships
OLIVIER PECOUX Independent director Age: 51 Number of shares: 1,000 Main function outside the Company **MANAGING PARTNER** - Rothschild et Cie - Rothschild et Cie Banque Business address ROTHSCHILD & Cie 23bis avenue de Messine 75008 PARIS - FRANCE	January 31, 2001 Appointed by the board of Directors May 3, 2001 Ratified by the Annual Shareholders' meeting	2012	**DIRECTOR :** - Rothschild Espana (Spain) - Rothschild Italia (Italy) **MEMBER OF THE SUPERVISORY BOARD:** - Financière Rabelais
MICHEL ROSE Independent director Age: 66 Retired since May 2008. Number of shares: 1,000 Business address: not applicable	May 13, 2005	2011	**DIRECTOR:** - Lafarge Maroc (Morocco) - Malayan Cement (Malaysia) - Unicem (Nigeria) - Neopost **CHAIRMAN:** - Fondation de l'Ecole des Mines de Nancy
ALAIN THOMAS Director representing employee shareholders (b) Age: 60 Retired since December 31, 2009. Number of shares: 7,189 Main function within the Company (until December 31, 2009) **INDUSTRIAL OPERATIONS SUPERVISOR** within the Instruments Division Business address: not applicable	May 12, 2006	December 31, 2009	**MEMBER OF THE BOARD OF DIRECTORS:** - Valoptec Association (b)

(b) Term expires in 2009.

DIRECTORSHIPS HELD OVER THE LAST FIVE YEARS WERE AS FOLLOWS:

Concerning 2009, refer to sub-section List of directorships at December 31, 2009.

Xavier FONTANET

2008

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

(a) Elected in 2008.

2007

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

(a) Elected in 2007.

2006

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

(a) Elected in 2006.

2005

Director:
L'Oréal
Crédit Agricole SA
Beneteau SA[(b)]
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)
IMS – Entreprendre pour la Cité (Association) [(b)]

(b) Term expired in 2005

Hubert SAGNIERES

2008

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

(a) Elected in 2008.

2007

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

(a) Elected in 2007.
(b) Term expired in 2007.

2006

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

(b) Term expired in 2006.

2005

Chairman and Chief Executive Officer:
Essilor of America, Inc. (USA)
Director:
Essilor of America, Inc. (USA)
Shore Lens Co., Inc. (USA) [a]
Nassau Lens Co. Inc. (USA)
Transitions Optical Inc. (USA)
Eagle Optical Co., Inc. (USA)
Transitions Optical Holdings BV (Netherlands)
Essilor Transfer Corporation (USA) [b]
EOA Investment, Inc. (USA) [b]
Specialty Lens Corp. (USA) [b]
EOA Holding Co., Inc. (USA) [b]
ELOA Hold Co. II (USA) [b]
ELOA (USA) [b]
Omega Optical General (USA) [b]
ELOA Corporation (USA) [b]

(a) Elected in 2005.
(b) Term expired in 2005

Philippe ALFROID

2008

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

2007

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

2006

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

2005

Chairman:
Essilor of America, Inc. (USA)
Omega Optical Holdings, Inc. (USA)
Bacou-Dalloz [(b)]
Vice Chairman of the Supervisory Board: Faiveley SA
Director:
Bacou-Dalloz
Faiveley Transport
Essilor of America, Inc. (USA)
Gentex Optics, Inc. (USA)
Vision Web, Inc. (USA) [(b)]
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)

(b) Term expired in 2005.

Alain ASPECT

2008-2005

No directorship held outside Essilor International.

Benoît BAZIN

2008-2006

Not applicable.

2005

Executive Vice President of the Abrasives - Saint-Gobain (USA) [(b)]

(b) Term expired in 2005.

Antoine BERNARD de SAINT-AFFRIQUE

2008

Executive Vice-President: Unilever (Central & Earstern Europe)
Director: INMARKO (Russian Federation) [(a)]

(a) Elected in 2008.

2007

Executive Vice-President: Unilever (Central & Earstern Europe)
Chairman: Eglise Wallone de la Haye (Association) [(b)]

(b) Term expired in 2007.

2006

Executive Vice-President: Unilever (Central & Earstern Europe)
Chairman: Eglise Wallone de la Haye (Association)

2005

Chairman and Chief Executive Officer: Unilever (Hungary, Croatia, Slovenia) [(b)]
Executive Vice-President: Unilever (Central & Earstern Europe) [(a)]
Chairman: Eglise Wallone de la Haye (Association)

(a) Elected in 2005.
(b) Term expired in 2005..

Michel BESSON

2008

Director: Essilor of America, Inc. (USA)
National Chairman: Association France – Etats-Unis
Chairman of the Management Board: SAS Club de Port-La Galère[b]
Member of the Management Board: SAS Club de Port-La Galère
Chairman and member of the Board:
Copropriété Cité Marine de Port-La-Galère[b]

(b) Term expired in 2008.

2007

Director: Essilor of America, Inc. (USA)
National Chairman: Association France – Etats-Unis
Chairman and member of the Management Board:
SAS Club de Port-La Galère
Chairman and member of the Board:
Copropriété Club de Port-La-Galère

2006

Director: Essilor of America, Inc. (USA)
National Chairman: Association France – Etats-Unis
Chairman and member of the Management Board:
SAS Club de Port-La Galère
Chairman and member of the Board:
Copropriété Club de Port-La-Galère

2005

Director: Essilor of America, Inc. (USA)
Chairman and member of the Management Board:
SAS Club de Port-La Galère
Chairman and member of the Board:
Copropriété Club de Port-La-Galère

Jean BURELLE

2008

Chairman and Chief Executive Officer:
Burelle SA
Burelle Participations SA
Sogec 2 SA
Permanent representative of Burelle Participations SA:
Sycovest 1 (Sicav)
Director:
Remy Cointreau
Compagnie Plastic Omnium SA
Compania Plastic Omnium (Spain)
Plastic Omnium International AG (Switzerland) [b]
Signal AG (Switzerland)
AESCRA EM (Association)[a]
Member of the Supervisory Board:
Soparexo SCA
Banque Jean-Philippe Hottinguer SCA
Chairman:
MEDEF International (Association)
Harvard Business School Club de France (Association)

(a) Elected in 2008.
(b) Term expired in 2008.

2007

Chairman and Chief Executive Officer:
Burelle SA
Burelle Participations SA
Chairman: Sycovest 1 (Sicav) [b]
Permanent representative of Burelle Participations SA :
Sycovest 1 (Sicav) [a]
Chief Operating Officer and Director: Sogec 2 SA [a]
Director:
Remy Cointreau
Compagnie Plastic Omnium SA
Compania Plastic Omnium (Spain)
Plastic Omnium International AG (Switzerland)
Signal AG (Switzerland)
Member of the Supervisory Board:
Soparexo SCA
Banque Jean-Philippe Hottinguer SCA
Chairman:
MEDEF International (Association)
Harvard Business School Club de France (Association)

(a) Elected in 2007.
(b) Term expired in 2007.

2006

Chairman and Chief Executive Officer:
Burelle SA
Burelle Participations SA
Chairman: Sycovest 1 (Sicav)
Chief Operating Officer and Director: Sogec 2 SA
Director:
Remy Cointreau
Compagnie Plastic Omnium SA
Compania Plastic Omnium (Spain)
Plastic Omnium International AG (Switzerland)
Signal AG (Switzerland)
Member of the Supervisory Board:
Soparexo SCA
HR Banque SCA
Chairman:
MEDEF International (Association)
Harvard Business School Club de France (Association) [a]

(a) Elected in 2006.

2005

Chairman and Chief Executive Officer:
Burelle SA
Burelle Participations SA
Chairman of the Board of Directors: Sycovest 1
Chief Operating Officer and Director: Sogec 2 SA
Director:
Remy Cointreau
Compagnie Plastic Omnium SA
Compania Plastic Omnium (Spain)
Plastic Omnium International AG (Switzerland)
Signal AG (Switzerland)
Member of the Supervisory Board:
Soparexo SCA
Société Financière HR SCA
Chairman: MEDEF International (Association)

Yves CHEVILLOTTE

2008

Vice Chairman of the Board of Directors: SA Soredic
Vice Chairman of the Supervisory Board: Finaref
Director and member of the Audit Committee:
Crédit Lyonnais[b]

(b) Term expired in 2008.

2007

Vice Chairman of the Board of Directors: SA Soredic
Vice Chairman of the Supervisory Board: Finaref
Director and member of the Audit Committee:
Crédit Lyonnais

2006

Vice Chairman of the Board of Directors: SA Soredic
Vice Chairman of the Supervisory Board: Finaref
Director and member of the Audit Committee:
Crédit Lyonnais

2005

Vice Chairman of the Board of Directors: SA Soredic
Vice Chairman of the Supervisory Board: Finaref
Director and member of the Audit Committee:
Crédit Lyonnais

Bridget COSGRAVE

2008

Director:
SES SA (Société Européenne des Satellites) (Luxembourg) [a]
SES Astra (Luxembourg) [a]
SES World skies (Luxembourg) [a]

(a) Elected in 2008.

2007

Chairman and Chief Executive Officer:
Belgacom International Carrier Services (BICS) (Belgium) [b]
Member of the Board of Directors:
Proximus (Belgium) [b]
Telindus (Belgium) [b]

(b) Term expired in 2007.

2006

Chairman and Chief Executive Officer:
Belgacom International Carrier Services (BICS) (Belgium)
Member of the Board of Directors:
Proximus (Belgium)
Telindus (Belgium) [a]

(a) Elected in 2006.

2005

Chairman and Chief Executive Officer:
Belgacom International Carrier Services (BICS) (Belgium) [a]
Member of the Board of Directors: Proximus (Belgium)

(a) Elected in 2005.

Philippe GERMOND

2008

Chairman of the Management Board: Atos Origin [(b)]
Chairman and member of the Supervisory Board:
QOSMOS[(a)]
Manager: Philippe Germond Conseil
Director: Ecole Centrale Paris

(a) Elected in 2008.
(b) Term expired in 2008.

2007

Chairman of the Management Board: Atos Origin
Manager: Philippe Germond Conseil
Director: Ecole Centrale Paris

2006

Member of the Management Board: Atos Origin [(a)]
Manager: Philippe Germond Conseil[(a)]
Director: Ecole Centrale Paris
Member of the Supervisory Board: Atos Origin[(b)]

(a) Elected in 2006.
(b Term expired in 2006.

2005

Deputy Chief Executive Officer and Director: Alcatel [(b)]
Director:
Ingenico [(b)]
Alcatel USA Inc. (USA) [(b)]
Ecole Centrale Paris
Member of the Supervisory Board:
Alcatel Deutschland GmbH (Germany) [(b)]
Atos Origin

(b) Term expired in 2005.

Yves GILLET

2008

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

2007

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

(a) Elected in 2007.

2006

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

(a) Elected in 2006.

2005

Not applicable.

Bernard HOURS

2008

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

(a) Elected in 2008.
(b) Term expired in 2008.

2007

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

(a) Elected in 2008.
(b) Term expired in 2008.

2006

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

2005

Chairman of the Supervisory Board:
Danone GmbH (Germany)
Danone Holding AG (Germany)
Vice Chairman and Director: Danonesa Tikvesli süt Ürünleri Sanayi Ve Ticaret A.S. (Turkey)
Director:
Danone (S.A.) [a]
Flam's
Franscesca [b]
Stonyfield Farm, Inc. (USA)
Colombus Café
Danonesa Tikvesli süt Ürünleri Sanayi Ve Ticaret A.S. (Turkey)
Représentant permanent de Danone (S.A.) : Danone S.A. (Spain)

(a) Elected in 2005.
(b) Term expired in 2005.

Maurice MARCHAND-TONEL

2008

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

(a) Elected in 2008.
(b) Term expired in 2008.

2007

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

(a) Elected in 2007.
(b) Term expired in 2007.

2006

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

2005

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

Aïcha MOKDAHI

2008

Chairman of the Board of Directors:
Valoptec Association

2007

Chairman of the Board of Directors:
Valoptec Association

2006

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

(a) Elected in 2006.

2005

Not applicable.

Olivier PECOUX

2008

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

2007

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

(b) Term expired in 2007.

2006

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

2005

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

2008

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

(a) Elected in 2008.
(b) Term expired in 2008.

2007

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

2006

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

2005

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

Alain THOMAS

2008-2005

Director: Valoptec Association [b]

(b) Term expired in 2009.

Directors' management expertise and experience

Members of the Board of Directors contribute management expertise and/or experience to the Company in a variety of areas, including general and practical business knowledge, expertise in a specific Essilor International business segment or several years of experience in managing international companies.

DIRECTOR'S BIOGRAPHIES

Xavier Fontanet is Chairman of the Board of Directors of Essilor. He began his career as Vice President of the Boston Consulting Group and became Chief Executive Officer of Bénéteau in 1981. He managed food service operations for the Wagons-Lits Group from 1986 until 1991, when he joined Essilor as Chief Executive Officer. He was Chairman and Chief Executive Officer from 1996 until 2009.

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

Hubert Sagnières has been Chief Executive Officer of Essilor since January 1, 2010. He joined Essilor in 1989 as President of International Marketing. He was appointed President of Essilor Canada in 1991, 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.

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. He has been a member of France's Haut Conseil pour la Science et la Technologie since 2006.

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

Antoine Bernard de Saint-Affrique is Executive Vice President, Skin Care and Skin Cleansing 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, Central and Eastern Europe and Russia from March 2005 until August 2009.

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

Bridget Cosgrave is Director General of the Digitaleurope advocacy group. She began her career at Elders IXL in 1988, then moved to Financière Indosuez in 1990. In 1993, she was named Project Director at BT Group plc, before being appointed Deputy Director General at the European Telecommunications Standards Institute (ETSI) in 1996. In 2001, she became a member of the Executive Committee at Belgacom. She served successively as CEO of Belgacom International Carrier Services (2001-2006), Chief Operating Officer of Fixed Line Services (2006) and Executive Vice President of Belgacom's enterprise business unit (2007). She is also director of SES S.A.

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

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

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

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

Olivier Pécoux joined Rothschild & Cie in 1991. Today, he is a Managing Partner and Chief Executive of the Group's investment banking business. He began his career at Peat Marwick and then served as a financial advisor at Schlumberger in Paris and New York. In 1986, he joined Lazard Frères in Paris and was named Vice President of the investment bank's New York office in 1988.

Michel Rose was Co-Chief Operating Officer of Lafarge S.A., where he was mainly responsible for the Cement Division. 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 emerging markets in 1996.

Alain Thomas has been Industrial Operations Directors in Essilor's Instruments Division since 2007. Joining Essilor in 1974 as a design draftsman, he helped develop topography products and instruments. In 1980, he began to focus on product engineering methods and was named Industrial Operations Director for instruments in 1990.

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).

Absence of family ties between directors

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

14.1.2 COMMITTEES OF THE BOARD

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

14.1.2.1 **Audit Committee: members and role**

The Board's internal rules stipulate that the Audit Committee shall 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 executive directors *(mandataires sociaux)*. 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, 2009, the other members were Philippe Alfroid (since July 1, 2009), Alain Aspect, Benoît Bazin, Olivier Pécoux and Aïcha Mokdahi. Two-thirds of the Committee members are independent directors.

Under the Board of Directors' internal rules, as amended by the Board at its meeting on November 26, 2009, 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 collective responsibility of all the members of the Board of Directors.

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

- Processes for the preparation of financial information
- Internal control and risk management procedures
- The audit of the parent company and consolidated financial statements by the Statutory Auditors
- The Statutory Auditors' independence

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

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

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

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

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

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

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

Refer also to Appendix 1 – Chairman's Report on Corporate Governance and Internal Control, Section 1 – Preparation and organization of meetings of the Board of Directors, sub-section Audit Committee.

14.1.2.2 **Remuneration Committee: members and role**

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

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

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

- Make recommendations concerning executive directors' compensation.
- Make recommendations concerning stock option plans for executive directors, including the total value of the plans, the number of grantees and the number of options to be granted to each one.
- 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 preparing senior management succession plans.

Refer also to Appendix 1 – Chairman's Report on Corporate Governance and Internal Control, Section 1 – Preparation and organization of meetings of the Board of Directors, sub-section Remunerations Committee.

14.1.2.3 **Strategy Committee: members and role**

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

The Committee is chaired by Xavier Fontanet and, at December 31, 2009, comprised all the members of the Essilor Board of Directors.

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

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

Refer also to Appendix 1 – Chairman's Report on Corporate Governance and Internal Control, Section 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 January 1, 2010:

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

(a) Since January 1, 2010.
(b) Changes in functions at March 1, 2010.

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 federating role by liaising with the Company's other cross-functional boards and committees. The Executive Committee is tasked with reviewing, understanding, considering, implementing and organizing the Company's strategy and, in some cases, making strategic decisions. It reviews transformation projects as well as the Company's outlook and medium and long-term objectives, and decides the strategies to be implemented to meet these objectives.

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

14.2 No potential conflicts of interest

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

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

14.3 Related party agreements

Termination benefit payable to Hubert Sagnières

The employment contract signed between Hubert Sagnières and the Company before he became an executive director entitles him to receive a termination benefit representing the equivalent of two years' salary 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. On March 4, 2009, the Board authorized an addendum to the contract in application of the TEPA Act of August 21, 2007, which makes the termination benefit subject to certain performance conditions. For more information on these conditions, see Chapter 15, Section 15.1 – Compensation paid to the members of the Board of Directors and Senior Management, and the Essilor.com website. The agreement was approved by shareholders at the Annual Shareholders' Meeting of May 15, 2009.

Suspension of Hubert Sagnières' employment contract

In line with the decision of the Board at its meeting on November 27, 2008 and in light of Hubert Sagnières more than 20 years' service with the Company up to his appointment as Chief Executive Officer, on November 26, 2009 the Board authorized the suspension of his employment contract as President, Essilor Europe and North America 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 CAD 1.4861.

Top hat pension benefits for Hubert Sagnières

At its meeting on November 27, 2008, under the procedure concerning related party agreements the Board of Directors authorized extending the top hat pension 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. Top-hat pension benefits are qualified as a form of additional compensation under Article L.225-42-1 of the French Commercial Code. At its meeting on November 26, 2009, the Board authorized maintaining top hat pension benefits for Hubert Sagnières after January 1, 2010 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.

Financial advisory agreement with Rothschild & Cie

In connection with the planned acquisition of the entire capital of FGX, the Board of Directors authorized the signature of an exclusive financial advisory agreement with Rothschild & Cie. The agreement provided for the payment to Rothschild & Cie of a basic fee of €2.5 million and, at Essilor's discretion, a success fee of €0.5 million. Olivier Pecoux is a director of Essilor and a managing partner of Rothschild & Cie.

The Auditors were informed of the authorizations and of the signature of the contracts within one month of the signature date. The Auditors were also informed about the related party agreements authorized in prior years that remained in effect in 2009, as required by Article R.225-30 of the Commercial Code. (For more details, see section 20.4.1.4 Special report of the Auditors on related party agreements in 2009).

15 COMPENSATION AND BENEFITS

15.1 Remuneration of the members of the Board of Directors and senior management

2009 COMPENSATION OF EXECUTIVE DIRECTORS

Compensation of key management personnel, within the meaning of IAS 24, is presented in Note 30 to the consolidated financial statements.

As defined in the AMF recommendations of December 2008, for executive directors, the principle is to pay a fixed salary and a variable bonus based on certain objectives. The bonus may increase if they exceed their targets, up to a limit of 150% the contractual amount. Since 2008, variable bonuses are calculated by reference to four targets, as follows:

- Growth in earnings per share adjusted[a], set at €1.85 plus or minus 10% for 2009.
- Like-for-like revenue growth, set at 1%[b] for 2009.
- Growth through acquisitions, measured on the basis of the pro forma annual revenue of businesses acquired during the year, set at €100 million for 2009 (for the application of this criterion, account will only be taken of companies defined as "organic acquisitions").
- A personal target.

For the first three targets, the effects of changes in exchange rates will be neutralized.

Since executive directors' bonuses may vary from 0 to 150% of the contractual amount and the "growth through acquisitions" and "personal target" criteria are limited at 100%, the "earnings per share" and "organic growth" criteria may vary from 0 to 190%[c].

(a) Consolidated earnings per share are adjusted for:

- The currency effect
- The total effect of acquisitions for the year not taken into account in the "growth through acquisitions" criterion, in terms of incremental margin or incremental costs such as purchase price allocation and finance costs.
- The impact of non-recurring costs that cannot be budgeted.
- The impact of the Company's share of Sperian's profit that Essilor's management cannot control on an annual basis.

The calculation does however include restructuring costs and the total impact on earnings of companies acquired during the year that are considered as representing "growth through acquisitions".

(b) The range of like-for-like growth and corresponding percentage of bonus for 2009 are as follows:

Organic growth	% of bonus
+ 3%	190%
+ 2%	145%
+1%	100%
0%	83.3%
- 1%	66.7%
- 2%	50%
- 3%	33.3%
- 4%	16.7%
- 5%	0

(c) In 2009, the targets is weighted as follows for calculating the bonus:

- 30% for growth in earnings per share;
- 25% for organic revenue growth;
- 25% for growth through acquisitions
- 20% for qualitative performance.

The contractual bonus represents:

- For the Chairman and Chief Executive Officer – 100% of his salary if targets are met;
- For the Chief Operating Officers – 75% of their salary if targets are met.

BREAKDOWN OF EXECUTIVE DIRECTORS' COMPENSATION

(Gross amounts, before payroll and income tax)

Xavier FONTANET, Chairman and Chief Executive Officer

Compensation and share-based payments

In €	**2009**	**2008**
Compensation for the year *(see table below for details)*	**1,610,242**	**1,190,759**
Value of options granted during the year[(a)] *(see table in Section 15.2.2 for details)*	532,000	486,000
Value of performance share rights granted during the year[(b)] *(see table in Section 15.2.2 for details)*	Not applicable	378

(a) Stock options are subject to vesting conditions based on Essilor's stock market performance. In addition, the maximum profit that can be made by each grantee is capped at 100% of the value of the option grants (see section 21.1.4.1 – Stock options -options on new shares-).

(b) For more information about performance shares, refer to Section 21.1.4.3 – Performance shares.

Breakdown of compensation

	2009		**2008**	
In €	Amount due	Amount paid	Amount due	Amount paid
Salary	721,013	721,013	700,017	700,017
Bonus[(a)]	850,796	455,011	455,011	415,321
Exceptional bonus	None	None	None	None
Directors' fees	19,200	19,200	17,000	17,000
Benefits in kind:				
- Car	2,195	2,195	2,195	2,195
- Unemployment insurance	17,038	17,038	16,526	16,526
- Other	None	None	None	None
TOTAL	**1,610,242**	**1,214,458**	**1,190,749**	**1,151,059**

(a) Xavier Fontanet's target bonus for 2008 and 2009 was equal to 100% of his basic salary if objectives were 100% met.

Philippe ALFROID, Chief Operating Officer

Compensation and share-based payments

In €	**2009**	**2008**
Compensation for the year *(see table below for details)*	**1,271,623**	**736,836**
Value of options granted during the year[a] *(see table in Section 15.2.2 for details)*	Not applicable	405,000
Value of performance share rights granted during the year[b] *(see table in Section 15.2.2 for details)*	Not applicable	378

(a) Stock options are subject to vesting conditions based on Essilor's stock market performance. In addition, the maximum profit that can be made by each grantee is capped at 100% of the value of the option grants (see section 21.1.4.1 – Stock options -options on new shares-).

(b) For more information about performance shares, refer to Section 21.1.4.3 – Performance shares.

Breakdown of compensation

	2009		**2008**	
In €	Amount due	Amount paid	Amount due	Amount paid
Salary[a]	719,615	719,615	475,026	475,026
Bonus[b]	216,484	231,575	231,575	240,245
Exceptional bonus[c]	299,786	299,786	None	None
Directors' fees[d]	34,640	34,640	28,040	28,040
Benefits in kind:				
- Car	1,098	1,098	2,195	2,195
- Unemployment insurance	None	None	None	None
- Other	None	None	None	None
TOTAL	**1,271,623**	**1,286,714**	**736,836**	**745,506**

(a) Of which €475,000 in additional compensation for extending his term of office to facilitate the transition period (not included in the calculation of supplementary pension benefits).

(b) Philippe Alfroid's target bonus for 2008 and 2009 was equal to 75% of his basic salary if objectives were 100% met.

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

(d) Including €11,040 in directors' fees from Sperian Protection for each of the years 2008 and 2009.

Hubert SAGNIERES, Chief Operating Officer

Compensation and share-based payments

In €	2009	September 1 to December 31, 2008
Compensation for the year *(see table below for details)*	**1,377,914**	**533,726**
Value of options granted during the year[(a)] *(see table in Section 15.2.2 for details)*	997,500	405,000
Value of performance share rights granted during the year[(b)] *(see table in Section 15.2.2 for details)*	Not applicable	Not applicable

(a) Stock options are subject to vesting conditions based on Essilor's stock market performance. In addition, the maximum profit that can be made by each grantee is capped at 100% of the value of the option grants (see section 21.1.4.1 – Stock options -options on new shares-).

(b) For more information about performance shares, refer to Section 21.1.4.3 – Performance shares.

Breakdown of compensation

	2009		September 1 to December 31, 2008	
In €	Amount due	Amount paid	Amount due	Amount paid
Salary	729,053	729,053	258,478	258,478
Bonus[(a)]	629,661	273,068[(b)]	275,248[(b)]	None
Exceptional bonus	None	None	None	None
Directors' fees	19,200	19,200	11,350	11,350
Benefits in kind:				
- Car	None	None	None	None
- Unemployment insurance	None	None	None	None
- Other	None	None	None	None
TOTAL	**1,377,914**	**1,021,321**	**533,726**	**269,828**

(a) Hubert Sagnière's target bonus for 2008 and 2009 was equal to 75% of his basic salary if objectives were 100% met.

(b) Difference due to the exchange rate used for valuation purposes.

Executive directors

	XAVIER FONTANET Chairman and Chief Executive Officer until December 31, 2009 then Chairman of the Board of Directors from January 1, 2010 Elected in 1996 Term expires in 2010	PHILIPPE ALFROID Chief Operating Officer until June 30, 2009 Elected in 1996 Term expires in 2011	HUBERT SAGNIÈRES Chief Operating Officer until December 31, 2009 then Chief Executive Officer from January 1, 2010 Elected in 2008 Term expires in 2011
Employment contract[(a)]	Yes - suspended No longer applicable as of January 1, 2010 - Retired	Yes – suspended No longer applicable as of July 1, 2009 - Retired	Yes – maintained But suspended as of January 1, 2010
No-compete clause compensation	No	No	No
Supplementary pension plan	Yes[(b)]	Yes[(b)]	Yes[(b)]
Termination benefit	Yes Termination benefit (except in the case of serious or gross misconduct) 2 years' salary subject to performance conditions[(c)]	No	Yes Termination benefit (except in the case of serious or gross misconduct) 2 years' salary subject to performance conditions[(d)]
Restrictions on the sale of shares acquired on exercise of stock options or performance shares[(e)]	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 exercise price and the tax due on the capital gain) may not be sold while the executive director remains in office.		
Hedges	Executive directors are banned from hedging equity risks on stock options or performance share grants.		
Length-of-service award payable on retirement (estimated)	338,169	None	140,340
Supplementary pension benefits (projected benefit obligation)	3,447,307	None	1,421,489
Signing-on bonus	None	None	None

(a) For explanations, refer to the Chairman's report in Appendix 1, section III Matters submitted to the Board and related decisions.

(b) Information about the supplementary pension plan is provided in the Chairman's report on corporate governance and internal control presented in Appendix 1 (corporate governance section, paragraph 10, Committees of the Board – Remunerations Committee – Top-hat pension plans).

(c) The employment contract signed between Xavier Fontanet and the Company prior to his appointment as a corporate officer entitles him to receive termination benefits representing the equivalent of two years' salary 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. On March 5, 2008, the Board, acting on the recommendation of the Remunerations Committee, authorized an addendum to the contract in application of the TEPA Act of August 21, 2007, which makes the termination benefits subject to certain performance conditions.

The performance benchmark will be the average performance by Xavier Fontanet over his last three years with the Company, measured as the ratio of actual results to the annual targets set by the Board of Directors and used for the calculation of his variable bonus.

The performance conditions are as follows: 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, Xavier Fontanet will receive 90% of the termination benefit). If actual results represent less than 50% of the target, he will not be paid any termination benefit.

This agreement was approved at the Annual Shareholders' Meeting of May 14, 2008 (fourth resolution). Full information is provided on the Company's website in French ("Gouvernance – Conseil d'Administration – Loi Tepa").

(d) The employment contract signed between Hubert Sagnières and the Company prior to his appointment as a corporate officer entitles him to receive termination benefits representing the equivalent of two years' salary 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. On March 4, 2009, the Board, acting on the recommendation of the Remunerations Committee, authorized an addendum to the contract in application of the TEPA Act of August 21, 2007, subject to the same conditions as those established above for Xavier Fontanet. If his contract is terminated within three years of his appointment as Chief Operating Officer, his performance will be measured as the ratio of actual results to the annual targets used for the calculation of his variable bonus as President, Essilor North America and Europe.

This agreement was approved at the Annual Shareholders' Meeting of May 14, 2008 (fourth resolution). Full information is provided on the Company's website in French ("Gouvernance – Conseil d'Administration – Loi Tepa").

(e) The rules governing stock option and performance share rights granted to executive directors are as follows (AFEP/MEDEF recommendations dated October 2008):

- The value (under IFRS) of stock options and/or performance share rights granted to each executive director may not exceed the sum of his or her annual salary plus contractual bonus.
- The aggregate stock options and/or performance share rights granted to all executive directors may not exceed 20% of the total stock options and/or performance share rights granted by the Company to management and employees.

Performance conditions:

- The annual performance index, expressed as a percentage, is determined by applying the following weightings to the quantitative performance criteria used to calculate each executive director's bonus: 45% for earnings per share, 35% for organic revenue growth and 20% for growth through acquisitions.
- The vested portion of the grant is then determined by reference to the arithmetical average of the performance indices for the fiscal years in the period between the year of grant and the year when the option becomes exercisable, with a cap of 100%

If an executive director retires, only his or her years of service are taken into account in the calculation.

DIRECTORS' FEES

The Annual Shareholders' Meeting of May 14, 2008 voted to award directors' fees of €400,000. At its meeting the same day, the Board of Directors decided to allocate this sum as shown in the table below.

Directors' fees	Fixed fee	Variable fee based on attendance record
All directors	€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
Independent directors who are members of either the Audit Committee or the Remunerations Committee	Not applicable	€2,200 per meeting

Directors' fees and other compensation received by non-executive directors [(a)]

In €	2009	2008
Alain Aspect	23,600	23,600
Benoît Bazin	15,600	Non-member
Antoine Bernard de Saint-Affrique	11,200	Non-member
Michel Besson	12,400	32,400
Jean Burelle	15,700	36,800
Yves Chevillotte	50,000	47,800
Bridget Cosgrave	17,000	17,000
Philippe Germond	5,800	12,600
Yves Gillet	19,200	Non-member
Bernard Hours	20,000	Non-member
Maurice Marchand-Tonel	32,400	25,800
Aïcha Mokdahi	19,200	17,000
Olivier Pécoux	19,200	10,400
Michel Rose	37,900	23,600
Alain Thomas	19,200	17,000
Serge Zins	Non-member	12,600
TOTAL	**318,400**	**276,600**

(a) No non-executive directors received any compensation other than directors' fees.

15.2 Contingent or deferred compensation, pension, retirement and other benefits

15.2.1 DIRECTORS' INTERESTS

The members of the Board of Directors and the members of the Executive Committee together hold less than 0.5% of the Company's capital.

15.2.2 STOCK OPTIONS AND PERFORMANCE SHARES

- Stock options and performance shares granted to and exercised by executive directors in 2009 - Performance shares granted in 2009 by Essilor International or other Group companies	**Total number**	**Price** *In €*	**Valuation method applied in the consolidated financial statements**	**Expiry date**	**Plan**
Performance share rights granted in 2009 to executive directors by Essilor International and any other Essilor companies					
Xavier Fontanet	15	38.96	24.20	Dec. 18, 2016	Dec. 18, 2009
Hubert Sagnières	15	38.96	24.20	Dec. 18, 2016	Dec. 18, 2009
Performance stock options granted in 2009 by Essilor International or other Group companies					
Xavier Fontanet	80,000	38.96	6.65	Nov. 26, 2016	Nov. 26, 2009
Hubert Sagnières	150,000	38.96	6.65	Nov. 26, 2016	Nov. 26, 2009
Options exercised during 2009 by each executive director					
Philippe Alfroid	15,000	20.37	5.74	Nov. 18, 2010	Nov. 18, 2003
Xavier Fontanet	6,311	20.37	5.74	Nov. 18, 2010	Nov. 18, 2003
Xavier Fontanet	31,134	26.50	5.06	Nov. 17, 2011	Nov. 17, 2004

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

16 BOARD PRACTICES

16.1 Expiration dates of terms of office and periods served by members of the Board of Directors

16.1.1 EXPIRATION DATES OF TERMS OF OFFICE AND PERIODS SERVED

The expiration dates of the directors' current terms of office and periods served are presented in Section 14.1.1.

At the Board meeting on January 27, 2010, He YI was temporarily appointed as director representing employee shareholders to replace Alain Thomas who had retired.

As stipulated by law and the bylaws, this appointment was made subject to ratification at the Annual Shareholders' Meeting of May 11, 2010 (see AMF Interpretation no. 3 of January 2006).

16.1.2 PROCEDURES OF THE BOARD OF DIRECTORS AND THE COMMITTEES OF THE BOARD

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, as subsequently amended from time to time and most recently on November 26, 2009. The main provisions of the internal rules concerning the Board's procedures are as follows:

Role of the Board of Directors

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

The Board of Directors is a collegial body whose role and responsibilities are defined by French company law and the related regulations. The Essilor Board's specific responsibilities are to:

- Decide the criteria to be applied to determine whether directors are independent or not, 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 executive directors recommended by the Remunerations Committee.
- Discuss and, if appropriate, approve senior management succession plans and major organizational changes.

Information given to directors

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

Each director 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.

Between meetings, directors shall receive all useful information, including any critical comments, about all significant events or transactions in the life of the Company. In particular, they shall receive copies of all press releases published by the Company.

Board meetings

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

Committees of the Board

On the recommendation of the Chairman, the Board may set up committees, deciding on their terms of reference and their membership. These Committees shall examine matters submitted to them by the Board, falling within their respective terms of reference, and shall make recommendations and proposals to the Board.

Annual self-assessment

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

Changes to the internal rules

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

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

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

Each director who has access to inside information may not trade in the Company's shares, directly or through a third party, or cause any other person to trade in the Company's shares on the strength of that information for as long as it has not been made public. In addition, in the same way as for Company executives who have access to inside information, directors are prohibited from trading in the Company's shares during the period preceding the publication of inside information of which they are aware and also during the 21-day period that precedes the announcement of the Company's

- annual and half-yearly results and quarterly revenue.

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

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

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

16.2 Information about the service contracts of members of the Board of Directors: no service contracts

Neither the Chief Executive Officer nor the members of the Board of Directors have a service contract with Essilor or any of its subsidiaries providing for the payment of benefits at the end of the contract.

16.3 Information about the Audit Committee and the Remunerations Committee

Refer to Section 14.1.2.1 and Appendix 1 – Chairman's Report on Corporate Governance and Internal Control, Section 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 regime

The Company complies in all material respects with the corporate governance regime set out in the 2008 AFEP/MEDEF corporate governance code. Information about the corporate governance system is presented in Appendix I (Chairman's Report on Corporate Governance and Internal Control).

17 EMPLOYEES

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

For more information on Company employees, refer to the notes to the consolidated financial statements (Section 20.3.1.5, Note 29).

17.1.1 AVERAGE NUMBER OF EMPLOYEES AND EMPLOYEES AS OF DECEMBER 31

As of December 31, 2009, Essilor had 34,759 employees worldwide (including the employees of proportionately consolidated companies on a 100% basis). The average number of employees for the year was 32,835 (employees corresponding to the amount reported for consolidated employee benefits expense for the year).

The number of employees at December 31, 2008 was 34,320 and the average for the year was 30,898.

There has been no material change in the number of employees since January 1, 2009.

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

17.1.2 AVERAGE NUMBER OF EMPLOYEES BY REGION AND CATEGORY

17.1.2.1 Breakdown by region

	2009		2008	
North America	10,881	33.1%	10,381	33.6%
Europe	10,968	33.4%	10,712	34.7%
Latin America / Asia-Pacific / Africa	10,986	33.5%	9,804	31.7%

17.1.2.2 Employees by category

	2009		2008	
Production	18,153	55.3%	17,290	55.9%
Supervisory and administrative	10,261	31.3%	9,350	30.3%
Management	4,421	13.4%	4,258	13.8%

17.2 Employee shareholdings and stock options

17.2.1 SHARES AND STOCK OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AS OF DECEMBER 31, 2009

Essilor stock options

	Employed Board members					
	Philippe ALFROID	Xavier FONTANET	Yves GILLET	Aïcha MOKDAHI	Hubert SAGNIERES	Alain THOMAS
Essilor shares	218,139	222,864	11,107	4,990	11,073	7,189
Stock options exercisable for existing shares						
- November 14, 2001					24,000	
Stock options (exercisable for new shares)						
- November 20, 2002			4,000		36,000	
- November 18, 2003	40,000		4,000		28,000	
- November 17, 2004	86,000	78,866	4,000	670	34,000	
- November 23, 2005	94,000	120,000	7,000	2,000	100,000	
- November 22, 2006			7,000		44,000	
- November 14, 2007			7,000		50,000	
- November 27, 2008	100,000	120,000	7,000		100,000	
- November 26, 2009		80,000	7,000		150,000	

Independent Directors

At December 31, 2009, independent Directors held 10,573 Essilor shares but did not hold any stock options or performance share rights.

Rights – As of December 31, 2009

	Employed Board members					
	Philippe ALFROID	Xavier FONTANET	Yves GILLET	Aïcha MOKDAHI	Hubert SAGNIERES	Alain THOMAS
Performance shares						
- November 20, 2006	45,000	58,500		900		72
- November 14, 2007	45,000	58,500		880		52
- January 30, 2008	20	20		20		20
- November 27, 2008				1,790		62
- December 18, 2008				10		10
- November 26, 2009				1,785		57
- December 18, 2009		15		15	15	15

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

17.2.2 STOCK OPTIONS AND PERFORMANCE SHARES

17.2.2.1 Stock options and performance share rights granted and exercised during the year

- Stock options exercisable for new shares **- Stock options exercisable for existing shares** **- Performance share rights** **granted to employees other than executive directors.**	**Total number**	**Weighted average exercise price** *In €*	**Expiry date**	**Plan**
Total stock options granted in 2009 to the ten employees other than executive directors who received the greatest number of options	194,000	38.96	Nov. 26, 2016	Nov. 26, 2009
Total performance share rights granded in 2009 to the ten employees other than executive directors who received the greatest number of options	156,000	38.96	Nov. 26, 2016	Nov. 26, 2009
Total stock options exercised in 2009 by the ten employees other than executive directors who exercised the greatest number of options	211,623	22.79		Nov. 14, 2001 Nov. 20, 2002 Nov. 18, 2003 Nov. 17, 2004 Nov. 23, 2005

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

17.2.2.2 Stock option plans and performance share plans

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

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

Plan	**Nov.14, 2001**	**Nov. 20, 2002**	**Nov. 18, 2003**	**Nov. 17, 2004**	**Jan. 27, 2005**
Shareholder approval date	Jan. 18, 2001	Jan. 18, 2001	May 16, 2003	May 16, 2003	May 16, 2003
Grant date	Nov. 14, 2001	Nov. 20, 2002	Nov. 18, 2003	Nov. 17, 2004	Jan. 27, 2005
Type of plan	Stock options exercisable for new shares	Stock options exercisable for new shares	Stock options exercisable for new shares	Stock options exercisable for new shares(a)	Stock options exercisable for new shares(a)
Number of options / rights	1,340,500	1,625,160	1,609,140	1,787,800	31,500
Held by executive directors	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 grantees (other than executive directors)	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
Expiry date	Nov. 14, 2011	Nov. 20, 2012	Nov. 18, 2010	Nov. 17, 2011	Jan. 27, 2012
Exercise price (in €)	15.620	20.340	20.370	26.500	27.290
Number of grantees	646	1,348	1,436	1,585	2
Exercise conditions	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable from Nov. 14, 2005.	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable from Nov. 20, 2006.	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable from Nov. 18, 2007.	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable from Nov. 17, 2008.	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable from Nov. 22, 2009.
Shares subscribed as of December 31, 2009	1,137,847	1,212,265	1,120,678	597,387	4,532
Cancelled stock options and performance shares	38,026	42,264	40,078	45,557	0
Outstanding stock options and performance shares	164,627	370,631	448,384	1,144,856	26,968

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

Plan	23 Nov. 2005	22 Nov. 2006	22 Nov. 2006	24 Jan. 2007	14 Nov. 2007
Shareholder approval date	May 13, 2005	May 13, 2005	May 13, 2005	May 13, 2005	May 11, 2007
Grant date	Nov. 23, 2005	Nov. 22, 2006	Nov. 22, 2006	Jan. 24, 2007	Nov. 14, 2007
Type of plan	Stock options exercisable for new shares[(a)]	Capped performance stock options[(b)]	Performance share rights	Performance share rights	Capped performance stock options[(b)]
Number of options / rights	1,996,880	930,740	Maximum 527,112	Maximum 49,152	1,117,770
Held by executive directors	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 grantees (other than executive directors)	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)]
Expiry date	Nov. 23, 2012	Nov. 22, 2013	Nov. 22, 2013	Jan. 24, 2014	Nov. 14, 2014
Exercise price (in €)	34.700	41.460	NS[(c)]	NS[(c)]	43.650
Number of grantees	1,953	1,148	1,134	2,981	1,800
Exercise conditions	Non-residents: exercisable at the rate of 1/3 per year maximum from the 2nd year. Residents: exercisable from Nov. 23, 2009.	Non-residents: Not exercisable until performance target met, then 1/2 maximum the third year and the balance in subsequent years. Cancellation possible. Residents: none.	Non-residents: none. Residents: forfeited if performance target not met. Cancellation possible. Can be sold from Nov. 22, 2013.	Non-residents: none. Residents: forfeited if performance target not met. Cancellation possible. Can be sold from Jan. 24, 2014.	Non-residents: Not exercisable until performance target met, then 1/2 maximum the third year and the balance in subsequent years. Cancellation possible. Residents: none.
Shares subscribed as of December 31, 2009	135,683	320	144	176	0
Cancelled stock options and performance shares	66,594	64,260	7,254	3,536	60,460
Outstanding stock options and performance shares	1,794,603	866,160	519,714	45,440	1,057,310

(a) Capped plans. Under capped plans, the maximum profit that can be made by each grantee is capped at 100% of the value of the option grants.
(b) Capped performance stock options. Capped performance stock options vest only if the share price reaches 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 treasury stock.
(d) The options wil be exercisable if the average opening price of Essilor International 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 performance shares will vest if the average opening price of Essilor International 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 performance shares will vest if the average opening price of Essilor International 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 wil be exercisable if the average opening price of Essilor International 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
Shareholder approval date	May 11, 2007	May 11, 2007	May 11, 2007	May 11, 2007	May 11, 2007
Grant date	Nov. 14, 2007	Jan. 23, 2008	Nov. 27, 2008	Nov. 27, 2008	Nov. 27, 2008
Type of plan	Performance share rights	Performance share rights (group plan in France)	Capped performance stock options[(a)]	Performance share rights	Performance share rights (group plan in France)
Number of options / rights	Maximum 552,491	Maximum 90,860	1,568,080	Maximum 513,775	Maximum 45,350
Held by executive directors	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 grantees (other than executive directors)	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)]
Expiry date	Nov. 14, 2014	Jan. 30, 2015	Nov. 27, 2015 or 2016	Nov.27, 2015 or 2016	Dec.18, 2015 or 2016
Exercise price (in €)	NS[(b)]	NS[(b)]	33.170	NS[(b)]	NS[(b)]
Number of grantees	1,410	4,543	2,286	1,619	4,535
Exercise conditions	Non-residents: none. Residents: forfeited if performance target not met. Cancellation possible. Can be sold from Nov. 14, 2014.	Non-residents: none. Residents: forfeited if performance target not met. Cancellation possible. Can 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: not exercisable until the performance conditions are met. Cancellation possible. Shares may be sold as from November 27, 2015 or 2016 depending on the vesting date.	Non-residents: none Residents : not exercisable until the performance conditions are met. Cancellation possible. Shares may be sold as from December 18, 2015 or 2016 depending on the vesting date.
Shares subscribed as of December 31, 2009	4,672	1,240	0	186	600
Cancelled stock options and performance shares	104	6,720	42,660	3,701	2,040
Outstanding stock options and performance shares	547,715	82,900	1,525,420	509,888	42,710

(a) Capped performance stock options. Capped performance stock options vest only if the share price reaches 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 treasury stock.
(c) The performance shares wil be exercisable if the average opening price of Essilor International 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 performance shares will vest if the average opening price of Essilor International 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 wil be exercisable if the average opening price of Essilor International 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 performance shares will vest if the average opening price of Essilor International 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 performance shares will vest if the average opening price of Essilor International 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
Shareholder approval date	May 11, 2007	May 11, 2007	May 11, 2007
Grant date	Nov. 26, 2009	Nov. 26, 2009	Nov. 26, 2009
Type of plan	Capped performance stock options(a)	Performance share rights	Performance share rights (group plan in France)
Number of options / rights	Maximum 1,579,120	Maximum 536,116	Maximum 65,640
Held by executive directors	230,000	0	30
- Philippe Alfroid			
- Xavier Fontanet	80,000		15
- Hubert Sagnières	150,000		15
Held by the top ten grantees (other than executive directors)	194,000	155,850	150
Start date of exercise period	Nov. 26, 2011(h)	Nov. 26, 2011(i)	Dec. 18, 2011(j)
Expiry date	Nov. 26, 2016 or 2017	Nov.26, 2016 or 2017	Dec.18, 2016 or 2017
Exercise price (in €)	NS(b)	NS(b)	NS(b)
Number of grantees	2,412	1,684	4,376
Exercise conditions	Non-residents and residents: not exercisable until the performance conditions are met. When conditions are met, up to 50% in the third year and the balance in subsequent years. Cancellation possible.	Non-residents: none Residents: not exercisable until the performance conditions are met. Cancellation possible. Shares may be sold as from November 26, 2016 or 2017 depending on the vesting date.	Non-residents: none Residents : not exercisable until the performance conditions are met. Cancellation possible. Shares may be sold as from December 18, 2016 or 2017 depending on the vesting date.
Shares subscribed as of December 31, 2009	0	0	0
Cancelled stock options and performance shares	0	0	0
Outstanding stock options and performance shares	1,579,120	536,116	65,640

(a) Capped performance stock options. Capped performance stock options vest only if the share price reaches 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 treasury stock.
(h) The options wil be exercisable if the average opening price of Essilor International 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 performance shares will vest if the average opening price of Essilor International 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 performance shares will vest if the average opening price of Essilor International shares exceeds €38.96 over a 3-month period between December 18, 2011 and December 18, 2015 (see Section 21.1.4.3).).

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

17.3 Discretionary and non-discretionary profit-sharing agreements

17.3.1 EMPLOYEE PROFIT-SHARING PLANS DISCRETIONARY AND NON-DISCRETIONARY PROFIT-SHARING AGREEMENTS

Plans for Essilor International employees

Discretionary profit-sharing plan

A new three-year discretionary profit-sharing plan, governed by Articles L.3 et seq. of the Labor Code, was signed on May 31, 2007, covering the period from January 1, 2007 to December 31, 2009.

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.

Following the signature of an addendum on April 22, 2008, discretionary profit-sharing bonuses for 2008 and 2009 are calculated on the basis of consolidated revenue growth, growth in contribution margin and actual operating profit compared to the budget, with all three criteria having the same weighting. In prior years, only actual operating profit compared to the budget was taken into account.

The calculation formula 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 classified as salary. As a result, they are exempt from payroll taxes but are subject to personal income tax and the CSG-CRDS surtaxes.

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

Individual profit-shares are calculated as follows:

- 30% prorated to the period of presence in the Company during the year;
- 70% prorated to the reference salary.

The total amount distributed each year is capped at 20% of the aggregate gross salaries paid to eligible employees.

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

- 2009: €3,681,000 for 2008;
- 2008: €3,667,000 for 2007;
- 2007: €4,318,000 for 2006;
- 2006: €3,440,000 for 2005;
- 2005: €3,251,000 for 2004.

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 Essilor International'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

Essilor employees may become shareholders in different ways:

Employee stock ownership plans

Essilor employees may become shareholders by purchasing, through various stock ownership plans, units in corporate mutual funds or shares held by trusts.

These shares or units are generally purchased with the financial help of the subsidiary concerned. The shares are either issued directly or bought on the market for allocation to employees. They are subject to a lock-up period of two to seven years, depending on the country.

- The corporate mutual funds include FCPE Valoptec International, the Essilor 5-year Corporate Mutual Fund, the Essilor 7-year Corporate Mutual Fund and the Essilor International Corporate Mutual Fund.
- The trusts include the Essilor Shareholding Plan in the United States, the Australian Shareholding Plan, the Share Incentive Plan in the United Kingdom and the Irish Shareholding Plan;
- Direct shareholding is possible with the Spanish Ahorro Plan, the Brazilian share purchase plan, the Essilor Germany employee stock ownership plan and the Chinese share purchase plan.

For more information about employee share ownership, refer to Appendix 2 - Social and Environmental Policy (disclosures made in application of France's "NRE" Act), at the end of the Social Policy section under "Responsible shareholders and employee share ownership".

Stock options

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

Performance shares

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

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

18 MAJOR SHAREHOLDERS

18.1 Ownership structure and voting rights

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

18.1.1 OWNERSHIP STRUCTURE AT DECEMBER 31, 2009

At December 31, 2009, the total number of voting rights was 229,344,448 attached to 215,509,972 shares.

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

Shareholder identification

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 General Shareholders' Meetings, as well as details of the number of securities held.

18.1.2 OWNERSHIP STRUCTURE AT DECEMBER 31, 2008

The table showing Essilor's ownership structure at December 31, 2009 is presented in Section 18.1.1.

The Company's ownership structure at December 31, 2008 was as follows:

At December 31, 2008	Number of shares	%	Number of voting rights	%
Employee Shareholders (French and non-French)				
- FCPE Valoptec International	7,479,493	3.54	14,958,986	6.64
- Essilor 5 and 7-year Corporate Mutual Funds	5,291,539	2.51	9,573,051	4.25
- Funds for employees outside France	677,954	0.32	677,954	0.30
- Registered shares held directly by employees	3,362,531	1.59	6,259,756	2.78
SUB-TOTAL	**16,811,517**	**7.96**	**31,469,747**	**13.97**
Treasury stock				
- Treasury stock	4,006,005	1.90		
- Liquidity contract	0	-		
SUB-TOTAL	**4,006,005**	**1.90**		
PUBLIC	**190,202,400**	**90.13**	**193,784,233**	**86.03**
TOTAL	**211,019,922**	**100.00**	**225,253,980**	**100.00**

18.2 Different voting rights

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 Shareholders' Meeting of June 11, 1983 and reduced to two years at the 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, the double voting rights will be exercisable at Shareholders' Meetings of the surviving company, provided that its bylaws 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 the liquidation of the marital estate, or a gift between spouses or to a relative in the direct line of succession, and the change of ownership will not be taken in to 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.

Voting restrictions

As of December 31, 2009, the Company's bylaws did not contain any restrictions on the exercise of voting rights.

Concerning the extraordinary resolutions tabled at the Annual Shareholders' Meeting of May 11, 2010, refer to Section 21.2.4.2, paragraph "Changes in the bylaws".

18.3 No external control of the company

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

18.4 Arrangements resulting in a change in control of the Company and shareholders' pacts

Contracts containing a Change of Control clause (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 Change of Control clauses.

Other items that could have an impact on the event of a public tender offer (Article L.225-100-3 of the Commercial Code)

- Employees hold 7.8% of the Company's capital and 13.8% of the voting rights. They may exercise these voting rights directly or give proxy to the representatives of the Essilor 7-year Corporate Mutual Fund and the Valoptec Association.
- The resolutions tabled at the Annual Shareholders' Meeting of May 11, 2010 that could have an impact on the event of a public tender offer are presented in Section 21.2.4.2.

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

19 RELATED PARTY TRANSACTIONS

19.1 Nature and extent of major transactions

Related parties include the following:

Proportionately consolidated companies:

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

Note: GKB Rx Lens, which was 50% owned by Essilor until December 31, 2008, is now 76%-owned and has therefore been fully consolidated since January 1, 2009.

Companies accounted for by the equity method:

- The Sperian Protection subgroup, in which Essilor holds a 15% interest corresponding to 24% of the voting rights. Transactions between Essilor and Sperian Protection are not material.
- 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.

Refer also to Note 30 to the consolidated financial statements – Related Party Transactions (Section 20.3.1.5).

Further details on affiliates are provided in the notes to the consolidated financial statements (Section 20.3.1.5, Notes 32 to 35).

Financial information on companies consolidated by the proportionate or equity method and non-consolidated companies is presented in the notes to the consolidated financial statements (Section 20.3.1.5, Notes 33 to 35).

There are no related party agreements that are not on arm's length terms..

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 2009 consolidated financial statements and notes. 2009 parent company financial statements and notes

20.3.1 2009 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

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

20.3.1.1 Consolidated income statement

€ thousands, except for per share data	Notes	2009	2008
Revenue	3	3,267,978	3,074,419
Cost of sales		(1,435,333)	(1,325,106)
GROSS PROFIT		**1,832,645**	**1,749,313**
Research and development costs		(151,221)	(144,518)
Selling and distribution costs		(706,619)	(672,268)
Other operating expenses		(380,367)	(381,368)
CONTRIBUTION FROM OPERATIONS		**594,438**	**551,159**
Restructuring costs, net	5	(11,383)	(3,736)
Impairment losses		0	0
Compensation costs on share-based payments	5	(21,865)	(24,906)
Other income from operations, net		2,456	1,926
Other expenses from operations, net		(7,128)	(9,284)
Gains and losses on asset disposals, net		(1,303)	(629)
OPERATING PROFIT	3	**555,215**	**514,531**
Finance costs		(31,498)	(28,181)
Income from cash and cash equivalents		18,739	29,042
Other financial income, net	6	41,551	43,349
Other financial expenses, net	6	(39,946)	(46,716)
Share of profits of associates	14	25,974	26,053
PROFIT BEFORE TAX		**570,035**	**538,077**
Income tax expense	7	(168,169)	(149,266)
PROFIT FOR THE PERIOD		**401,866**	**388,811**
Attributable to equity holders of Essilor International		**394,036**	**382,356**
Attributable to minority interests		7,830	6,455
Basic earnings per share *(€)*		1.91	1.85
Weighted average number of shares *(thousands)*	8	206,691	206,875
Diluted earnings per share *(€)*	9	1.89	1.81
Diluted weighted average number of shares *(thousands)*	9	210,557	213,615

CONSOLIDATED STATEMENT OF TOTAL RECOGNIZED INCOME AND EXPENSES

	2009			2008		
	Attributable to equity holders	Minority interests	Total	Attributable to equity holders	Minority interests	Total
PROFIT FOR THE PERIOD (A)	**394,036**	**7,830**	**401,866**	**382,356**	**6,455**	**388,811**
Valuation gains and losses on derivative financial instruments, net of tax						
- Cash flow hedges, effective portion	(4,885)		(4,885)	11,418		11,418
- Tax	1,097		1,097	(3,401)		(3,401)
- Net of tax	(3,788)		(3,788)	8,017		8,017
- Hedges of net investments in foreign operations, effective portion	391		391	230		230
- Tax	(135)		(135)	(80)		(80)
- Net of tax	256		256	150		150
Transfers to profit for the period, net of tax						
- Cash flow hedges, effective portion	(6,378)		(6,378)	(4,367)		(4,367)
- Tax	1,639		1,639	1,323		1,323
- Net of tax	(4,739)		(4,739)	(3,044)		(3,044)
- Hedges of net investments in foreign operations, effective portion	(195)		(195)	(2,836)		(2,836)
- Tax	67		67	976		976
- Net of tax	(128)		(128)	(1,860)		(1,860)
Valuation gains and losses on non-current financial assets	2,962		2,962	(1,699)		(1,699)
- Tax	(200)		(200)	499		499
- Net of tax	2,762		2,762	(1,200)		(1,200)
Actuarial gains and losses on defined benefit obligations	(10,170)		(10,170)	(9,084)		(9,084)
- Tax	3,096		3,096	3,223		3,223
- Net of tax	(7,074)		(7,074)	(5,861)		(5,861)
Translation adjustments to valuation gains and losses taken to equity and revaluation reserves	166		166	(594)		(594)
Translation and other adjustments to other reserves and profit for the period	19,420	853	20,273	(6,983)	(360)	(7,343)
Total income and expense for the period recognized directly in equity, net of tax (B)	**6,875**	**853**	**7,728**	**(11,375)**	**(360)**	**(11,735)**
TOTAL RECOGNIZED INCOME AND EXPENSE (A) + (B)	**400,911**	**8,683**	**409,594**	**370,981**	**6,095**	**377,076**

20.3.1.2 **Consolidated balance sheet**

ASSETS

€ thousands	Notes	December 31, 2009	December 31, 2008
Goodwill	10	1,059,941	957,605
Other intangible assets	11	221,688	205,249
Property, plant and equipment	12	803,022	811,484
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, NET		**2,084,651**	**1,974,338**
Investments in associates	14	180,034	164,690
Other long-term financial investments	15	73,920	44,214
Deferred tax assets	7	57,229	51,955
Long-term receivables		10,570	8,093
Other non-current assets	20	854	693
Other non-current assets, net		**322,607**	**269,645**
TOTAL NON-CURRENT ASSETS, NET		**2,407,258**	**2,243,983**
Inventories	16	485,606	475,299
Prepayments to suppliers		12,373	9,521
Short-term receivables	17	746,266	684,797
Current income tax-assets		17,039	5,859
Other receivables		18,434	37,294
Derivative financial instruments	23	40,485	50,996
Prepaid expenses		20,765	21,242
Marketable securities	26	33,965	32,538
Cash and cash equivalents	18	385,548	505,571
Current assets		**1,760,481**	**1,823,117**
Non-current assets held for-sale		0	0
TOTAL ASSETS		**4,167,739**	**4,067,100**

EQUITY AND LIABILITIES

€ thousands	**Notes**	**December 31, 2009**	**December 31, 2008**
Share capital		38,792	37,984
Additional paid-in capital		415,321	311,765
Retained earnings		2,107,571	1,829,870
Treasury stock		(174,580)	(153,407)
Oceane conversion option		6,854	22,206
Revaluation and other reserves		(21,653)	(9,109)
Translation reserve	19	(50,194)	(70,235)
Profit attributable to equity holders of Essilor Int.		394,036	382,356
Equity attributable to equity holders of Essilor Int.		**2,716,147**	**2,351,430**
Minority interests		21,786	14,544
TOTAL EQUITY		**2,737,933**	**2,365,974**
Provisions for pensions and other post-employment benefit obligations	20	131,316	132,401
Long-term borrowings	22	282,222	437,617
Deferred tax liabilities	7	24,678	22,406
Long-term payables		2,393	2,359
Non-current liabilities		**440,609**	**594,783**
Provisions	21	68,887	36,720
Short-term borrowings	22	82,929	212,835
Customer prepayments		2,866	8,611
Short-term payables	17	624,184	631,945
Taxes payable		46,507	35,626
Other liabilities		144,289	143,159
Derivative financial instruments	23	10,897	28,480
Deferred income		8,638	8,967
Current liabilities		**989,197**	**1,106,343**
TOTAL EQUITY AND LIABILITIES		**4,167,739**	**4,067,100**

20.3.1.3 **Statement of changes in consolidated equity**

€ thousands	Share capital	Additional paid-in capital	Revaluation reserves	Oceane conversion option	Retained earnings	Translation reserve	Treasury stock	Profit attributable to equity holders of Essilor International	Equity attributable to equity holders of Essilor International	Minority interests	Total equity
EQUITY AT JANUARY 1, 2009	**37,984**	**311,765**	**(9,109)**	**22,206**	**1,829,870**	**(70,235)**	**(153,407)**	**382,356**	**2,351,430**	**14,544**	**2,365,974**
Issue of share capital:											
- to the corporate mutual funds	119	18,329							18,448		18,448
- on exercise of stock options	140	18,497							18,637		18,637
- on conversion of Oceane bonds	819	120,909		(15,352)	12,325				118,701		118,701
- paid up by capitalizing reserves											
Cancellation of treasury stock	(270)	(54,179)					54,449				
Oceane buybacks											
Share-based payments					20,305				20,305		20,305
Purchases and sales of treasury stock, net					(474)		(75,622)		(76,096)		(76,096)
Appropriation of profit					382,356			(382,356)			
Effect of changs in scope of consolidation										1,481	1,481
Dividends					(136,189)				(136,189)	(2,922)	(139,111)
TRANSACTIONS WITH SHAREHOLDERS	**808**	**103,556**	**0**	**(15,352)**	**278,323**	**0**	**(21,173)**	**(382,356)**	**(36,194)**	**(1,441)**	**(37,635)**
Total income and expense for the period recognized directly in equity			(12,711)						(12,711)		(12,711)
Profit for the period								394,036	394,036	7,830	401,866
Exchange differences on translating foreign operations			166		(621)	20,041			19,586	853	20,439
TOTAL RECOGNIZED INCOME AND EXPENSE	**0**	**0**	**(12,545)**	**0**	**(621)**	**20,041**	**0**	**394,036**	**400,911**	**8,683**	**409,594**
EQUITY AT DECEMBER 31, 2009	**38,792**	**415,321**	**(21,654)**	**6,854**	**2,107,572**	**(50,194)**	**(174,580)**	**394,036**	**2,716,147**	**21,786**	**2,737,933**

€ thousands	Share capital	Additional paid-in capital	Revaluation reserves	Oceane conversion option	Retained earnings	Translation reserve	Treasury stock	Profit attributable to equity holders of Essilor International	Equity attributable to equity holders of Essilor International	Minority interests	Total equity
EQUITY AT JANUARY 1, 2008	**38,030**	**329,880**	**(4,717)**	**23,408**	**1,565,991**	**(61,247)**	**(101,910)**	**366,740**	**2,156,175**	**12,090**	**2,168,265**
Issue of share capital:											
- to the corporate mutual funds	130	21,102							21,232		21,232
- on exercise of stock options	82	10,071							10,153		10,153
- on conversion of Oceane bonds	30	4,432		(565)	275				4,172		4,172
- paid up by capitalizing reserves											
Cancellation of treasury stock	(288)	(53,720)					54,008				
Oceane buybacks				(637)	459		6,123		5,945		5,945
Share-based payments					23,778				23,778		23,778
Purchases and sales of treasury stock, net					(985)		(111,628)		(112,613)		(112,613)
Appropriation of profit					366,740			(366,740)			
Effect of changs in scope of consolidation										(3,453)	(3,453)
Dividends					(128,393)				(128,393)	(188)	(128,581)
TRANSACTIONS WITH SHAREHOLDERS	**(46)**	**(18,115)**	**0**	**(1,202)**	**261,874**	**0**	**(51,497)**	**(366,740)**	**(175,726)**	**(3,641)**	**(179,367)**
Total income and expense for the period recognized directly in equity			(3,798)						(3,798)		(3,798)
Profit for the period								382,356	382,356	6,455	388,811
Exchange differences on translating foreign operations			(594)		2,005	(8,988)			(7,577)	(360)	(7,937)
TOTAL RECOGNIZED INCOME AND EXPENSE	**0**	**0**	**(4,392)**	**0**	**2,005**	**(8,988)**	**0**	**382,356**	**370,981**	**6,095**	**377,076**
EQUITY AT DECEMBER 31, 2008	**37,984**	**311,765**	**(9,109)**	**22,206**	**1,829,870**	**(70,235)**	**(153,407)**	**382,356**	**2,351,430**	**14,544**	**2,365,974**

20.3.1.4 **Consolidated cash flow statement**

€ thousands	Note	2009	2008
PROFIT FOR THE PERIOD	(i)	**401,866**	**388,811**
Share of profits of associates, net of dividends received		19,504	20,637
Depreciation, amortization and other non-cash items		143,400	148,886
Profit before non-cash items and share of profits of associates, net of dividends received		**564,770**	**558,334**
Provision charges (reversals)		19,724	9,810
(Gains) losses on asset disposals, net	(i)	1,303	629
Cash flow after income tax and finance costs, net		**585,797**	**568,773**
Finance costs, net		13,027	(692)
Income tax expense (current and deferred taxes)	(i)	168,169	149,266
Cash flow before income tax and finance costs, net		**766,993**	**717,347**
Income taxes paid		(172,226)	(144,650)
Interest (paid) and received, net		(8,773)	8,607
Change in working capital		(70,656)	(84,503)
NET CASH FROM OPERATING ACTIVITIES		**515,338**	**496,801**
Purchases of property, plant and equipment and intangible assets		(125,275)	(184,298)
Acquisitions of subsidiaries, net of the cash acquired		(128,634)	(452,879)
Purchases of available-for-sale financial assets		(24,263)	(4,673)
Other long-term financial investments		(8,071)	(11,978)
Proceeds from the sale of subsidiaries, net of the cash sold			0
Proceeds from the sale of other non-current assets		8,889	3,799
NET CASH USED IN INVESTING ACTIVITIES		**(277,354)**	**(650,029)**
Proceeds from the issue of share-capital	(ii)	37,085	31,385
(Purchases) sales of treasury stock, net	(ii)	(76,096)	(112,613)
Dividends paid to:			
- Equity holders of Essilor International	(ii)	(136,189)	(128,393)
- Minority shareholders of subsidiaries	(ii)	(2,922)	(188)
Repayment of borrowings other than finance lease liabilities		(185,931)	177,782
Purchases of marketable securities[(a)]	22	(1,427)	(1,359)
Repayment of finance lease liabilities		(2,521)	(2,644)
Other movements		(536)	473
NET CASH USED IN FINANCING ACTIVITIES		**(368,537)**	**(35,557)**
NET (DECREASE) INCREASED IN CASH AND CASH EQUIVALENTS		**(130,553)**	**(188,785)**
Cash and cash equivalents at January 1	18	486,765	677,164
Effect of changes in exchange rates		7,690	(1,614)
CASH AND CASH EQUIVALENTS AT DECEMBER 31		**363,902**	**486,765**
Cash and cash equivalents reported in the balance sheet	18	385,548	505,571
Short-term bank loans and overdrafts	22	(21,646)	(18,806)

(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 business consists 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 Annual Shareholders' Meeting for approval.

The 2009 financial statements were approved by the Board of Directors on March 3, 2010.

The consolidated financial statements are prepared on a going concern basis.

The Company'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 Company has adopted as its primary basis of accounting the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and related interpretations adopted by the European Union and applicable at December 31, 2009. These standards and interpretations are available for consultation on the European Commission's website[1].

1.3 CHANGES OF METHOD

There were no changes in accounting method in 2009 for the consolidated financial statements.

1.4 IFRSs, AMENDMENTS TO IFRSs AND INTERPRETATIONS APPLICABLE FROM JANUARY 1, 2009

IFRS 8 – Operating Segments

Under IFRS 8, which is applicable for annual periods beginning on or after January 1, 2009, segment information must be reported based on the operating segments used by the Company.

Details of the Company's operating segments are presented in Note 1.8 below.

In accordance with the IFRS transition rules, comparative information has been restated.

IFRIC 13 – Customer Loyalty Programs

This interpretation, which is applicable for annual periods beginning on or after July 1, 2008, describes the accounting treatment of customer loyalty programs.

This interpretation has been applied in the consolidated financial statements for the year ended December 31, 2009 but prior periods have not been adjusted as its impact on revenue is not material.

The impact of IFRIC 13 on the 2009 financial statements is a reduction in revenue of around €1 million and a reduction in other income and expenses from operations of the same amount.

IAS 1 (revised) – Presentation of financial statements (applicable for annual periods beginning on or after January 1, 2009).

The revised standard requires separate presentation of (i) transactions with owners, in the statement of changes in equity, and (ii) other transactions, in either a single statement of comprehensive income or in two statements (income statement and statement of comprehensive income).

The share of profits of associates is now presented above profit before tax, rather than after profit of fully-consolidated companies, which is no longer used.

In addition, the consolidated statement of total recognized income and expenses is now presented immediately after the consolidated income statement.

Amendments to IFRS 7 – Fair value hierarchy for the measurement of financial instruments

These amendments require financial instruments to be classified by reference to the source of inputs used to derive their fair value, using the following three-level 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 application of this hierarchy to financial instruments held by Essilor is described in Note 1.17.

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

Amendment to IAS 23 – Borrowing Costs

Under the amended version of IAS 23, which is applicable for annual periods beginning on or after January 1, 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized as part of the cost of that asset and may not be recognized as an expense.

The Company has no borrowing costs that are directly attributable to the acquisition, construction or production of an asset.

Amendment to IFRS 2 – Vesting Conditions and Cancellations

The amendments to IFRS 2 – Share-Based Payment, applicable for annual periods beginning on or after January 1, 2009, clarify the accounting treatment of the cost of share-based payments when the vesting conditions are not met or the shares are cancelled.

The Company has no share-based payment plans for which the vesting conditions have not been met or the shares cancelled.

Amendment to IAS 32 – Puttable Financial Instruments and Obligations Arising on Liquidation

The amendment to IAS 32 allows certain puttable financial instruments that are similar to ordinary shares to be classified as equity. It is applicable for annual periods beginning on or after January 1, 2009.

Essilor is not concerned by this amendment.

Amendments to IFRS 1 and IAS 27 – Measuring Investments in Subsidiaries, Jointly-Controlled Entities and Associates in separate financial statements

These amendments describe the disclosure requirements applicable in the separate financial statements on first-time adoption of IFRSs.

The Company's consolidated financial statements were not concerned by these amendments.

IFRIC 11 – Group and Treasury Share Transactions (applicable for annual periods beginning on or after March 1, 2008).

This interpretation clarifies the accounting treatment of certain share-based payment transactions and the accounting principles to be applied in the separate financial statements.

It has no impact on the Company's consolidated financial statements.

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable for annual periods beginning on or after January 1, 2009)

This interpretation describes the limits on the recognition of a defined benefit asset for plans with a minimum funding requirement.

The Company early adopted this interpretation in the 2008 consolidated financial statements.

It has no impact on the consolidated financial statements.

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

The Company has decided not to early adopt the following standards, amendments and interpretations whose application will be compulsory as from January 1, 2010 or a future date:

IFRS 3 (revised) – Business Combinations

The revised IFRS 3, which is applicable for annual periods beginning on or after July 1, 2009, describes the accounting treatment of business combinations based on the acquisition method. In particular, goodwill may now be calculated on the basis of the fair value of either the acquiree or the acquirer's proportionate share of the acquiree's net assets. The choice between these two methods may be made separately for each acquisition.

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 profit or loss, along with the recyclable components of other comprehensive income. Acquisition-related costs must be recognized as expenses and not included in goodwill. 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. The obligation to pay contingent consideration must be recognized as a liability or as equity. Any subsequent adjustments should be recognized in profit or loss or in equity depending on the initial classification of the contingent consideration.

The revised standard is applicable prospectively from the date of transition and will therefore have no impact on the financial statements of earlier periods.

Its impact on the consolidated financial statements is currently being assessed.

In 2009, costs attributable to acquisitions that were not yet completed at the year-end were capitalized. In 2010, the 2009 consolidated financial statements will be restated to reflect the reclassification of these costs to the income statement.

IFRS 1 (revised) – Update of the standard

IFRS 1 standard is related to the first time adoption of IFRS.

Essilor is not concerned by this revised standard.

Amendments to IFRS 2 – Group Cash-Settled Share-Based Payment Transactions

The amendments to IFRS 2, applicable for annual periods beginning on or after January 1, 2010 and not yet adopted by the European Union, clarify how cash-settled payments made by the parent to remunerate employees under group plans should be accounted for in the financial statements of the receiving entity and measured by reference to the fair value of the equity instruments granted.

Essilor is not concerned by this revised standard.

IFRS 9 – Financial Instruments Part 1: Classification and Measurement

This standard, which is applicable for annual periods beginning on or after January 1, 2013 and has not yet been adopted by the European Union, stipulates that financial assets such as derivatives or equity instruments should be measured at fair value at initial recognition, with any gain or loss from remeasurement at fair value recognized in profit or loss or, exceptionally, in equity, in which case the gain or loss cannot subsequently be recycled into profit or loss.

Only those financial assets qualifying as debt instruments should be measured at amortized cost.

The impact of this standard on the consolidated financial statements is currently being assessed.

IAS 24 (revised) – Related Party Disclosures

The revised IAS 24, which is applicable for annual periods beginning on or after January 1, 2011 and has not yet been adopted by the European Union, simplifies the disclosure obligations of entities that are controlled or jointly controlled by the State or over which the State exercises significant influence, and clarifies the definition of a related party.

Essilor does not expect to be concerned by this revised standard.

IAS 27 (revised) – Consolidated and Separate Financial Statements

IAS 27 (revised), which is applicable for annual periods beginning on or after July 1, 2009, addresses the comparability, reliability and relevance of the financial information presented in the individual and consolidated financial statements. In particular, it deals with consolidation procedures and the partial disposal of an investment in a subsidiary that results in loss of control. The revised standard changes the accounting treatment of transactions with non-controlling interests, with changes in a parent's ownership interest in a subsidiary not resulting in the loss of control being accounted for as equity transactions. In the case of a partial disposal that results in a loss of control, any investment retained in the former subsidiary is measured at fair value and the disposal gain or loss includes the fair value adjustment and the gain or loss on the sold interest, including all amounts recognized in other comprehensive income and reclassified to profit or loss.

Its impact on the consolidated financial statements is currently being assessed.

Amendment to IAS 39 – Eligible Hedged Items

This amendment, which is applicable for annual periods beginning on or after July 1, 2009, clarifies what can be designated as a hedged item.

Its impact on the consolidated financial statements is currently being assessed.

IFRIC 12 – Service Concession Arrangements

Applicable for annual periods beginning on or after March 29, 2009, IFRIC 12 deals with public service concessions.

The Company is not concerned by this interpretation.

IFRIC 15 – Agreements for the Construction of Real Estate

This interpretation, which is applicable for annual periods beginning on or after January 1, 2010, concerns the recognition of revenue from agreements for the construction of real estate.

The Company is not concerned by this interpretation.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

This interpretation, which is applicable for annual periods beginning on or after July 1, 2009, concerns the recognition and measurement of hedges of net investments in foreign operations.

Its impact on the consolidated financial statements is currently being assessed.

IFRIC 17 – Distribution of Non-Cash Assets to Owners (non-cash dividends)

This interpretation, which is applicable for annual periods beginning on or after November 1, 2009, addresses how distributions of assets other than cash should be measured when dividends are paid to owners. In particular, it stipulates that the difference between the dividend and the carrying amount of the distributed net assets should be recognized in profit or loss.

Its impact on the consolidated financial statements is currently being assessed.

IFRIC 18 – Transfers of Assets from Customers

This interpretation, which is applicable for annual periods beginning on or after November 1, 2009 deals with the recognition and measurement of transfers of assets from customers.

The Company is not concerned by this interpretation.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Applicable for annual periods beginning on or after July 1, 2010 and not yet adopted by the European Union, this interpretation describes on how debtors should account for the extinguishment of financial liabilities by the issue of equity instruments.

Its impact 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 Company are described in the corresponding notes to these consolidated financial statements.

1.7 BASIS OF CONSOLIDATION

Companies over which Essilor International has direct or indirect exclusive control are fully consolidated.

Jointly-controlled companies are consolidated by the proportionate method.

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

The Transitions subgroup is accounted for by the equity method. Based on an analysis of the substance of transactions between Essilor and Transitions and of sales of Transitions products by Essilor to third parties:

- Revenue from transactions between Essilor and Transitions has been cancelled from consolidated revenue and cost of sales, in accordance with IAS 18.
- The cost of subcontracting services provided by Transitions to Essilor has been reallocated between cost of sales and Transition 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 Company's share of profit is calculated by applying:

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

If the Company 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 under "Gains and losses on asset disposals, net".

The cumulative profits of consolidated companies for the period between the date when control is acquired and the date when the subsidiary is first consolidated, net of dividends received during the period, are recognized in profit for the year in which the subsidiary is first consolidated, under "Other income and expenses from operations".

All intragroup profits and transactions are eliminated in consolidation.

1.8 SEGMENT INFORMATION

Since the adoption of IFRS 8 with effect from January 1, 2009, the Company'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 IFRSs used by the Company in its consolidated financial statements.

The Company is organized into two business segments – Lenses & Optical Instruments and Equipment.

The Lenses & Optical Instruments business segment comprises the Company'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 indicators presented are the following:

- External revenue (defined in Note 1.11 Revenue in the 2009 consolidated financial statements)
- Inter-segment revenue
- Consolidated revenue
- Operating profit
- Non-cash income and expenses, which include equity-settled share-based payments, goodwill impairment losses and Oceane expenses
- Interest income and expense, corresponding to finance costs, net in the consolidated cash flow statement
- Income tax expense (defined in Note 1.18 Income Tax Expense in the 2009 consolidated financial statements)
- Share of profits of associates
- Impairment, depreciation and amortization of property, plant and equipment and intangible assets
- Acquisitions of property, plant and equipment and intangible assets
- Non-current assets
- Total assets
- Provisions for contingencies and charges (defined in Note 1.31 Pension and Other Post-Employment Benefit Obligations and Note 1.32 Provisions in the 2009 consolidated financial statements)
- Borrowings and payables

The subsidiaries of the Nikon Essilor and Chemiglass subgroups are now presented in the Lenses - Rest of World segment rather than in the geographical segment corresponding to their location. Equipment subsidiaries are presented in the Equipment segment as well as 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.

The table below presents the main adjustments to 2008 external revenue and operating profit under IFRS 8 (in € millions).

External revenue	IAS 14	Application of IFRS 8	IFRS 8	IFRS 8 segment
Europe	1,362	-6	1,356	Lenses - Europe
North America	1,268	-15	1,253	Lenses - North America
Rest of World	410	19	429	Lenses - Rest of World
Satisloh	34	2	36	Equipment
GROUP TOTAL	**3,074**	**0**	**3,074**	**GROUP TOTAL**

External operating profit	IAS 14	Application of IFRS 8	IFRS 8	IFRS 8 segment
Europe	179	-20	159	Lenses - Europe
North America	223	12	235	Lenses - North America
Rest of World	116	6	122	Lenses - Rest of World
Satisloh	-3	2	-1	Equipment
GROUP TOTAL	515	0	515	**GROUP TOTAL**

1.9 CONSOLIDATED CASH FLOW STATEMENT

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

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

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

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

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

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

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

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

1.10 FOREIGN CURRENCY TRANSLATION

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

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

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

The difference between equity translated at the closing rate and the historical rate, and that resulting from the translation of net profit at the average rate for the period are recorded in equity, under "Translation reserve", 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 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 products sold, less any cash discounts received from suppliers.

1.13 CONTRIBUTION FROM OPERATIONS

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

This profit indicator has been added to make the income statement clearer and to maintain consistency with "operating income" reported in the French GAAP income statement.

1.14 SHARE-BASED PAYMENTS

Stock options and performance share grants

Stock options and performance share grants are accounted for in accordance with IFRS 2.

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

- Stock options without any vesting conditions based on the Essilor International share performance are measured using the Black & Scholes option pricing model.
- Performance stock options granted since 2006, which are subject to vesting conditions based on the Essilor International share performance, are measured using the Monte Carlo model.
- Performance shares granted since 2006, which are subject to vesting conditions based on the increase in the Essilor International share price compared with the price on the grant date, are measured using the Monte Carlo model.

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

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

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.

At each period-end, the probability of options or performance shares being forfeited is assessed. 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 FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSES, NET

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

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

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

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

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

				Fair value measurement methods			
					Market data		
Type of instrument	**Method for balance sheet recognition**	**Fair value hierarchy level under IFRS 7**	**Note**	**Measurement model**	**Exchange rate**	**Interest Rate**	**Volatility**
Available for sale financial asset (active market)	Fair value	1	15	Stock market price			N/A
Long-term loan or advance	Amortized cost	N/A	15				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 Company 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 Company is subject to income tax in many jurisdictions with different tax rules and the determination of global income tax expense is based to a significant extent on estimates and assumptions that reflect the information available when the financial statements are drawn up.

1.19 EARNINGS PER SHARE

Basic earnings per share

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

Performance 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 options: The dilution arising from stock 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.
- Oceane convertible bonds: for convertible bonds, the profit used for the calculation is adjusted for the net-of-tax finance cost recognized during the period in respect of the convertible bonds and the weighted average number of shares is adjusted to include the shares to be issued or allocated on conversion (or exchange) of the bonds.
- Performance 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 Company's research centers and engineering costs for the development of new production processes. They are stated net of research tax credits.

Development costs are recognized as an intangible asset if the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company'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 Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

1.21 GOODWILL

Determination of goodwill

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.

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

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

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

The Company has elected not to restate business combinations recorded prior to January 1, 2004, as allowed under IFRS 1. Consequently, goodwill on these business combinations is treated as assets and liabilities of the first-time adopter and not of the acquirees, and is measured in the acquirer's functional currency.

For business combinations carried out since January 1, 2004, goodwill is measured in the currency of the acquiree and is not amortized. 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 liabilities”.

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

Current standards and interpretations do not contain specific guidance concerning 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. As from the first-time adoption of IAS 32, the Company has elected to record the difference in “Goodwill” and to report future changes in the recognized liability as an adjustment to goodwill.

Impairment of goodwill

Each year, the Company calculates the recoverable amount of the cash-generating units (CGUs) to which goodwill is allocated. The recoverable amount of a CGU corresponds to the higher of its fair value less costs to sell and value in use. Value in use is determined by the discounted cash flow method.

Future cash flows are estimated as follows:

- The reference year (Y) is the last fiscal year. Cash flows for Y+1 are based on the annual budget. 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 terminal value is estimated by applying to normalized cash flow growth rates in perpetuity that are consistent with those of the Company’s market (generally around 2%, except in the specific case of emerging markets).
- The estimate is based on net free cash flow, corresponding to cash flow net of tax and capital expenditure for the period. The acquiree’s working capital is generally assumed to remain at a constant percentage of revenue.
- The acquiree’s net debt (before eliminating intragroup debt) is deducted from the calculated values.

The future cash flows determined as explained above are discounted. In the interest of long-term and inter-CGU consistency, 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 specific local conditions and the CGU's specific risk exposures.

Impairment tests are performed using after-tax discount rates and cash flows. Discounted cash flows calculated at an after-tax discount rate such as the one used by the Company are not materially different from the amounts that would be obtained using a pre-tax rate under the iterative process described in IAS 36.

The value determined by the discounted cash flows method is compared to the carrying amount of the CGU concerned.

Impairment tests are performed at the level of the CGU to which the goodwill is allocated. Eleven CGUs have been identified, based on the way in which the Company's operations are broken down for senior management reporting purposes.

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.

Impairment tests are performed for all CGUs based on their recoverable amount in euros, as determined in the case of foreign subsidiaries by converting future cash flows at the period-end exchange rate. These recoverable amounts are compared with the carrying amount of the goodwill or intangible asset in the consolidated financial statements.

Impairment tests are performed annually, at the time of the interim accounts closing at the end of June. All sensitive items are tested again at the year end and any impairment losses are increased if necessary.

Impairment losses on goodwill are irreversible.

1.22 OTHER INTANGIBLE ASSETS

Other intangible assets consist mainly of trademarks, contractual customer relationships, technologies, concessions, patents and licenses. Trademarks, contractual customer relationships and certain technologies constitute purchase accounting adjustments recognized in connection with business combinations (see Note 1.21).

Other intangible assets are recognized at cost or fair value at the date of the business combination, net of accumulated amortization and impairment losses. They are amortized on a straight-line basis over the assets’ useful lives, as follows:

- Software is amortized over periods ranging from 1 to 5 years.
- Patents are amortized over the period of legal protection.
- Trademarks with a finite life are amortized over periods ranging from 10 to 20 years.
- Contractual customer relationships are amortized over periods ranging from 10 to 15 years.
- Technologies are amortized over periods ranging from 5 to 10 years.

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

- It can be demonstrated, based on an analysis of the life of the underlying products, the market and the competition, that there is no foreseeable limit to the period over which the products sold under the trademark are expected to generate net cash inflows for the Company.
- The Company 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 Company 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 Company 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 Company and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year.

Depreciation

Depreciation is calculated on a straight-line basis so as to write off the cost of the assets less any residual value over the assets' useful life.

The main useful lives are as follows:

Buildings	20 to 33 years
Fixtures and fittings	7 to 10 years
Machinery, equipment and tooling	3 to 10 years
Other	3 to 10 years

When an item of property, plant and equipment comprises several parts with different useful lives, each part is recognized as a separate item and depreciated over its useful life.

Useful lives and residual values are reviewed at each period-end, and any adjustments are accounted for prospectively as a change in accounting estimates.

When there are any internal or external indications that the value of an item of property, plant and equipment may be impaired, the recoverable amount of the CGU to which it belongs is calculated. If the recoverable amount is less than the CGU's carrying amount, a provision for impairment is recorded. A review is carried out at each period-end to determine whether any such indications exist.

1.24 OTHER LONG-TERM FINANCIAL INVESTMENTS

Available-for-sale financial assets

In accordance with IAS, investments in non-consolidated companies and other long-term financial investments qualifying as "available-for-sale financial assets" under IAS 39 are measured at fair value, with changes in fair value recognized directly in equity. The unrealized gains and losses recognized directly in equity are reclassified to profit when the asset is sold or when there is objective evidence of an other-than-temporary impairment in the asset's value and the amount of the impairment is material.

The fair value of financial assets traded in an active market corresponds to their market price. The fair value of assets not traded in an active market is determined by reference to the market value of similar securities or the prices of recent arm's length transactions, or by the discounted cash flows method.

Other assets measured using the cost model.

Loans and receivables are measured at amortized cost.

A provision is recorded for any other-than-temporary impairment in value or any collection risk.

Purchases and sales of financial assets are recognized on the transaction date.

1.25 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets that the Company intends to sell are classified as “held-for-sale” and measured at the lower of their carrying amount and their fair value less costs to sell. Assets classified as held-for-sale are not depreciated or amortized.

1.26 INVENTORIES

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

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

1.27 TRADE RECEIVABLES

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

Provisions are recorded to cover any collection risk.

1.28 CASH AND CASH EQUIVALENTS

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

Marketable securities that do not qualify as cash equivalents under IAS 7 are reported under “Marketable securities” and are taken into account for the calculation of net debt (see Note 22).

In accordance with IAS 39, marketable securities are measured at fair value, with changes in fair value recognized in profit under “Other financial income and expenses”.

1.29 EQUITY

Additional paid-in capital

Additional paid-in capital corresponds to the excess of the issue price of shares over their par value.

Treasury stock

Treasury stock is deducted from equity at cost, including directly attributable transaction expenses.

Capital gains and losses on sales of treasury stock are recorded directly in equity, for their amount net of tax.

Hedging and revaluation reserves

Hedging and revaluation reserves comprise:

- The effective portion of the gain or loss arising from remeasurement at fair value of financial instruments acquired as cash flow hedges or hedges of the net investment in foreign operations, net of deferred tax.
- The difference between the cost of available-for-sale financial assets and their fair value, which is recognized directly in equity in accordance with IAS 39, net of deferred tax.
- Actuarial gains and losses on defined benefit pension plans, net of deferred tax.

Dividends

Dividends are deducted from equity when they are approved by shareholders.

Negative equity

If a consolidated company has negative equity, minority interests are treated as being attributable to Essilor International unless the minority shareholders are liable for their share of the losses and are capable of fulfilling this obligation.

Minority interests

Minority interests represent the portion of the net assets and net profit of a consolidated entity that is not attributable to the Company, directly or indirectly.

When minority shareholders of subsidiaries have been granted put options, their interest in the equity of the subsidiaries concerned is reclassified from “Minority interests” to “Other liabilities”. The amount recognized in liabilities is measured at the present value of the option exercise price.

1.30 BORROWINGS

Borrowings are initially recognized at an amount corresponding to the issue proceeds net of directly attributable transaction costs.

Any difference between this amount and the redemption price is recognized in profit over the life of the debt by the effective interest method.

In accordance with IAS 32, the conversion option embedded in convertible bonds is separated from the host contract and recognized in equity, net of deferred taxes. The conversion option is initially recognized at an amount corresponding to the difference between the convertible bond issue proceeds net of directly attributable transaction costs and the present value of vanilla bonds with the same characteristics. Any difference between the carrying amount of convertible bonds, excluding the conversion option, and the redemption price is recognized in profit over the life of the debt using the effective interest method.

The purchase cost of any Oceane convertible bonds bought back by the Company is allocated between the debt instrument and the equity instrument based on market interest rates at the buyback date for bonds with a maturity corresponding to the remaining life of the Oceanes, using the same method as that applied at the issue date.

- The difference between the carrying amount of the debt at the buyback date (amortized cost) and the portion of the purchase price corresponding to the debt instrument is recognized in profit.
- The portion of the purchase price corresponding to the equity instrument is recognized directly in equity, net of deferred taxes.

1.31 PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

Essilor 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 Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized in the balance sheet – except in connection with business combinations (see Note 1.21) – but are disclosed in the notes to the financial statements unless the probability of an outflow of resources embodying economic benefits is remote.

Provisions are determined based on facts and circumstances, historical risk data and the information available at the balance sheet date.

If the outflow of economic benefits will be offset or partly offset by income, an asset is recognized when realization of the income is considered highly probable. Contingent assets are not recognized.

Restructuring provisions are recognized when the Company 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

NOTE 2. EXCHANGE RATES AND SCOPE OF CONSOLIDATION

2.1. EXCHANGE RATES OF THE MAIN FUNCTIONAL CURRENCIES

	Closing rate as of December 31		Average rate	
For €1	**2009**	**2008**	**2009**	**2008**
Canadian dollar	1.51	1.70	1.58	1.57
Pound sterling	0.89	0.95	0.89	0.80
Yen	133.16	126.14	130.63	151.53
Swiss franc	1.48	1.49	1.51	1.58
U.S. dollar	1.44	1.39	1.40	1.47

2.2. CHANGES IN THE SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of holding companies, asset management companies and entities meeting one of the following two criteria:

- Annual revenue in excess of €3 million, or
- Tangible assets in excess of €9 million.

Entities that do not fulfill these criteria may also be consolidated, if their consolidation has a material impact on the Company's financial statements.

Newly-consolidated companies

The following companies were consolidated for the first time in 2009:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
De Ceunynck	Belgium	July 1, 2009	Full	100.00	100.00
Technopark	Brazil	April 30, 2009	Full	51.00	100.00
Amico	United Arab Emirates	August 1, 2009	Full	50.00	100.00
Essilor Middle East	United Arab Emirates	August 1, 2009	Full	100.00	100.00
FZ Co	United Arab Emirates	August 1, 2009	Full	50.00	100.00
Abba Optical, Inc	United States	May 1, 2009	Business acquisition		
Barnett & Ramel Co. Of Nebr	United States	June 1, 2009	Full	80.00	100.00
Mc Leodd Optical Company Inc	United States	June 1, 2009	Full	80.00	100.00
Apex Optical	United States	July 1, 2009	Full	100.00	100.00
Optisource	United States	July 1, 2009	Full	80.00	100.00
Vision Pointe	United States	July 1, 2009	Full	80.00	100.00
Orion Progressive Lab	United States	September 1, 2009	Business acquisition		
Truckee Meadows	United States	October 1, 2009	Full	80.00	100.00
Frames For America	United States	November 2, 2009	Full	70.00	100.00
AG Opticals Inc	United States	December 1, 2009	Full	100.00	100.00
Wholesale Lens Corporation Ltd	United Kingdom	August 3, 2009	Full	70.00	100.00
Horizon Optical Company Ltd	United Kingdom	November 1, 2009	Full	95.00	100.00
NERC	Japan	February 5, 2009	Proportionate	50.00	50.00
JZO[(a)]	Poland	March 25, 2009	Full	51.00	100.00
Unique Ophtalmic PTE Ltd[(a)]	Singapore	January 1, 2009	Full	100.00	100.00

(a) Companies acquired or set up in prior years, consolidated for the first time in 2009.

The 2009 income statement also includes the contribution over the full year of the following companies that were consolidated for the first time in 2008:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Nika	Germany	July 1, 2008	Full	74.90	100.00
Satisloh Gmbh	Germany	October 1, 2008	Full	100.00	100.00
Satisloh Zhongshan	China	October 1, 2008	Full	100.00	100.00
Satisloh Shenzen	China	October 1, 2008	Full	100.00	100.00
Satisloh Iberica	Spain	October 1, 2008	Full	100.00	100.00
Advance Optical	United States	March 1, 2008	Full	90.00	100.00
Empire	United States	April 1, 2008	Full	85.00	100.00
Future Optics	United States	April 1, 2008	Full	80.00	100.00
Deschutes	United States	May 1, 2008	Full	80.00	100.00
Optimatrix	United States	July 1, 2008	Full	80.00	100.00
Collard Rose	United States	August 1, 2008	Full	80.00	100.00
Satisloh Inc	United States	October 1, 2008	Full	100.00	100.00
Dependable	United States	October 1, 2008	Full	80.00	100.00
Next Generation	United States	November 1, 2008	Full	100.00	100.00
High Tech Optical	United States	December 1, 2008	Business acquisition		
Southwest Lens	United States	December 1, 2008	Full	65.00	65.00
North Eastern Eye Institute	United States	December 1, 2008	Business acquisition		
Pech Optical	United States	December 1, 2008	Full	80.00	100.00
Satisloh SAS	France	October 1, 2008	Full	100.00	100.00
Satisloh Ltd	United Kingdom	October 1, 2008	Full	100.00	100.00
Satisloh Asia and Trading Ltd	Hong Kong	October 1, 2008	Full	100.00	100.00
20-20 Optics	India	March 1, 2008	Full	70.00	100.00
Sankar	India	July 1, 2008	Full	70.00	100.00
Satisloh India	India	October 1, 2008	Full	100.00	100.00
Oftalmika Galileo Spa	Italy	April 1, 2008	Full	100.00	100.00
Satisloh Spa	Italy	October 1, 2008	Full	100.00	100.00
Frames and Lenses	Malaysia	July 1, 2008	Full	80.00	100.00
O'Max	Netherlands	March 1, 2008	Full	51.00	100.00
Epodi	Philippines	March 1, 2008	Full	51.00	100.00
Rainbow Optical	Puerto Rico	February 1, 2008	Full	100.00	100.00
Omega	Czech Republic	September 1, 2008	Full	80.00	100.00
Omega Slovakia	Slovakia	September 1, 2008	Full	80.00	100.00
Satisloh Holding AG	Switzerland	October 1, 2008	Full	100.00	100.00
Satisloh AG	Switzerland	October 1, 2008	Full	100.00	100.00
Satisloh Photonics AG	Switzerland	October 1, 2008	Full	100.00	100.00

Other movements

New Zealand-based Xtra Vision was merged into Essilor Laboratories New Zealand with retroactive effect as from January 1, 2009.

Following the acquisition on January 1, 2009 of an additional 10% interest in Indian company GKB Rx Lens, which was previously 50%-owned, the company is now fully consolidated, whereas previously it was consolidated by the proportional method on a 50% basis. In December 2009, an additional 16% was acquired, lifting Essilor's interest in GKB to 76%.

Following the acquisition by Nikon Canada on June 1, 2009 of 50% of Canadian company Tech Cite, Essilor's stake in Tech Cite has increased to 50% from 25%. The company is still consolidated using the proportional method.

In addition, Essilor's interest in other companies changed as follows:

- In ILT Singapore, from 51% to 100% on March 31, 2009.
- In Sentralslip, from 80% to 98% on September 30, 2009.
- In Holland Optical Instruments BV, from 74% to 100% on July 1, 2009.
- In Optical Laboratories, from 50% to 100% on May 21, 2009.

Acquisitions completed at the year-end

The following subsidiaries acquired at the end of the year were not consolidated in 2009 due to practical difficulties. These companies will be consolidated from 2010:

- Mont-Royal (France) acquired on December 16, 2009, 64%-owned.
- GBO (Brazil) acquired on December 31, 2009, 51%-owned.

2.3. IMPACT OF CHANGES IN EXCHANGE RATES AND SCOPE OF CONSOLIDATION

The impact of changes in the scope of consolidation on the consolidated balance sheet is analyzed below:

€ thousands	Newly-consolidated companies 2009
Intangible assets	22,263
Property, plant and equipment	10,065
Investments in associates	0
Non-current financial assets	1,207
Other non-current assets	634
Current assets	24,521
Cash and cash equivalents	11,272
Total assets acquired at fair value	**69,962**
Minority interests in equity	(528)
Long-term borrowings	820
Other non-current liabilities	5,938
Short-term borrowings	666
Other current liabilities	19,894
Total liabilities assumed at fair value	**26,790**
NET ASSETS ACQUIRED	**43,172**
Acquisition cost	113,652
Fair value of net assets acquired	43,172
Liabilities arising from put options granted to minority shareholders	(24,471)
Post-acquisition retained earnings	(172)
Recognized goodwill	**94,779**

The amount recognized as goodwill is supported by projected synergistic benefits and the growth outlook of the acquired companies within Essilor.

The overall effect of changes in scope of consolidation and exchange rates on 2009 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	**Like-for-like growth**
Revenue	**6.3**	1.3	4.9	**0.1**
Contribution from operations	**7.9**	1.6	0.9	**5.4**
Operating profit	**7.9**	1.7	0.9	**5.3**

If the companies included in the scope of consolidation during the year had been consolidated from January 1, 2009, consolidated revenue and profit attributable to equity holders of Essilor International would have represented the following amounts:

€ thousands (Unaudited)	**2009 pro-forma**
Revenue	3 302
Profit attributable to equity holders of Essilor International	396

NOTE 3. SEGMENT INFORMATION

€ millions	**Lenses Europe**	**Lenses North America**	**Lenses Rest of World**	**Equipment**	**Eliminations**	**TOTAL**
2009						
External revenue	1,332	1,353	480	103		**3,268**
Intra-segment revenue	81	51	169	31	(332)	**0**
TOTAL REVENUE	**1,413**	**1,404**	**649**	**134**	**(332)**	**3,268**
Operating profit	149	254	148	4		**555**
Depreciation, amortization and other non-cash items	(22)					**(22)**
Interest income	14	2	3	0		**19**
Interest expense	(18)	(13)	(1)	0		**(32)**
Income tax expense	(58)	(77)	(31)	(2)		**(168)**
Share of profit of associates	9	11	6			**26**
Depreciation and amortization of intangible and tangible assets	(63)	(54)	(37)	(7)		**(161)**
Purchases of property, plant and equipment and intangible assets	44	39	42	3		**128**
Non-current assets	608	848	314	315		**2,085**
Total assets	1,670	1,277	840	381		**4,168**
Provisions	148	26	9	17		**200**
Borrowings and payables	548	495	161	26		**1,230**

€ millions	Lenses Europe	Lenses North America	Lenses Rest of World	Equipment	Eliminations	TOTAL
2008						
External revenue	1,356	1,253	429	36		**3,074**
Intra-segment revenue	72	49	141	13	(275)	**0**
TOTAL REVENUE	**1,428**	**1,302**	**570**	**49**	**(275)**	**3,074**
Operating profit	159	235	122	(1)		**515**
Depreciation, amortization and other non-cash items	(25)					**(25)**
Interest income	24	2	3			**29**
Interest expense	(14)	(13)	(1)			**(28)**
Income tax expense	(51)	(69)	(30)	1		**(149)**
Share of profit of associates	12	10	4			**26**
Depreciation and amortization of intangible and tangible assets	(68)	(42)	(34)	(2)		**(146)**
Purchases of property, plant and equipment and intangible assets	76	68	41	1		**186**
Non-current assets	562	834	260	318		**1,974**
Total assets	1,750	1,224	675	418		**4,067**
Provisions	118	25	8	18		**169**
Borrowings and payables	879	476	140	37		**1,532**

The Company's top 20 customers accounted for 22.3% of revenue in 2009 (2008: 23.4%).

No single customer accounts for more than 10% of the Company’s revenue.

NOTE 4. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

Employee benefits expense totaled €1,070 million in 2009 (2008: €1,023 million) (see Note 29).

Depreciation, amortization and provision expense amounted to €161 million in 2009 (2008: €146 million).

NOTE 5. OTHER INCOME (EXPENSES), NET

5.1 RESTRUCTURING COSTS AND OTHER INCOME AND EXPENSES FROM OPERATIONS

Net restructuring costs for 2009 amounted to €11.4 million and primarily concerned plant rationalization costs in the United States and Europe.

Restructuring costs for 2008, in the amount of €3.7 million, mainly concerned plant rationalization costs in France and were accounted for either as charges to provisions for contingencies or as impairment losses.

Other income and expenses, representing a net expense of €4.7 million (2008: net expense of €7.4 million), mainly consisted of charges to provisions for claims and litigation.

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	**2009**	**2008**
Stock options[(a)]	8,649	9,792
Performance shares[(a)]	11,856	13,532
Employee share issues	1,360	1,582
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**21,865**	**24,906**

(a) Including the 10% employer contribution.

Employee share issues

The main parameters used to measure the cost of employee share issues recognized in 2009 are as follows:

Plan date	**December 2009**	**June 2009**
Share subscription price *(in €)*	31.17	25.99
Total discount *(in €)*	7.79	6.50
Number of shares subscribed	236,748	425,898
Cost recognized in the income statement *(€ thousands)*	728	632
Essilor International share price on grant date *(in €)*	41.66	33.82
Risk-free interest rate on the grant date	2.4%	2.5%
Refinancing cost	6.7%	7.1%
Discount on the share price on grant date represented by the lock-up clause	17.8%	18.8%

Stock options

The exercise price of stock options corresponds to the average of the prices quoted for Essilor International shares over the twenty 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 options granted in 2006, 2007 and January 2008 are subject to vesting conditions based on the Essilor International share performance over a period of 2 to 4 years, as well as to the 100% cap on gains.

The November 2008 and November 2009 stock options are subject to vesting conditions based on the Essilor International 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 2009 are as follows:

- Share price volatility: 24% (options granted in 2008: 23%).
- Risk-free interest rate: 2.47% (options granted in 2008: 2.97%).
- Dividend yield: 1.68% (options granted in 2008: 2.07%)

The following table analyzes changes in the number of outstanding options:

	Number of options	Weighted average exercice price *(In €)*
STOCK OPTIONS AT JANUARY 1, 2009	**8,342,762**	**32.24**
Options exercised during the period	(831,438)	23.40
Options cancelled and forfeited during the period	(112,365)	37.84
Options granted during the period	1,579,120	38.96
STOCK OPTIONS AT DECEMBER 31, 2009	**8,978,079**	**34.17**
Stock options at January 1, 2008	**7,376,361**	**31.37**
Options exercised during the period	(51,7842)	21.56
Options cancelled and forfeited during the period	(83,837)	39.42
Options granted during the period	1,568,080	33.17
Stock options at December 31, 2008	**8,342,762**	**32.24**

The average remaining life of outstanding options at December 31, 2009 was 4.2 years (2008: 4.4 years). The weighted average price of Essilor International shares in 2009 was €34 (2008: €36).

Performance shares

Since 2006, the Company has launched performance share plans.

The number of shares acquired by grantees at the end of the vesting period of two to six years ranges from 0% to 100% of the initial grant, depending on the performance of Essilor International shares 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:

- 2008 grants: 649,965 shares.
- 2009 grants: 601,756 shares.

The main assumptions used to measure compensation costs on performance shares granted in 2009 are as follows:

- Share price volatility: 24% (2008 grants: 23%).
- Risk-free interest rate: 2.47% (2008 grants: 2.97%).
- Dividend yield: 1.68% (2008 grants: 2.07%).

NOTE 6. OTHER FINANCIAL INCOME AND EXPENSES, NET

€ thousands	**2009**	**2008**
By nature		
Reversals of provisions for impairment of available-for-sale financial assets	105	934
Exchange gains, net	40,613	41,558
Dividends from available-for-sale financial assets	833	857
Other financial income, net	0	0
FINANCIAL INCOME	**41,551**	**43,349**
Charges to provisions for impairment of available-for-sale financial assets	-1,028	-2,316
Exchange losses, net	-27,503	-42,862
Changes in fair value of financial instruments	-11,065	-1,391
Other financial expenses, net	-350	-147
FINANCIAL EXPENSES	**-39,946**	**-46,716**
TOTAL	**1,605**	**-3,367**

Exchange gains and losses include gains and losses on foreign currency loans made to subsidiaries, offset by losses and gains on the related fair value hedges.

NOTE 7. INCOME TAX EXPENSE

Income tax expense (benefit) for the period

€ thousands	**2009**	**2008**
Current taxes	172,145	153,584
Deferred taxes	(3,976)	(4,318)
TOTAL	**168,169**	**149,266**

Tax proof

As a % of pre-tax profit	**2009**	**2008**
Standard French income tax rate	34.4	34.4
Effect of differences in foreign tax rates and different rates in France	(6,6)	(4,7)
Effect of items taxed at reduced rates and permanent differences between book and taxable profit	(1,5)	(1,0)
Other non-deductible/non-taxable items under local tax rules	4.6	0.5
EFFECTIVE INCOME TAXE RATE	**30.9**	**29.2**

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	2009	2008
At January 1	**29,549**	**35,603**
Deferred taxes recognized in equity	4,390	2,594
Deferred tax benefit (expense) for the period, net	3,976	4,318
Effect of changes in scope of consolidation and exchange rates, other movements	(5,364)	(12,966)
At December 31	**32,551**	**29,549**

Unrecognized deferred tax assets

€ thousands	2009	2008
Tax loss carryforwards	6,673	6,089
Other unrecognized deferred tax assets	4,248	2,328
UNRECOGNIZED DEFERRED TAX ASSETS	**10,921**	**8,417**

The tax rate used to calculate deferred taxes of French companies was 34.43% for 2009 and 2008.

Deferred taxes by type

€ thousands	2009	2008
Elimination of intercompany profits on inventories	28,078	30,644
Differences in depreciation periods	(12,634)	(11,036)
Non-deductible provisions	30,354	31,838
Essilor Oceane convertible bond issue	493	104
Actuarial gains and losses	4,522	4,067
Assets and liabilities recognized on an acquisition	(17,741)	(14,657)
Other	(521)	(11,411)
TOTAL	**32,551**	**29,549**

Other deferred taxes include miscellaneous timing differences related to income and expenses not taxable or deductible in the current period, various adjustments to local financial statements to comply with Essilor International accounting policies (mainly concerning finance leases and untaxed provisions) and deferred tax assets related to tax loss carryforwards (mainly at the level of the French tax group).

Deferred taxes on share-based payments

On July 17, 2008, the French auditing authorities (Compagnie Nationale des Commissaires aux Comptes – CNCC) issued guidance requiring companies to recognize in income any tax savings realized on share-based payment plans, whether cash or equity-settled.

The deferred tax asset recognized as from 2008 is limited to the tax saving that the Company expects to realize on current share grant plans. The guidance does not apply to employee stock ownership plans and stock option plans, as they are equity-settled and do not, therefore, give rise to any tax saving.

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), assessed on the value of real estate held by the company, which will be accounted for in operating expense in the same was as the "Taxe Professionnelle".
- "Cotisation sur la Valeur Ajoutée des Entreprises" (CVAE), assessed on the value added by the business, for which each company should exercise judgment to determine whether it should be treated as an income tax and accounted for in accordance with IAS 12 or as an operating expense.

In the 2009 consolidated financial statements, Essilor has considered that the CVAE represents an operating expense and not an income tax.

Tax consolidation

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 2009, the companies in the tax group generated a tax benefit of €2 million (2008: €2 million).

Provision for tax risks

Following various tax audits and proceedings underway within the Company, provisions totaling €26.1 million were recorded in the consolidated balance sheet at December 31, 2009 and in current income tax expense for the year.

NOTE 8. CHANGE IN NUMBER OF SHARES

The shares have a par value of €0.18.

	Actual number of shares	
	2009	**2008**
Ordinary shares, net of treasury stock, at January 1	**207,013,917**	**208,619,505**
Shares issued on exercise of stock options	778,714	452,913
Shares issued to the Essilor corporate mutual fund	662,646	720,144
Treasury shares allocated on conversion of Oceane convertible bonds	0	188,752
Shares sold out of treasury on exercise of stock options	52,724	64,929
Sales of treasury shares held for performance share grants (anticipated sales)	2,326	0
Oceane bond conversions	4,548,690	167,674
(Purchases) and sales of treasury stock, net	(2,179,698)	(3,200,000)
Ordinary shares, net of treasury stock, at December 31	**210,879,319**	**207,013,917**
Number of treasury shares excluded from the calculation	4,630,653	4,006,005

	Weighted average number of shares	
	2009	**2008**
Ordinary shares, net of treasury stock, at January 1	**207,013,917**	**208,619,505**
Shares issued on exercise of stock options	217,752	95,765
Shares issued to the Essilor corporate mutual fund	222,479	230,851
Treasury shares allocated on conversion of Oceane convertible bonds	0	62,917
Shares sold out of treasury on exercise of stock options	19,711	42,000
Sales of treasury shares held for performance share grants (anticipated sales)	1,483	0
Shares issued on conversion of Oceane bonds	258,654	87,406
(Purchases) and sales of treasury stock, net	(1,043,485)	(2,263,839)
Ordinary shares, net of treasury stock, at December 31	**206,690,511**	**206,874,605**

A total of 1,500,000 treasury shares were cancelled in 2009 (2008: 1,600,000).

NOTE 9. DILUTED EARNINGS PER SHARE

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

€ thousands	**2009**	**2008**
Profit attributable to equity holders of Essilor International	394,036	382,356
Cancellation of interest on Oceane bonds, net of tax	4,219	5,075
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF ESSILOR INTERNATIONAL, AFTER DILUTION	**398,255**	**387,431**

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

	2009	**2008**
Weighted average number of shares	**206,690,511**	206,874,605
Dilutive effect of convertible bonds	2,013,132	6,561,822
Dilutive effect of stock options	692,835	219,774
Dilutive effect of performance share grants	1,160,861	0
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES	**210,557,339**	**213,656,201**

In 2008, no dilution has been taken into account for the 2006, 2007 and 2008 performance shares, because the average Essilor International share price for the period to December 31, 2008 was below the reference share price on the grant date.

In 2009, no dilution has been taken into account for the 2006, 2007 and January 2008 performance shares, because the average Essilor International share price for the period to December 31, 2009 was below the reference share price on the grant date.

NOTE 10. GOODWILL

€ thousands	At Jan. 1	Changes in consolidation scope and acquisitions	Other movements	Translation adjustment	Impairment losses recognized in the period	At Dec. 31
2009						
Gross	973,331	94,826	12,730	(8,766)	0	1,072,121
Impairment losses	15,726	47	(3,830)	208	29	12,180
CARRYING AMOUNT	**957,605**	**94,779**	**16,560**	**(8,974)**	**(29)**	**1,059,941**
2008						
Gross	607,770	359,542	(5,505)	11,524		973,331
Impairment losses	16,623			(933)	36	15,726
CARRYING AMOUNT	**591,147**	**359,542**	**(5,505)**	**12,457**	**(36)**	**957,605**

The main increases in goodwill in 2009 and 2008 resulted from:

- In 2009, the acquisition of various prescription laboratories in the United States, of WLC, De Ceunynck and JZO in Europe and of an additional 26% of GKB in Asia.
- In 2008, the acquisition of the Satisloh group, acquisitions in Europe (Galileo in Italy, Nika in Germany and Omega in the Czech Republic) and acquisitions of prescription laboratories in the United States (mainly Interstate, Empire and Pech Optical).

Goodwill for companies acquired during the year is based on the provisional accounting for the business combination and may be adjusted during the 12-month period from the acquisition date.

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

€ thousands	**2009**	**2008**
Europe	226,341	179,714
North America	503,247	486,702
Rest of world	89,839	52,915
Laboratory equipment	240,514	238,274
TOTAL	**1,059,941**	**957,605**

Goodwill was tested for impairment at June 30, 2009 and the results were reviewed at December 31, 2009, in line with the policies and methods described in Note 1.21.

The weighted average cost of capital used for impairment tests was 9% in 2009 (2008: 8%). Taking into account the risk premiums determined for each item of goodwill, the actual discount rates applied to the eleven Cash Generating Units were as follows:

- North America: 9% (2008: 8%)
- Europe: 9% (2008: 8%)
- South America: 13% (2008: 9%)
- Asean countries: 8% (2008: 7%)
- Japan: 7% (2008: 6%)
- South Korea: 11% (2008: 10%)
- India: 12% (2008: 12%)
- China: 9% (2008: 9%)
- Australia and New Zealand: 11% (2008: 8%)
- Laboratory equipment: 9% (2008: 8%)
- Plants: 9% (2008: 9%)

The perpetuity growth rate was estimated at 0% to 2.5% (2008: 0% to 3%), with the highest rates applied to emerging markets.

Impairment tests at June 30, 2009 were based on actual 2008 results, estimated 2009 results and 2009 budgets.

No impairment losses were recognized on goodwill in 2008 or 2009.

A 0.5-point change in the reference discount rate would lead to the recognition of an impairment loss equal to around 1% to 1.5% of the carrying amount of goodwill at December 31, 2009.

A 0.5-point change in the perpetuity growth rate would lead to the recognition of an impairment loss equal to around 0.5% to 1% of the carrying amount of goodwill at December 31, 2009.

NOTE 11. OTHER INTANGIBLE ASSETS

€ thousands	At Jan. 1	Changes in scope of consolidation, other movements	Acquisitions	Disposals	Translation adjustment	Amortization and impairment losses for the period	At Dec. 31
2009							
Trademarks	51,059	800	8		(1,176)	0	50,691
Patents and licenses	196,588	7,643	12,817	4,971	(2,889)	0	209,188
Contractual customer relationships	58,320	19,465	250		(709)	0	77,326
Other intangible assets	39,782	6,630	6,366	647	1,145	0	53,276
GROSS	**345,749**	**34,538**	**19,441**	**5,618**	**(3,629)**	**0**	**390,481**
Accumulated amortization	140,500	439		5,523	(850)	34,227	168,793
CARRYING AMOUNT	**205,249**	**34,099**	**19,441**	**95**	**(2,779)**	**(34,227)**	**221,688**
2008							
Trademarks	37,058	12,213	31	0	1,757	0	51,059
Patents and licenses	161,626	16,088	15,586	3,026	6,314	0	196,588
Contractual customer relationships	0	57,561	0	0	759	0	58,320
Other intangible assets	36,320	(8,259)	13,526	19	(1,786)	0	39,782
GROSS	**235,004**	**77,603**	**29,143**	**3,045**	**7,044**	**0**	**345,749**
Accumulated amortization	113,368	2,368		2,974	2,530	25,208	140,500
CARRYING AMOUNT	**121,636**	**75,235**	**29,143**	**71**	**4,514**	**(25,208)**	**205,249**

Intangible assets in progress amounted to €19 million at December 31, 2009 (2008: €21.9 million).

Trademarks were recognized mainly on acquisition of three American companies, the Spectacle Lens Group (corresponding to the former ophthalmic lens division of the Johnson & Johnson Group), Omega (renamed Essilor Laboratories of America Inc. – Florida) and Nassau.

The carrying amount of trademarks with an indefinite useful life consists mainly of US brands, for €31.8 million at December 31, 2009 (2008: €31 million). Since 2008, the total also includes Satisloh trademarks for €8 million.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

(including finance leases)

€ thousands	At Jan. 1	Changes in scope of consolidation, other movements	Acquisitions	Disposals	Translation adjustment	Depreciation and impairment losses for the period	At Dec. 31
2009							
Land	38,556	234	225	85	(405)	0	38,525
Buildings	454,347	8,333	15,266	9,644	666	0	468,968
Plant and equipment	1,135,750	36,333	64,322	46,692	6,745	0	1,196,458
Other	303,412	(14,230)	28,526	11,169	3,263	0	309,802
GROSS	**1,932,065**	**30,670**	**108,339**	**67,590**	**10,269**	**0**	**2,013,753**
Accumulated depreciation	1,120,581	13,376	0	57,792	7,443	127,123	1,210,731
CARRYING AMOUNT	**811,484**	**17,294**	**108,339**	**9,798**	**2,826**	**(127,123)**	**803,022**
2008							
Land	34,504	1,569	1,596	485	1,372		38,556
Buildings	400,649	23,750	29,880	6,308	6,376		454,347
Plant and equipment	1,037,916	45,752	92,348	36,773	(3,493)		1,135,750
Other	310,144	(21,862)	32,489	14,545	(2,814)		303,412
GROSS	**1,783,213**	**49,209**	**156,313**	**58,111**	**1,441**	**0**	**1,932,065**
Accumulated depreciation	1,042,612	12,268		53,560	(1,114)	120,375	1,120,581
CARRYING AMOUNT	**740,601**	**36,941**	**156,313**	**4,551**	**2,555**	**(120,375)**	**811,484**

Assets under construction amounted to €48.4 million at December 31, 2009 (2008: €53.8 million).

NOTE 13. PROPERTY, PLANT AND EQUIPMENT: FINANCE LEASES

€ thousands	At Jan. 1	Changes in scope of consolidation, other movements	Acquisitions	Disposals	Translation adjustment	Depreciation and impairment losses for the period	At Dec. 31
2009							
Land	850						850
Buildings	13,584		42		(12)		13,614
Other	19,538	77	1,440	640			20,415
GROSS	**33,972**	**77**	**1,482**	**640**	**(12)**	**0**	**34,879**
Accumulated depreciation	18,091	0	0	447	49	2,188	19,881
CARRYING AMOUNT	**15,881**	**77**	**1,482**	**193**	**(61)**	**(2,188)**	**14,998**
2008							
Land	850						850
Buildings	13,512		53		19		13,584
Other	21,926	(5,112)	2,355	357	726		19,538
GROSS	**36,288**	**(5,112)**	**2,408**	**357**	**745**	**0**	**33,972**
Accumulated depreciation	22,311	(5,982)		257	522	1,497	18,091
CARRYING AMOUNT	**13,977**	**870**	**2,408**	**100**	**223**	**(1,497)**	**15,881**

NOTE 14. INVESTMENTS IN ASSOCIATES

Details of associates are as follows:

		2009		2008	
Company	**Country**	**% interest**	**% voting rights**	**% interest**	**% voting rights**
Transitions subgroup	(a)	49	49	49	49
Sperian Protection subgroup	France	15	24	15	23
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:

	2009		2008	
€ thousands	Share of equity	Share of profit	Share of equity	Share of profit
Transitions subgroup	96,717	23,123	84,255	18,758
Sperian Protection subgroup	93,513	2,851	90,989	7,295
VisionWeb[(a)]	(10,196)	0	(10,554)	0
TOTAL	**180,034**	**25,974**	**164,690**	**26,053**

(a) In addition to its original investment, the Company holds long-term interests that form an integral part of its net investment in VisionWeb.

Based on Sperian Protection's December 31, 2009 share price of €50.39, the fair value of the Company's interest stands at €58 million. None of the other associates are listed.

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.

Essilor International's share of the combined balance sheet of associates

€ thousands	**December 2009**	**December 2008**
Intangible assets and property, plant and equipment, net	149,984	150,470
Other non-current assets	17,681	18,656
Current assets	134,498	146,092
Non-current liabilities	39,387	45,491
Current liabilities	86,974	110,255

Net goodwill on associates amounted to €4.9 million at December 31, 2009 and 2008, relating solely to the Sperian Protection subgroup. No impairment loss was recorded on this goodwill in 2009, considering Sperian's favorable medium-term outlook.

NOTE 15. 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 Jan. 1	Changes in scope of consolidation, other movements	Additions, new loans	Disposals repayments	Translation adjustment	Fair value adjust-ments	Impair-ment losses recognized in the period, net	At Dec. 31
2009								
Long-term financial investmens at fair value	**14,058**	**(3,187)**	**24,582**	**134**	**551**	**2,894**	**(216)**	**38,548**
- Investments in non-consolidated companies	11,809	(3,187)	24,309	128	573	2,745	(107)	36,014
- Other available-for-sale financial assets	2,249	0	273	6	(22)	149	(109)	2,534
Long-term financial investments at	**30,156**	**(2,069)**	**9,808**	**2,000**	**622**	**0**	**(1,145)**	**35,372**
- Loans, including accrued interest	30,284	(2,069)	9,808	2,000	622	0	0	36,645
- Impairment	128						1,145	1,273
Other long-term financial investments	**44,214**	**(5,256)**	**34,390**	**2,134**	**1,173**	**2,894**	**(1,361)**	**73,920**
2008								
Long-term financial investmens at fair value	**11,567**	**641**	**4,933**	**647**	**191**	**(1,698)**	**(929)**	**14,058**
- Investments in non-consolidated companies	8,335	1,483	4,868	557	117	(1,508)	(929)	11,809
- Other available-for-sale financial assets	3,232	-842	65	90	74	(190)	0	2,249
Long-term financial investments at amortized cost	**27,607**	**(5,878)**	**12,942**	**1,027**	**(3,456)**	**0**	**(32)**	**30,156**
- Loans, including accrued interest	27,703	(5,878)	12,942	1,027	(3,456)	0	0	30,284
- Impairment	96						32	128
Other long-term financial investments	**39,174**	**(5,237)**	**17,875**	**1,674**	**(3,265)**	**(1,698)**	**(961)**	**44,214**

NOTE 16. INVENTORIES

€ thousands	**2009**	**2008**
Raw materials and other supplies	182,706	169,154
Goods for resale	99,488	95,470
Finished and semi-finished products and work in progress	203,412	210,675
CARRYING AMOUNT	**485,606**	**475,299**

NOTE 17. SHORT-TERM RECEIVABLES AND PAYABLES

Short-term receivables break down as follows:

€ thousands	**2009**	**2008**
Trade receivables		
Gross	720,007	666,619
Provisions	(45,079)	(42,847)
Carrying amount	**674,928**	**623,772**
Other short-term receivables		
Gross	71,775	61,462
Provisions	(437)	(437)
Carrying amount	**71,338**	**61,025**
TOTAL SHORT-TERM RECEIVABLES, NET	**746,266**	**684,797**

Short-term payables break down as follows:

€ thousands	**2009**	**2008**
Trade payables	286,659	293,514
Accrued taxes and employee benefits expense	172,039	183,815
Other short-term payables	165,486	154,616
TOTAL SHORT-TERM PAYABLES	**624,184**	**631,945**

NOTE 18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

€ thousands	2009	2008
Cash	214,159	185,975
Qualifying money market funds	152,992	287,383
Commercial paper and retail certificates of deposit (maturing in less than 3 months)	0	20,000
Other	18,397	12,213
TOTAL	**385,548**	**505,571**

NOTE 19. TRANSLATION RESERVE

The translation reserve breaks down as follows by currency:

€ thousands	2009	2008
U.S. dollar	(63,147)	(38,626)
Brazilian real	27,837	1,250
Thai bath	2,076	519
Philippine peso	(3,535)	(3,038)
Yen	982	4,447
Canadian dollar	3,014	(5,314)
Chinese yuan	3,603	6,136
Pound sterling	(12,162)	(12,950)
Singapore dollar	2,188	1,858
Indian rupee	(7,315)	(7,399)
Polish zloty	2,465	601
Korean won	(3,184)	(5,455)
Australian Dollar	1,627	(5,597)
New Zealand Dollar	(229)	(1,610)
Other currencies	(4,414)	(5,057)
TOTAL	**(50,194)**	**(70,235)**

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.
- Length-of-service awards payable to employees on retirement in France and other European countries.
- Other long-term benefits, consisting mainly of jubilees payable in France and other countries.

Net pension and other post-employment benefit obligations break down as follows at December 31:

€ thousands	**2009**	**2008**
Projected benefit obligation		
- Fully or partially funded plans	124,172	115,617
- Unfunded plans	82,079	79,000
Fair value of plan assets	(72,846)	(59,111)
Deferred items		
- Unrecognized past service cost	(2,943)	(3,798)
NET PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS	**130,462**	**131,708**
Of which provisions (plan deficits)	131,316	132,401
Of which non-current assets (plan surpluses)	854	693

Net pension and other post-employment benefit obligations at December 31, 2009 can be analyzed as follows by type of plan:

€ thousands	Projected benefit obligation	Plan assets	Deferred items	Provision
Pensions (supplementary and top-hat plans)	155,858	(70,643)	(3,897)	81,318
Length-of-service awards	33,893	(2,203)	954	32,644
Other benefits	16,500	0	0	16,500
TOTAL	**206,251**	**(72,846)**	**(2,943)**	**130,462**

Changes in the net provision for pension and other post-retirement benefit obligations can be analyzed as follows:

€ thousands	**2009**	**2008**
NET PROVISION AT JANUARY 1	**131,708**	**105,866**
Change in actuarial gains and losses recognized in equity	10,170	9,047
Increases, net	(11,504)	3,045
Translation adjustments	-380	603
Changes in scope of consolidation	542	13,048
Other movements	(74)	99
NET PROVISION AT DECEMBER 31	**130,462**	**131,708**
of which cumulative actuarial losses (gains) recorded in equity at the balance sheet date	29,321	19,028

The increase (decrease) in provision breaks down as follows:

Income (expenses) *€ thousands*	**2009**	**2008**
Service cost	(5,316)	(5,723)
Interest cost	(9,024)	(8,108)
Expected return on plan assets	3,026	3,382
Actuarial gains and losses on short-term benefits	187	117
Amortization of past service cost	(860)	(860)
Other	(63)	(236)
EXPENSE FOR THE PERIOD	**(12,050)**	**(11,428)**
Contributions to plan assets	11,018	2,798
Paid benefits	12,536	5,585
TOTAL INCREASE (DECREASE) IN PROVISION	**11,504**	**(3,045)**

The following table analyses the change in the projected benefit obligation:

€ thousands	**2009**	**2008**
Projected benefit obligation at January 1	**194,617**	**172,711**
Service cost	5,316	5,892
Interest cost	9,024	8,108
Employee contributions	831	933
Paid benefits	(17,390)	(8,472)
Actuarial gains and losses	12,635	(68)
Other movements	12	3,857
Changes in scope of consolidation	542	13,008
Translation adjustment	664	(1,352)
Projected benefit obligation at December 31	**206,251**	**194,617**

The main discount rates used to measure these obligations in 2009 were as follows:

- Euro zone countries: 5% for long-term plans (2008: 5.50%) and 5% for jubilees in France (2008: 5.25%).
- United Kingdom: 5.75% (2008: 6.5%).
- United States: 5.5% and 5.75% (2008: 6%).

The choice of discount rate has a material effect on estimates of projected benefit obligations.

In accordance with IAS 19, these rates are determined separately for each currency zone by reference to market yields on high quality corporate bonds whose term is consistent with the estimated term of the benefit obligations. In countries where there is no deep market in such bonds, market yields on government bonds are used.

A 25-point reduction in discount rates would have had the effect of increasing the Company's total projected benefit obligation by €6 million at December 31, 2009.

Final salary assumptions are based on a weighted average rate of salary increases of 2.8% in 2009 (2008: 2.7%).

Recognized actuarial gains and losses correspond to experience adjustments (difference between assumptions and actual data) and changes in assumptions. In 2009, actuarial gains and losses corresponding to experience adjustments represented 1.25% of the projected benefit obligation (2008: 5%).

Changes in the fair value of plan assets are as follows:

€ thousands	**2009**	**2008**
Fair value of plan assets at January 1	**59,111**	**62,179**
Contributions to plan assets	23,529	7,137
Paid benefits	(17,365)	(7,226)
Expected return on plan assets	3,026	3,382
Actuarial gains and losses	2,665	(8,731)
Other movements	831	4,448
Changes in scope of consolidation	0	0
Translation adjustment	1,049	(2,078)
Fair value of plan assets at December 31	**72,846**	**59,111**
Actual return on plan assets	5,691	(5,349)

The return on plan assets is estimated based on the asset allocation and the discount rates applied.

Assumptions for 2009 are based on an expected weighted average return on plan assets of 4.61% (2008: 5.39%), as follows:

- Euro zone countries: 4.5% to 5.85% (2008: 4.5% to 5.1%).
- United Kingdom: 7.25% (2008: 7.25%).

The breakdown of plan assets at December 31, 2009 is as follows:

- Equities: 20%
- Bonds: 11%
- General insurance funds: 47%
- Property: 1%
- Other: 21%.

In 2008, for the calculation of the net pension obligation under the Swiss plan, the projected benefit obligation towards retirees was added back for CHF 5,971 thousand and the corresponding plan assets were added back for CHF 5,550 thousand.

In Sweden, Essilor participates in a multi-employer defined benefit plan. As the insurance company that manages the plan is unable to determine Essilor's share, it has been treated as a defined contribution plan in accordance with IAS 19.

NOTE 21. PROVISIONS

€ thousands	At Jan. 1	Charges	Utilizations	Reversals of surplus provisions	Translation adjust-ments	Changes in scope of consoli-dation	Other movements	At Dec. 31
2009								
Provisions for losses in subsidiaries and affiliates	81	300		(79)	(2)			300
Restructuring provisions	2,302	4,707	(3,821)	1,094)	(2)		(105)	1,987
Warranty provisions	18,870	5,491	(4,568)	(384)	-69	957	10	20,307
Other	15,467	34,368	(2,767)	(1,044)	162		108	46,294
TOTAL	**36,720**	**44,866**	**(11,156)**	**(2,601)**	**89**	**957**	**13**	**68,887**
2008								
Provisions for losses in subsidiaries and affiliates	748	79	(746)					81
Restructuring provisions	510	1,474	(483)	(5)	38	727	41	2,302
Warranty provisions	15,647	4,338	(2,769)	(420)	202	2,122	250	19,370
Other	7,647	8,785	(3,641)	(219)	(76)	3,041	(70)	14,967
TOTAL	**24,552**	**14,676**	**(7,639)**	**(644)**	**164**	**5,890**	**(279)**	**36,720**

“Other” at December 31, 2009 include provisions for tax risks for a total of €26.1 million (see note 7 – Income tax expense) and a €9.2 million provision for potential fines for alleged breaches of the German law on cartels (see note 28 – Claims and litigation).

NOTE 22. NET DEBT AND BORROWINGS

22.1. NET DEBT

Net debt[a] can be analyzed as follows:

€ thousands	2009	2008
Oceane convertible bonds	53,107	168,310
Other long-term borrowings	282,222	269,307
Short-term borrowings	6,925	190,872
Short-term bank loans and overdrafts	21,646	18,806
Accrued interest	1,251	3,157
TOTAL BORROWINGS	**365,151**	**650,452**
Marketable securities[b]	(33,965)	(32,538)
Cash equivalents	(171,389)	(319,596)
Cash	(214,159)	(185,975)
TOTAL ASSETS	**(419,513)**	**(538,109)**
Cross Currency swaps	(38,422)	0
TOTAL CROSS CURRENCY SWAPS	**(38,422)**	**0**
NET DEBT	**(92,784)**	**112,343**

(a) Sign convention: net debt is shown as a positive amount and a net cash position as a negative amount.
(b) Marketable securities not qualifying as cash equivalents that the Company considers as eligible for inclusion in the calculation of net debt (see note 1.28).

In February 2007, part of Essilor of America's intragroup debt was refinanced through a €250 million structured finance facility set up at the level of the subsidiary.

In 2008, the fair value of the cross currency swap hedging the above debt (€14.7 million) was reported as an asset, under "Derivative financial instruments". In the 2009 financial statements, it is taken into account in the calculation of net debt. 2008 net debt has not been recalculated on the same basis. If the fair value of the cross currency swap had been taken into account, net debt at December 31, 2008 would have amounted to €97.6 million.

22.2. BORROWINGS

Borrowings can be analyzed as follows by maturity:

€ thousands	2009	2008
Due within one year	82,929	212,835
Due in 1 to 5 years	279,307	183,778
Due beyond 5 years	2,915	253,839
TOTAL	**365,151**	**650,452**

Borrowings break down as follows by currency:

€ thousands	**2009**	**2008**
U.S. dollars [(a)]	277	68
Euros	85	572
Yen	1	1
Other currencies	2	9
TOTAL	**365**	**650**

(a) Part of the Company's dollar-denominated debt at December 31, 2008 (€250 million) was presented in euros. At December 31, 2009 it is presented in US dollars to take into account designated currency hedges.

The fair value of borrowings at December 31, 2009 and 2008 was as follows:

€ thousands	**2009**	**2008**
Oceane convertible bonds	80,525	203,416
Other long-term borrowings	243,800	269,307
Short-term borrowings	6,925	190,872
Short-term bank loans and overdrafts and accrued interest	22,897	21,963
TOTAL	**354,147**	**685,558**

The fair value of the Oceane convertible bonds corresponds to their market value. This is not directly comparable with their carrying amount, which excludes the value of the conversion option recognized in equity.

Finance lease liabilities :

	2009		**2008**	
€ thousands	**Principal**	**Interest**	**Principal**	**Interest**
Due within one year	2,630	247	2,228	299
Due in 1 to 5 years	5,049	294	6,361	448
Due beyond 5 years	0	0	330	4
TOTAL FINANCE LEASE LIABILITIES	**7,679**	**541**	**8,919**	**751**

Oceane convertible bonds

In July 2003, the Company issued €309 million worth of bonds convertible into new shares or exchangeable for existing shares (Oceanes) due July 2010, with early redemption possible in July 2008. The main characteristics of the bonds are as follows:

- Number of bonds issued: 6,040,212
- Face value of each bond: €51.15
- Life: 7 years
- Annual interest: 1.50% payable in arrears on July 2 of each year.
- Conversion ratio: 2 Essilor shares per bond, taking into account the 2007 two-for-one stock-split (to be adjusted in the case of any transactions affecting capital stock)
- Redemption: on July 2, 2010 at a price of €53.54, representing a premium of 4.7%
- Early redemption at the request of bondholders from July 2, 2008
- Early redemption by Essilor from July 2, 2008, subject to certain conditions.

The bonds are traded on the Premier Marché of Euronext Paris.

Conversions and exchanges in 2009

During 2009, 2,274,345 Oceanes were converted into 4,548,690 shares, leading to a €115 million reduction in the corresponding debt.

At December 31, 2009, 1,006,566 Oceanes were outstanding (2008: 3,280,911).

Conversions and exchanges in 2008

During 2008, 83,775 Oceanes were converted and 94,376 Oceanes were exchanged for a total of 356,302 shares, leading to a €4 million reduction in the corresponding debt.

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, 2009 and 2008 fall into the following categories:

2009

		Category of instruments				
€ thousands	Carrying amount	Financial assets at fair value through profit or loss	Available-for sale financial assets	Loans and receivables and other payables	Assets and liabilities and amortized cost	Derivative instruments
Other long-term financial investments	73,920		38,548		35,372	
Long-term receivables	10,570			10,570		
Prepayments to suppliers	12,373			12,373		
Short-term receivables	746,266			746,266		
Current income tax assets	17,039			17,039		
Other receivables	18,434			18,434		
Derivative financial instruments	40,485					40,485
Marketable securities	33,965	33,965				
Cash and cash equivalents	385,548	385,548				
TOTAL FINANCIAL ASSETS	**1,338,600**	**419,513**	**38,548**	**804,682**	**35,372**	**40,485**
Long-term borrowings	282,222				282,222	
Long-term payables	2,393			2,393		
Short-term borrowings	82,929				82,929	
Customer prepayments	2,866			2,866		
Short-term payables	624,184			624,184		
Taxes payable	46,507			46,507		
Other liabilities	144,289			144,289		
Derivative financial instruments	10,897					10,897
TOTAL FINANCIAL LIABILITIES	**1,196,287**			**820,239**	**365,151**	**10,897**

2008

		Category of instruments				
€ thousands	Carrying amount	Financial assets at fair value through profit or loss	Available-for sale financial assets	Loans and receivables and other payables	Assets and liabilities and amortized cost	Derivative instruments
Other long-term financial investments	44,214		14,057		30,157	
Long-term receivables	8,093			8,093		
Prepayments to suppliers	9,521			9,521		
Short-term receivables	684,797			684,797		
Current income tax assets	5,859			5,859		
Other receivables	37,294			37,294		
Derivative financial instruments	50,996					50,996
Marketable securities	32,538	32,538				
Cash and cash equivalents	505,571	505,571				
TOTAL FINANCIAL ASSETS	**1,378,883**	**538,109**	**14,057**	**745,564**	**30,157**	**50,996**
Long-term borrowings	437,617				437,617	
Long-term payables	2,359			2,359		
Short-term borrowings	212,835				212,835	
Customer prepayments	8,611			8,611		
Short-term payables	631,945			631,945		
Taxes payable	35,626			35,626		
Other liabilities	143,159			143,159		
Derivative financial instruments	28,480					28,480
TOTAL FINANCIAL LIABILITIES	**1,500,632**			**821,700**	**650,452**	**28,480**

23.2. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Company adopted IAS 39 prospectively as from January 1, 2005.

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 remeasurement at fair value of these derivative instruments are recognized directly in profit, under “Other financial income and expenses”.

€ thousands	**2009**	**2008**
Cash flow hedges:		
- Forward exchange contracts	(3,109)	8,015
Fair value hedges:		
- Forward exchange contracts	(153)	(1,033)
- Cross-currency swaps	38,422	14,750
Hedges of net investments in foreign operations:		
- Forward exchange contracts	(826)	(723)
Instruments not qualifying for hedge accounting:		
- Forward exchange contracts	(168)	9,387
- Currency options	299	497
- Cross-currency swaps (currency portion)		
- Interest rate swaps	(4,877)	(8,377)
FAIR VALUE OF DERIVATIVE INSTRUMENTS	**29,588**	**22,516**
Derivative financial instruments recognized in assets	40,485	50,996
Derivative financial instruments recognized in liabilities	(10,897)	(28,480)

In 2007, the Company arranged euro-denominated, fixed rate financing for its US subsidiary, Essilor of America. The debt was hedged by a cross currency swap (euro/USD fixed/variable rate) on a notional amount of €250 million. The swap qualifies as a fair value hedge of interest rate and currency risks on the underlying debt.

In 2008, the interest rate was fixed via interest rate swaps for a notional amount of USD 328 million.

Details of derivative financial instruments are provided below:

€ thousands	Foreign currency		Local currency	Notional amount	Fair value at December 31, 2009
Forward contracts					
Sales of foreign currency vs local currency	CAD	against	EUR	22,934	(200)
Sales of foreign currency vs local currency	CHF	against	EUR	4,937	(108)
Sales of foreign currency vs local currency	PLN	against	EUR	13,795	(270)
Sales of foreign currency vs local currency	USD	against	EUR	84,272	(2,130)
Purchases of foreign currency vs local currency	CHF	against	EUR	28,955	443
Purchases of foreign currency vs local currency	EUR	against	GBP	16,013	(321)
Purchases of foreign currency vs local currency	USD	against	EUR	35,370	700
Purchases of foreign currency vs local currency	USD	against	AUD	10,398	(350)
Purchases of foreign currency vs local currency	USD	against	BRL	10,417	(474)
Purchases of foreign currency vs local currency	USD	against	CAD	37,563	(1,732)
Other				193,947	186
TOTAL FORWARD CONTRACTS				**458,601**	**(4,256)**
Currency options					
Purchased calls	USD	against	EUR	4,977	185
Purchased currency puts	USD	against	EUR	34,286	114
TOTAL CURRENCY OPTIONS				**39,263**	**299**
Essilor of America cross currency swap	USD	against	EUR	250,000	38,422
Interest rate swaps				227,943	(4,877)
FAIR VALUE OF DERIVATIVE INSTRUMENTS				**975,807**	**29,588**

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	2009	2008
Revenue	0	0
Cost of sales	5,573	94
GROSS MARGIN	**5,573**	**94**
Research and development costs	1,099	2,728
Selling and distribution costs	0	0
Other operating expenses	0	0
CONTRIBUTION FROM OPERATIONS	**6,672**	**2,822**
Other income (expense) from operations, net	0	0
Gains and losses on asset disposals, net	0	0
OPERATING PROFIT	**6,672**	**2,822**

NOTE 24. OFF-BALANCE SHEET COMMITMENTS

€ thousands	**2009**	**2008**
Commitments given		
Guarantees	600,520	501,673
Debt collateral:		
- Debt	35	544
- Net book value of collateral	1,714	2,050
Commitments received		
Guarantees	3,226	1,533
Commitments under operating leases		
Within one year	18,786	19,870
In 1 to 5 years	46,944	61,737
Beyond 5 years	4,722	6,841
TOTAL	**70,452**	**88,448**

NOTE 25. CAPITAL RESOURCES

The Company defines capital as equity capital excluding hedging and revaluation reserves (corresponding to cumulative gains and losses from remeasurement at fair value of cash flow hedges, hedges of net investments in foreign operations and available-for-sale financial assets – as defined by IAS 39 – as well as to cumulative actuarial gains and losses on pension and other post-employment benefit obligations).

Return on capital is managed by analyzing in detail the return on each investment project as well as the financing method, in order to offer shareholders a return on equity in line with their expectations.

The Company is not subject to any externally imposed capital requirements.

NOTE 26. MARKET RISKS

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

26.1. LIQUIDITY AND FINANCING RISK

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

Long-term borrowings at December 31, 2009 totaled €228 million. The Company also has two multi-currency syndicated credit facilities expiring in 2012 and 2014 respectively, for a total of €1,700 million. Neither of these facilities was drawn down at December 31, 2009.

The facility agreements do not include any particular covenants.

As a general rule, Essilor International negotiates with its banking partners the facilities required to finance the business and meets substantially all the financing needs of subsidiaries through intercompany loans.

When intercompany loans are denominated in foreign currency, the currency risk is systematically hedged.

At December 31, 2009, loans to subsidiaries totaled €101 million, including the equivalent of €47 million in foreign currency loans hedged by currency swaps.

Financial assets and liabilities (including operating receivables and payables) at December 31, 2009 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	(901)	(284)	0	(1,185)
Financial assets other than financial instruments	1,276	22	0	1,298
Net fair value of financial instruments	(4)	33	0	29
NET POSITION	**371**	**(229)**	**0**	**142**

(a) Including financial assets with no fixed maturity.

26.2. INTEREST RATE RISK

As Essilor International raises financing for its own needs as well as for substantially all of the needs of subsidiaries, interest rate risks are managed at corporate level.

The Company's interest rate management policy consists of protecting positions against the effects of an unfavorable change in interest rates and locking in the benefits of favorable rates.

Sensitivity of finance costs to changes in interest rates

(In accordance with the recommendation of the French securities regulator – AMF – floating rate assets and liabilities have been classified as maturing within one year, corresponding to the period to the next interest reset date, whatever their actual maturity).

€ millions	Overnight to one year	1 to 5 years	Beyond 5 years	TOTAL
Floating rate financial liabilities[(a)]	30	13	3	46
Floating rate financial assets	(386)			(386)
Net floating rate position	**(356)**	**13**	**3**	**(340)**
Fixed rate financial liabilities	53	228		281
Fixed rate financial asset[(b)]	(34)			(34)
Net fixed rate position	**19**	**228**	**0**	**247**
NET DEBT[(c)]	**(337)**	**241**	**3**	**(93)**

(a) Including local facilities and finance lease liabilities.
(b) Other short-term investments that the Company considers as eligible for inclusion in the calculation of net debt.
(c) The positive amount corresponds to net debt and the negative amount represents a net cash position.

A 1-point change in interest rates would have the effect of increasing or reducing financial costs by €3.40 million.

Borrowings include a bank loan for €228 million, Oceane convertible bonds for €53 million and miscellaneous lines of credit for €46 million.

At December 31, 2009, including the convertible bond (Oceane) issue, 86% of the debt was at fixed rates of interest (2008: 64%).

The weighted average interest rate on debt was 2.96% in 2009 (2008: 3.13%).

26.3. COUNTERPARTY RISK

Past-due trade receivables not covered by provisions amounted to €83 million at December 31, 2009 (2008: €90.8 million). Of the total, 83.4% (2008: 73.9%) consisted of receivables less than three months past due.

€ millions	**2009**	**2008**
Trade receivables due within one year, net	675	624
Trade receivables due beyond one year, net	11	8
TRADE RECEIVABLES, NET	**686**	**632**
Trade receivables not yet due	584	517
Past-due trade receivables, net	101	115
Guarantees received, recoverable VAT	(28)	(23)
Past-due trade receivables, net of provisions and guarantees	73	92

Information about the Company's top twenty customers is provided in note 3 – Segment information.

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

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

At December 31, 2009, counterparties for investment and capital markets transactions carried out by the Corporate Treasury and Financing department were all rated at least A-1 (short-term) and A+ (long-term) by Standard & Poor's, and the banks participating in the two loan syndicates all had Standard & Poor's ratings of at least A-1 (short-term) and A (long-term).

At December 31, 2009, half of the Company's available cash was invested by Essilor International in money market funds managed by four different counterparties and half was invested by subsidiaries.

26.4. CURRENCY RISK

Currency market transactions are entered into solely to hedge risks arising on business operations. The Company does not carry out any currency trading transactions without any underlying.

Currency risks are systematically hedged using appropriate market instruments, including forward and spot purchases and sales of foreign currencies, and purchases and sales of currency options and collars.

For the most part, currency risks concern only a small number of entities. Subsidiaries that are exposed to material currency risks hedge those risks with support from Corporate Treasury. All currency transactions are subject to pre-determined position limits designed to optimize the protection afforded by the hedges.

Thus, currency risks on intercompany and external commercial transactions, as well as on intercompany dividends, royalties and management fees are systematically hedged based on 80 to 100% of the identified exposure.

Currency risks on financial transactions, such as business acquisitions and disposals and subscriptions to share issues, are managed on a case-by-case basis according to the probability that the transaction will take place, using the most appropriate products.

Hedge accounting is applied whenever possible. However, some currency hedges do not fulfill the criteria for the application of hedge accounting under IFRS, and gains and losses arising from the remeasurement of these instruments at fair value are recognized directly in profit or loss.

The Company's total net currency exposure at December 31, 2009 represented an amount equivalent to some €90 million.

Consolidated exposure to currency risk on assets and liabilities at December 31, 2009

(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	2	(1)	1	(5)
EUR	13	3	16	8
JPY	(1)	5	4	24
USD	61	8	68	20
GBP	5	(4)	1	(27)
Others	2	(3)	0	7
TOTAL	**82**	**8**	**90**	**27**

(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, 2009

A 5% change in the US dollar exchange rate against the euro – representing the Company's main currency exposure at December 31, 2009 – would have the following impact on equity and profit:

		Impact *(In € millions)*		
	Euro/US dollar exchange rate	On equity	Profit before tax	**TOTAL**
Closing rate	1.44			
5% increase	1.51	2	0	2
5% decrease	1.37	(3)	0	(3)

NOTE 27. ENVIRONMENTAL RISKS

The Company is not exposed to any material environmental risks.

NOTE 28. CLAIMS AND LITIGATION

At the end of 2008, the German competition authorities (*Bundeskartellamt* – BKA) launched an investigation into possible breaches of German law on cartels concerning all major players in the ophthalmic optics market, including two of our subsidiaries. They provided responses and clarified certain elements. The BKA subsequently informally notified the subsidiaries of its initial findings and withdrew certain complaints.

Based on those discussions with the BKA and information received by the lawyers retained to defend our subsidiaries, it is possible that the fine could be significantly higher than the provision set aside in the accounts.

To date, the subsidiaries have not been formally notified of any breach of German law on cartels or of any fine or other penalty. If such a notification is received, they will lodge an appeal with the German courts.

Based on the information available at the year end, the Company recorded a provision of €9.2 million, corresponding to its best estimate of the risk incurred in relation to this investigation.

To the Company's knowledge, there are no other current or threatened claims, litigation proceedings or arbitration that would be likely to have a material adverse effect on its financial position, results of operations, profitability, business or assets and liabilities.

The accounting methods used to calculate provisions for contingencies are explained in Section 20.3.1.5, Note 1.32.

NOTE 29. AVERAGE NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

Number of employees	2009	2008
Management	4,421	4,258
Supervisory and administrative	10,261	9,350
Production	18,153	17,290
TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE PERIOD	**32,835**	**30,898**

€ thousands	2009	2008
EMPLOYEE BENEFITS EXPENSE (Salaries, payroll taxes and compensation costs on share-based payments)	**1,070,273**	**1,022,945**

Number of employees	2009	2008
NUMBER OF EMPLOYEES AT DECEMBER 31	**34,759**	**34,320**
including employees of proportionately consolidated companies (on a 100%-basis)	2,707	3,518

NOTE 30. RELATED PARTY TRANSACTIONS

Management compensation

€ thousands	**2009**	**2008**
Total compensation and benefits paid to the Executive Committee[a]	7,740	7,360
Directors' fees paid to the Executive Committee	38	45
TOTAL MANAGEMENT COMPENSATION	**7,778**	**7,405**

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

The Executive Committee had 17 members at December 31, 2009 compared with 19 at the previous year-end.

Post-employment benefits for Executive Committee members

- Pension obligations: €13,747 thousand at December 31, 2009 (2008: €13,562 thousand).
- Length-of-service awards payable on retirement: €1,261 thousand at December 31, 2009 (2008: €1 306 thousand).

These benefits are payable under group plans set up by Essilor International for all employees or certain employee categories. The obligations are funded under insured plans, with any unfunded portion covered by provisions.

Stock options and performance shares granted to Executive Committee members

The cost of these plans shown below reflects the recognition over the vesting 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 2009 for stock options and performance shares granted to Executive Committee members are as follows:

- €1,597 thousand (2008: €2,048 thousand) for stock options.
- €3,961 thousand (2008: €5,163 thousand) for performance shares.

The decrease in performance share and stock option costs in 2009 was due to the fact that the 2008 amount included 12 months' costs for the 2006 performance share grants, the values of which were greater than those of the 2008 and 2009 grants.

Related party transactions

Related parties include the following:

Proportionately consolidated companies

- Nikon-Essilor, a 50/50 joint venture in Japan with the Nikon group. Nikon-Essilor distributes certain Essilor products in Japan, while Essilor distributes certain Nikon brand products made by Nikon-Essilor, mainly in Europe.
- Essilor Korea, a joint venture 50%-owned by Essilor and 50% by the South Korean group Samyung Trading. Essilor Korea distributes certain Essilor products in the South Korean market, while Essilor distributes certain products manufactured by Essilor Korea's Chemiglas subsidiary in European markets.
- GKB (India) was proportionally consolidated until December 31, 2008 and fully consolidated from January 1, 2009 following an increase in the Company's percentage interest from 50% to 76%.

Companies accounted for by the equity method

- The Sperian Protection subgroup, in which Essilor holds a 15% interest corresponding to 24% of the voting rights. Transactions between Essilor and Sperian Protection are not material.
- 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	2009	2008
Product sales	155,659	162,910
Product purchases	(395,688)	(401,445)
Trade receivables	28,199	31,645
Trade payables	54,862	49,073

NOTE 31. SUBSEQUENT EVENTS

Acquisitions

In January 2010, Essilor expanded its coverage of the Chinese market by acquiring **Danyang ILT Optics Co. Ltd,** an ophthalmic lens manufacturer with revenue of some €7 million, generated in the domestic and export markets.

The Company has also acquired a majority stake in **Ghanada Optical Co. LLC**, a prescription laboratory based in Abu Dhabi that serves the United Arab Emirates and the Gulf states.

In addition, the Company has announced the formation of a long-term joint venture with Luxottica for the Australian and New Zealand markets. Under the terms of the agreement, the joint venture will manage **Eyebiz Pty Limited,** Luxottica's Sydney-based optical lens finishing laboratory which, as a result of this alliance, will be majority-controlled by Essilor.

Lastly, at the end of 2009 Essilor International and FGX International Holdings Limited announced that they had signed an agreement whereby Essilor will acquire **FGX International**, the leading designer and marketer of non-prescription reading glasses in the United States. The transaction was still in progress at December 31, 2009.

In January 2009, Essilor announced the signature of a letter of intent to acquire US-based **Signet Armorlite**. The acquisition was subject to anti-trust approvals in several countries. The last of these was obtained in the first quarter of 2010 and the acquisition is scheduled to be completed in the first half of the current year.

NOTE 32. LIST OF FULLY-CONSOLIDATED COMPANIES

Company	Country	% voting rights	% interest
FRANCE			
BBGR	France	100	100
BNL Eurolens	France	100	100
Delamare Sovra	France	100	100
Essidev	France	100	100
Invoptic	France	100	100
Mega Optics	France	75	75
Novacel	France	75	75
Novisia	France	100	100
OMI	France	100	100
Optim	France	100	100
Satisloh SAS	France	100	100
Tikai Vision (formerly Barbara)	France	100	100
EUROPE			
BBGR GmbH	Germany	100	100
Essilor GmbH	Germany	100	100
Nika Optics	Germany	75	75
Rupp & Hubrach Optik Gmbh	Germany	100	100
Satisloh Gmbh	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
Essilor OY	Finland	100	100
BBGR United Kingdom	United Kingdom	100	100
Essilor Ltd	United Kingdom	100	100
Essilor European Shared Service Center Ltd.	United Kingdom	100	100
Horizon Optical Company Ltd.	United Kingdom	95	95
Satisloh Ltd	United Kingdom	100	100
Sinclair Optical Laboratories	United Kingdom	100	100
United Optical Laboratories	United Kingdom	80	80
Wholesale Lens Corporation Limited	United Kingdom	70	70
Essilor Optika Kft	Hungary	100	100
Athlone	Ireland	80	80
Essilor Ireland (Sales) Ltd	Ireland	100	100
Organic Lens Manufacturing (branch)	Ireland	100	100
ATR MEC Optical Milano s.r.l.	Italy	100	100

Company	Country	% voting rights	% interest
Essilor Italia S.p.A.	Italy	100	100
LTL S.p.A.	Italy	100	100
Oftalmika Galileo Spa	Italy	100	100
Optilens Italia s.r.l.	Italy	100	100
Satisloh Italia Spa	Italy	100	100
Essilor Norge A.S.	Norway	100	100
Sentralslip	Norway	98	98
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	51	51
Essilor Optical laboratory Polska Sp. Z.o.o.	Poland	100	100
Essilor Polonia	Poland	100	100
JZO	Pologne	100	51
Essilor Portugal	Portugal	100	100
Essilor Romania SRL	Romania	100	100
Omega Optrix S.R.O	Slovakia	80	80
Essilor D.O.O Slovenia	Slovenia	100	100
Essilor AB	Sweden	100	100
BBGR Skandinaviska	Sweden	100	100
Essilor (Suisse) S.A.	Switzerland	100	100
Satisloh Holding AG	Switzerland	100	100
Satisloh AG	Switzerland	100	100
Satisloh Photonics AG	Switzerland	100	100
Vaco Holding S.A.	Switzerland	100	100
Essilor Optika Spol S.R.O	Czech Rep.	100	100
Omega Optrix S.R.O	Czech Rep.	80	80
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
Custom Surface Ltd.	Canada	100	100
Eastern Optical Laboratories Ltd.	Canada	100	100
Essilor Canada Ltd.	Canada	100	100
Groupe Vision Optique	Canada	100	100
K&W Optical Ltd.	Canada	100	100
Metro Optical Ltd.	Canada	100	100
Morrison Optical	Canada	100	100
OPSG Ltd.	Canada	100	100
OMICS Software Inc	Canada	100	100
Optique de l'Estrie Inc.	Canada	100	100

Company	Country	% voting rights	% interest
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
Westlab	Canada	85	85
21st Century Optics Inc.	USA	80	80
Abba Optical Inc.	USA	Business Acquisition	
Accu Rx Inc	USA	80	80
Advance Optical	USA	90	90
AG Optical Inc.	USA	100	100
Apex Optical Company Inc.	USA	100	100
Barnett & Ramel Optical Co.	USA	80	80
Beitler Mc Kee Company	USA	90	90
BSA Industries	USA	100	100
Collard Rose	USA	80	80
Dependable	USA	80	80
Deschutes	USA	80	80
Dibok Aspen Optical	USA	80	80
Dunlaw Optical Laboratories Inc.	USA	80	80
ELOA California Acquisition Corp.	USA	100	100
Empire	USA	85	85
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 (inclus Laboratoires US)	USA	100	100
Essilor Laboratories of America, LP (inclus Avisia, Omega, Duffens)	USA	100	100
Essilor of America Holding Co Inc.	USA	100	100
Essilor of America Inc.	USA	100	100
Eye Care Express Lab Inc	USA	80	80
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
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

Company	Country	% voting rights	% interest
Nassau Lens Co Inc.	USA	100	100
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 One	USA	80	80
Optical Suppliers Inc. (Hawaï)	USA	85	85
Optifacts Inc.	USA	100	100
Optimatrix	USA	80	80
Optisource International Inc.	USA	80	80
Orion Progressive Lens Lab Inc.	USA	Business Acquisition	
Ozarks Optical Laboratories	USA	80	80
Pech Optical	USA	80	80
Perferx Optical Co Inc	USA	80	80
Personnal Eyes	USA	80	80
Peninsula Optical Lab.	USA	80	80
Precision Optical Lab. (Tennessee)	USA	80	80
Precision Optical Co. (Connecticut)	USA	80	80
Satisloh North America	USA	100	100
Skaggs & Gruber, Ltd d.b.a.	USA	80	80
Southwest lens	USA	65	65
Speciality Lens Corp.	USA	100	100
Stereo Optical Co. Inc.	USA	100	100
SunStar Inc.	USA	80	80
Sutherlin Optical Company	USA	85	85
Tri Supreme Optical LLC	USA	100	100
Vision-Craft Inc.	USA	80	80
Vision Pointe Optical Inc.	USA	80	80
Essilor Mexico	Mexico	100	100
Sofi de Chihuahua	Mexico	100	100
Rainbow Optical	Puerto Rico	100	100
OTHER			
Essilor South Africa (Pty) Ltd.	South Africa	100	100
Essilor Argentine S.A.	Argentina	100	100
AR Coating SA	Argentina	95	95
City Optical Pty Ltd.	Australia	100	100
Essilor Australia Pty Ltd.	Australia	100	100
Essilor Laboratory South Australia Pty Ltd.	Australia	100	100
Essilor Laboratories of Australia Pty Ltd.	Australia	100	100
Essilor Laboratory Western Australia	Australia	100	100
Essilor Lens Australia Pty Ltd.	Australia	100	100
Hobart Optical	Australia	100	100
Tasmanian Optical Cy Pty Ltd	Australia	100	100

Company	Country	% voting rights	% interest
Tec Optik	Australia	100	100
Brasilor Participacoes Sc Ltda.	Brazil	100	100
Essilor Da Amazonia Industria e Commercio Ltda.	Brazil	100	100
Multi Optica Distribuidora Ltda.	Brazil	100	100
Sudop Industria Optica Ltda.	Brazil	100	100
Technopark Comercio de Artigos Opticos S.A	Brazil	51	51
Polylite Beijing	China	51	51
Polilyte Shanghai	China	51	51
Satisloh Zhongshan	China	100	100
Satisloh Schenzen	China	100	100
Shanghaï Essilor Optical Co. Ltd.	China	100	100
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
Essilor Hong Kong	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 (ex- Indian Ophtalmic Lenses Manuf.)	India	100	100
GKB Rx	India	76	76
Sankar	India	70	70

Company	Country	% voting rights	% interest
Satisloh India	India	100	100
Vijay Vision Pvt Ltd.	India	88	88
P.T. Essilor Indonesia	Indonesia	100	100
P.T Essilor Technology Centre Indonesia	Indonesia	70	70
Essilor Malaysia Sdn Bhd	Malaysia	100	100
Frames and Lenses	Malaysia	80	80
ILT Malaysia	Malaysia	51	40
Essilor Laboratories New Zealand Ltd. (ex OHL Lenses Ltd)	New Zealand	100	100
Essilor New Zealand Ltd.	New Zealand	100	100
Optical Laboratories	New Zealand	100	100
Prolab	New Zealand	100	100
Essilor Manufacturing Philippines Inc.	Philippines	100	100
Epodi	Philippines	51	51
Optodev	Philippines	100	100
Essilor Asia Pacific Pte Ltd.	Singapore	100	100
ETC South East Asia Pte Ltd.	Singapore	70	70
ILT Singapore	Singapore	100	100
Integrated Lens Technology	Singapore	51	51
Lenscom Optics	Singapore	51	51
Polilyte Asia Pacific Pte Ltd	Singapore	51	51
Plasticplus Pte Ltd.	Singapore	100	100
Unique Ophtalmic PTE Ltd	Singapour	100	100
Polylite Taiwan Optilab	Taiwan	51	51
Essilor Manufacturing (Thaïland) Co Ltd.	Thailand	100	100
Essilor Optical Laboratory Thailand	Thailand	100	100

NOTE 33. LIST OF PROPORTIONATELY-CONSOLIDATED COMPANIES

Company	Country	% voting rights	% interest
Nikon Optical Canada Inc.	Canada	50	50
Tech-Cite Laboratories Co Ltd[a]	Canada	50	50
Chemilens	China	50	43
Beijing Nikon Ophtalmic Products Co Ltd	China	50	50
Chemiglas	South Korea	50	43
Dekovision	South Korea	50	43

(a) 50%-owned by Nikon Optical Canada

Company	Country	% voting rights	% interest
Essilor Korea	South Korea	50	50
Aichi Nikon Company	Japan	50	50
Nasu Nikon Company	Japan	50	50
Nikon-Essilor Company Ltd	Japan	50	50
Nikon & 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	2009	2008
Intangible assets and property, plant and equipment, net	40,534	52,340
Other non-current assets	6,408	6,764
Current assets	77,954	71,974
Non-current liabilities	5,059	6,341
Current liabilities	19,199	21,766

NOTE 34. LIST OF ASSOCIATES

Company	Country	% voting rights	% interest
TRANSITIONS GROUP			
Transitions Optical Pty Ltd.	Australia	49	49
Transitions Optical Do Brazil Limitada	Brazil	49	49
Transitions Optical Inc.	USA	49	49
Transitions Optical India	India	49	49
Transitions Optical Limited	Ireland	49	49
Transitions Optical Japan	Japan	49	49

Company	Country	% voting rights	% interest
Transitions Optical Holdings BV	Netherlands	49	49
Transitions Optical Philippines Inc.	Philippines	49	49
Transitions Optical Singapore	Singapore	49	49
Transitions Optical Thailand	Thailand	49	49
OTHER			
Sperian Protection Group (formerly Bacou-Dalloz)	France	24	15
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	31,122	37,099	(3,893)	48,761	34,727

Note: As allowed under Article 24, paragraph 11, of French decree 83.1020 of November 29, 1983, detailed information by subsidiary is not provided as its disclosure would be prejudicial to the Company's interests.

List of non-consolidated companies

Company	Country	% voting rights	% interest
FRANCE			
Distrilens	France		100
Montroyal	France		64
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
Itallenti	Italy		5
Mec & Ciesse Optical	Italy		70
One Optical	Italy		100
Oftalma s.r.l.	Italy		100
UAB JZP Optika Lituania	Lituania		51
Optika JZO Zoo	Poland		100
Optikos SP Zoo	Poland		96
Neolens SP Zoo	Poland		100
Essilor Optics d.o.o	Serbia		100
Essilor Slovakia s.r.o.	Slovakia		100
JZO Optika Ukraina	Ukraine		51

Company	Country	% voting rights	% interest
NORTH AMERICA			
RD Cherry Inc	USA		25
Encore	USA		30
Essilor Transfer Corporation	USA		100
1234 Acquisition Sub Inc	USA		100
Micro Optical	USA		1
Neuro Vision	USA		10
Nikon Optical US	USA		50
Optical Dimension Inc	USA		80
Ultimate Optical Lab	USA		100
REST OF WORLD			
Precision Optics Pty Ltd	Australia		30
Prescription Safety Glasses Pty Ltd	Australia		51
Sunix Computer Consultants	Australia		50
Wallace Everett Lens Technology Pty Ltd	Australia		33
Unilab	Brazil		10
GBO	Brazil		51
LOOP	Cameroon		40
Tianjing vx Technical School	China		100
Essilor Lens & Spects P Ltd	India		60
Essilab Philippines Inc	Philippines		40
Eyeland	Philippines		39
Optoland	Philippines		100
Polylite Taiwan Co Ltd	Taiwan		11
Chemilens Vietnam	Vietnam		100

20.3.2 2009 PARENT COMPANY KEY FIGURES AND FINANCIAL STATEMENTS

The 2009 parent company 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 2009 parent company financial statements is presented in section 20.4.1.3.

20.3.2.1 Key financial data, year ended December 31, 2009

€ thousands, except for per share data	**2009**	**2008**
INCOME STATEMENT		
Revenue	670,474	714,306
Operating profit	21,897	27,751
Profit before non-operating items and tax	229,335	236,543
Net profit	214,753	239,156
BALANCE SHEET		
Share capital	38,792	37,984
Equity	1,801,489	1,617,996
Net debt	-135,283	34,773
Non-current assets, net	1,776,516	1,765,204
Total assets	2,311,569	2,399,375
Dividend per ordinary share, in €	0.70	0.66

Parent company revenue contracted by 6.1% in 2009. Lens sales in France were up slightly on 2008 but instrument sales were lower. Revenue from lens deliveries by the logistics center declined, reflecting reduced demand from the European subsidiaries, and the Puerto Rican branch's revenue was also down year-on-year.

As expected, operating profit fell 21.1% as a direct result of the decline in revenue, which was not offset by tight control over external charges. Revenue from subsidiaries – corresponding to royalties for the use of production processes owned by Essilor International and various fees – was slightly higher than in 2008.

Net interest income declined year-on-year, mainly due to the debt taken on to finance the end-2008 acquisition of Satisloh which pushed up interest expense. Dividend income from subsidiaries rose compared with 2008.

Net non-operating expense was significantly higher, due to an increase in provisions for contingencies. Following a tax audit at Essilor International, covering the years 2006, 2007 and 2008, the Company was notified of and responded to proposed reassessments for 2006. Without prejudging the final outcome of the audit, a provision for tax risks was set aside in the 2009 accounts.

The income tax benefit recognized in the 2009 income statement reflects the cumulative effect of two developments:

- The Company reported a tax loss from income and expenses taxed at the standard rate, generating a tax benefit for the French tax group.
- Reduced rate tax payable by the Company was less than the tax credits available for set-off (mainly research tax credits).

Net profit for the year was down 10.2% at €214.8 million.

20.3.2.2 **Income statement, year ended December 31, 2009**

€ thousands	Notes	2009	2008
Revenue	2	670,474	714,306
Production transferred to inventory		(1,710)	2,611
Production of assets for own use		5,823	3,797
PRODUCTION		**674,587**	**720,714**
Purchases of materials and change in inventory		278,335	302,228
Other purchases and external charges		198,968	197,769
ADDED VALUE		**197,284**	**220,717**
Taxes other than income tax		20,000	20,748
Personnel expenses	14	241,270	238,425
EBITDA		**(63,985)**	**(38,456)**
Depreciation, amortization and provisions, net	11	(210)	(14,858)
Other income (expenses), net		86,092	81,066
OPERATING PROFIT		**21,897**	**27,751**
NET INTEREST INCOME	3.1	207,438	208,792
PROFIT BEFORE NON-OPERATING ITEMS AND TAX		**229,335**	**236,543**
NET NON-OPERATING INCOME (EXPENSES)	4	(28,694)	(5,660)
Income tax expense	5	(14,111)	(8,274)
NET PROFIT		**214,753**	**239,156**

20.3.2.3 **Balance sheet at December 31, 2009**

ASSETS

		2009			2008
€ thousands	Notes	Cost	Depreciation, amortization, provisions	Net	Net
Intangible assets	6	113,675	63,603	50,072	51,836
Property, plant and equipment	7	309,052	193,256	115,796	120,285
Investments and other non-current assets	8	1,683,193	72,545	1,610,648	1,593,083
NON-CURRENT ASSETS, NET		**2,105,920**	**329,404**	**1,776,516**	**1,765,204**
Inventories	9.1	80,218	17,157	63,061	62,479
Suppliers prepayments	9.2	2,655	8	2,647	2,210
Trade receivables	9.2	169,242	2,220	167,021	163,383
Other receivables	9.2	108,738	437	108,301	59,337
Marketable securities	9.3	187,129		187,129	340,128
Cash		3,418		3,418	1,400
CURRENT ASSETS		**551,400**	**19,822**	**531,578**	**628,937**
Bond redemption premiums	9.4	14		14	376
Prepaid expenses	9.4	2,906		2,906	4,392
Conversion losses		555		555	466
TOTAL ASSETS		**2,660,795**	**349,226**	**2,311,569**	**2,399,375**

EQUITY AND LIABILITIES

€ thousands	Notes	2009	2008
Share capital	10.1	38,792	37,984
Additional paid-in capital		415,321	311,765
Legal reserve		3,803	3,803
Other reserves		1,099,408	998,008
Retained earnings		5,017	3,449
Net profit		214,753	239,156
Government grants		128	91
Untaxed provisions		28,190	26,258
Translation reserve	1.12	(3,922)	(2,518)
EQUITY	10.2	**1,801,489**	**1,617,996**
PROVISIONS FOR CONTINGENCIES AND CHARGES	11.1	**86,870**	**55,611**
Convertible bonds	12.2	54,288	176,919
Other bonds		0	0
Bank borrowings and current account advances from subsidiaries	12.1	783	187,335
Other borrowings	12.1	193	12,047
TOTAL BORROWINGS	12	**55,264**	**376,302**
Advances and deposits from customers	12.1		
Trade payables	12.1	94,626	95,309
Accrued taxes and personnel expenses	12.1	56,482	62,617
Other liabilities	12.1	216,706	191,074
TOTAL PAYABLES AND ACCRUALS		**367,814**	**349,000**
Deferred income		130	466
Conversion gains		1	1
TOTAL EQUITY AND LIABILITIES		**2,311,569**	**2,399,375**

20.3.2.4 **Cash flow statement, year ended December 31, 2009**

€ thousands	**2009**	**2008**
Net profit for the year	214,753	239,156
Elimination of non-cash items	46,882	41,341
Cash flow	261,635	280,497
Change in working capital (a)	(37,003)	33,007
NET CASH FROM OPERATING ACTIVITIES	**224,632**	**313,504**
Purchases of property, plant and equipment	(21,464)	(51,469)
Acquisitions of shares in subsidiaries and affiliates and other investments	(80,086)	(463,342)
New loans extended	(1,253,999)	(1,432,259)
Proceeds from disposals of assets	466	(5,432)
Repayment of loans	1,352,872	1,411,962
NET CASH USED IN INVESTING ACTIVITIES	**(2,211)**	**(540,539)**
Issue of share capital	35,735	32,183
Purchases and sales of treasury stock	(75,622)	(105,506)
Dividends paid	(136,189)	(128,320
Repayment of borrowings	(378,138)	(208)
New borrowings raised	185,247	192,946
NET CASH USED BY FINANCING ACTIVITIES	**(368,968)**	**(8,904)**
Change in cash and cash equivalents	(146,547)	(235,939)
Cash and cash equivalents at January 1	336,436	572,376
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**189,889**	**336,436**

(a) Changes in working capital are as follows:

€ thousands	**2009**	**2008**	**Change**
Prepayments to suppliers	2,647	2,210	(437)
Inventories	63,061	62,479	(582)
Operating receivables	182,150	181,461	(689)
Other receivables	87,969	39,461	(48,508)
Accrued interest on loans and dividends receivable	1,865	552	(1,313)
Advances and deposit from customers	0	0	0
Operating liabilities	(223,629)	(233,011)	(9,382)
Other liabilities	(138,982)	(114,190)	24,792
Accrued interest	(507)	(2,452)	(1,945)
Deferred income, prepaid expenses and conversion gains and losses	3,330	4,391	1,061
WORKING CAPITAL	**(22,096)**	**(59,099)**	**(37,003)**

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

20.3.2.5 Notes to the 2009 Parent Company Financial Statements

The following notes provide additional information about items reported in the balance sheet at December 31, 2009, which shows total assets of €2,311,569 thousand.

The income statement shows net profit of €214,753 thousand.

The financial statements cover the 12-month period from January 1 to December 31, 2009.

The parent company is Essilor International ("Essilor").

Note: all amounts are presented in thousands of euros, unless otherwise specified.

SIGNIFICANT EVENTS OF THE YEAR

Revenue

Lens sales in France rose slightly in 2009 but instrument sales fell due to the delayed launch of the new Mr Blue edger. Revenue from lens deliveries by the logistics center was down from the previous year, reflecting decreased demand from the European subsidiaries.

The Puerto Rican branch's revenue contracted compared with 2008.

Financial transactions

Treasury stock transactions

During the year, the Company bought back 2,179,698 Essilor International shares, under the share buyback policy implemented since 2003 to help offset the dilutive impact of Oceane bond conversions and to support stock option plans. At its November 26, 2009 meeting, the Board of Directors decided to cancel 1,500,000 shares, leading to a €270,000 capital reduction. Also during the year, 4,548,690 shares were delivered out of treasury stock in exchange for 2,274,345 Oceane bonds presented for conversion by their holders. At December 31, 2009, a total of 4,630,653 shares were held in treasury.

Acquisitions

As part of its external growth strategy, Essilor International has consolidated its presence in Europe, Asia and Africa with a series of acquisitions, as follows:

- In the United Kingdom, Essilor acquired a majority interest in Wholesale Lens Corporation Limited, a Croydon-based wholesaler of ophthalmic lenses with annual revenue of €9.5 million. The Company also acquired a 95% interest in Horizon, a Bedfordshire-based laboratory with annual revenue of €3.4 million.
- In Japan, Essilor and Nikon Corporation created the Kanagawa-based Nikon Essilor International Joint Research Center, which they hold on a 50/50 basis.
- In South Africa, Essilor expanded its operations by acquiring the Durban-based prescription laboratory Vision Optics with annual revenue of €0.7 million.

Human resources

On November 26, 2009 the Board of Directors decided to make 601,756 performance share grants. These shares vest in two to six years, provided that the Essilor International share price is above €38.96. A provision was booked to cover the cost of the grants.

The Company's employee benefit obligations were fully covered by provisions at the year-end.

Income tax

The income tax benefit recognized in the 2009 income statement reflects the cumulative effect of two developments:

- The Company reported a tax loss from income and expenses taxed at the standard rate, generating a tax benefit for the French tax group.
- Reduced rate tax payable by the Company was less than the tax credits available for set-off (mainly research tax credits).

Following a tax audit at Essilor International covering the years 2006, 2007 and 2008, the Company responded to proposed reassessments and, at the end of the year, was waiting to hear the tax administration's final position.

NOTE 1. ACCOUNTING POLICIES

1.1. GENERAL INFORMATION

The Company financial statements have been prepared in accordance with the French 1999 General Accounting Plan and generally accepted accounting principles.

1.2. INTANGIBLE ASSETS

Intangible assets correspond primarily to purchased goodwill, concessions, patents, licenses and software. They are stated at cost. Book amortization is calculated by the straight-line method over the following estimated useful lives:

Software	1 to 10 years
Patents	Period of legal protection

Qualifying software development costs are capitalized only when it is probable that they will generate future economic benefits. Qualifying costs include the costs of organic analyses, programming, tests and test decks, documentation, parameterization and the preparation of the software for its intended use, that are evidenced by invoices (external developers) or time sheets (internal developers).

Intangible assets are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

When the test shows that an asset's recoverable amount is less than its carrying amount, a provision for impairment is recorded. The recoverable amount of an asset is the higher of its fair value and value in use.

The initial cost of the asset includes related transaction costs.

1.3. RESEARCH AND DEVELOPMENT COSTS

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company'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 Company's ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Instrument 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. Assets acquired prior to December 31, 1976 that were included in the 1978 legal revaluation are stated at revalued 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.

All internal and external costs of producing items of property, plant and equipment are capitalized, with the exception of administrative, start-up and pre-operating costs.

Property, plant and equipment are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

When the test shows that an asset's recoverable amount is less than its carrying amount, a provision for impairment is recorded. The recoverable amount of an asset is the higher of its fair value and value in use.

The initial cost of the asset includes related transaction costs.

1.5. INVESTMENTS AND OTHER NON-CURRENT ASSETS

Shares in subsidiaries and affiliates are stated at acquisition cost. The cost of investments acquired prior to December 31, 1976 that were included in the 1978 legal revaluation, corresponds to revalued cost. The revaluation difference originally credited to reserves was transferred to the capital account in 1980. The initial cost of shares in subsidiaries and affiliates includes related transaction costs.

The value in use of shares in subsidiaries and affiliates is estimated each year, generally on the basis of the investee's net assets and earnings outlook.

Loans and receivables are stated at nominal value. Foreign currency loans and receivables are converted into euros at the year-end at the closing exchange rate or the hedging rate. Provisions are recorded to cover any risk of non-recovery.

Essilor International 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.

For other investments, a provision for impairment is recorded when their recoverable amount, defined as the higher of its fair value and value in use, is less than their carrying amount.

1.6. INVENTORIES

Raw materials and goods inventories are stated at cost, including incidental expenses, determined by the weighted average cost method. Finished products, semi-finished products and work in progress are stated at actual production cost, which includes the cost of raw materials and direct and indirect production costs.

At each period-end, inventories are written down to net realizable value where applicable. Net realizable value is determined by reference to market prices, sales prospects and the risk of obsolescence, assessed on the basis of objective inventory levels.

1.7. RECEIVABLES AND PAYABLES

Receivables and payables are stated at nominal value. Foreign currency receivables and payables are converted into euros at the year-end exchange rate or the hedging rate. Receivables are written down when their net realizable value, estimated by reference to the risk of non-recovery, is less than their carrying amount.

1.8. MARKETABLE SECURITIES

Marketable securities, consisting primarily of units in Sicav mutual funds and retail certificates of deposit, are stated at cost.

This item also includes Essilor International shares acquired under the Company's liquidity contract.

A provision is recorded if the net asset value of the mutual fund units represents less than their cost.

1.9. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used only to hedge risks on commercial transactions and identified foreign currency receivables and payables. They include forward exchange contracts and currency options.

The Company uses derivative financial instruments solely for hedging purposes. All currency transactions are subject to pre-determined position limits designed to optimize the protection afforded by the hedges. The Company's interest rate management policy consists of hedging interest rate risks.

Gains and losses on hedging instruments are recognized in the year in which they are settled, on a symmetrical basis with the loss or gain on the hedged item. They are based on the forward rate at the balance sheet date for the remaining period to maturity. If hedging positions at the year-end exceed the currency positions reflected in the balance sheet, a provision is recorded for the estimated cost of unwinding the hedges.

1.10. FOREIGN CURRENCY TRANSACTIONS

Substantially all foreign currency transactions are hedged and are converted into euros at the hedging rate. Any transactions that are not hedged are converted at the exchange rate on the transaction date.

At the year-end, unhedged foreign currency receivables and payables are converted at the closing exchange rate. The difference arising on conversion is recorded under "Conversion losses" or "Conversion gains" on the assets or liabilities side of the balance sheet.

A provision is booked for conversion losses.

Foreign currency bank balances are converted at the month-end exchange rate.

1.11. PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

Employee plans

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

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

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

- The projected benefit obligation, corresponding to the vested rights of active and retired employees, is determined by the projected unit credit method, based on estimated final salaries, actuarial assumptions concerning inflation, staff turnover rates and the rate of future salary increases, and an appropriate discount rate.
- The discount rate corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation.
- In cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets.
- Actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in profit by the corridor method. This method consists of amortizing over the expected average remaining service lives of plan participants only the portion of the net cumulative gain or loss that exceeds the greater of 10% of either the projected benefit obligation or the fair value of the plan assets.
- When a company introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan and rights under the new or modified plan are unvested, the related change in the company's obligation is recognized in profit on a straight-line basis over the expected average remaining service lives of the plan participants. When rights under the new or modified plan vest immediately, the resulting change in the company's obligation is recognized in profit immediately.
- Provisions recorded in the balance sheet correspond to the projected benefit obligation less the fair value of any plan assets, the value of unrealized actuarial gains and losses and unrecognized past service cost.

1.12. FOREIGN CURRENCY TRANSLATION

The financial statements of the American branch, Essilor Industries – which is considered as representing an independent entity – are prepared in US dollars and translated into euros as follows:

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

Balance sheet items are translated at the December 31 exchange rate, except for:

- Reserves, which are translated at the historical rate
- Net profit, which is translated at the hedging rate.

The difference arising on translation is recorded in equity under "Translation reserve".

1.13. CORPORATE INCOME TAX (GROUP RELIEF)

Essilor International files a consolidated tax return with BBGR, Optim, Invoptic, Varilux University, Novisia, Essidev, OSE, Tikai Vision, BNL Eurolens, Delamare Sovra and OMI and pays the corporate income tax due by the tax group.

Each company in the tax group records the income tax charge that would apply if it were not a member of the tax group. This has no impact on the parent company accounts.

In 2008, the corporate income tax benefit generated by the tax group amounted to €5,854 thousand.

In 2009, the corporate income tax due by the tax group amounted to €16,023 thousand.

The tax savings arising from the use of the tax losses of tax group members, which are returnable to them by Essilor International if and when they return to profit, are recognized as a liability in the Company's balance sheet, for an amount of €2,951 thousand at December 31, 2009.

1.14. RECOGNITION AND MEASUREMENT OF PROVISIONS

Untaxed provisions

These mainly comprise provisions for excess tax depreciation.

Provisions for contingencies and charges

A provision is recognized when the Company has an obligation towards a third party and it is probable or certain that an outflow of resources generating economic benefits will be necessary to settle the obligation without any benefit of at least equivalent value being expected in return.

Contingent liabilities are not recognized in the balance sheet but are disclosed in the notes to the financial statements unless the probability of an outflow of resources generating economic benefits is remote.

Provisions for customer warranties

The provision is calculated:

- By multiplying revenue for the warranty period by a percentage corresponding to the ratio of average annual warranty costs to annual revenue, or
- When the estimated product return period is shorter, by multiplying revenue for the estimated return period by a percentage corresponding to the ratio of average annual warranty costs to annual revenue.

Provisions for treasury shares

- Shares held under stock option plans: Essilor International shares held by the Company for allocation on exercise of stock options are carried at cost under "Other long-term investments". Where applicable, a provision is recorded to cover the difference between the option exercise price and the weighted average price of the corresponding shares held at the year-end.

Performance shares: a provision is recorded for the cost of performance shares, corresponding to the estimated number of shares that are expected to vest multiplied by the weighted average price of the Essilor International shares held in treasury at the year-end. The estimate takes into account staff turnover rates and share price assumptions

Effective from 2008, this provision is recognized over the performance share vesting period in accordance with standard CRC 2008-15 issued on December 4, 2008, as one of the vesting conditions is the grantee's continued employment by the Company.

Provisions for losses from subsidiaries and affiliates

A provision is booked for losses on subsidiaries and affiliates that have a negative net worth, corresponding to:

- The Company's equity in the investee's negative net worth if Essilor has unlimited joint and several liability for its debts, or
- Essilor's commitment, in all other cases.

1.15. BONDS

In July 2003, the Company carried out an Oceane convertible bond issue with the aim of diversifying its financing sources and reducing its average borrowing costs. The Oceane bonds were initially convertible and/or exchangeable for Essilor International shares on a one-for-one basis. Following the July 2007 two-for-one stock-split, the conversion ratio is now two shares per bond. Essilor International may choose to issue new shares or allot existing shares for the bonds. The redemption premium on these bonds is being amortized by the reducing balance method over seven years.

NOTE 2. REVENUE

2.1. NET REVENUE BY BUSINESS SEGMENT

2009 *€ thousands*	France	Export	Total	% change /2008
Corrective lenses	297,560	205,221	502,781	-5.0%
Optical instruments	30,789	47,072	77,861	-3.9%
Industrial equipment	4,538	27,704	32,242	-13.7%
Other	14,304	43,286	57,590	-13.6%
TOTAL	**347,191**	**323,283**	**670,474**	**-6.1%**

2008 *€ thousands*	France	Export	Total	% change /2007
Corrective lenses	298,416	230,784	529,200	-1.3%
Optical instruments	31,649	49,401	81,051	-12.6%
Industrial equipment	2,187	35,176	37,363	-10.9%
Other	22,322	44,370	66,692	36.3%
TOTAL	**354,575**	**359,731**	**714,306**	**-0.7%**

2.2. BREAKDOWN BETWEEN INTERCOMPANY AND EXTERNAL SALES, FRANCE AND EXPORT

€ thousands	2009	2008	% change 2009/2008
France:			
- Intercompany	39,045	45,406	-14.0%
- External	308,146	309,169	-0.3%
Sub-total	347,191	354,575	-2.1%
Export:			
- Intercompany	280,575	304,215	-7.8%
- External	42,707	55,516	-23.1%
Sub-total	323,283	359,731	-10.1%
TOTAL	**670,474**	**714,306**	**-6.1%**

NOTE 3. NET INTEREST INCOME

3.1. NET INTEREST INCOME

€ thousands	2009	2008
Interest expense	(8,518)	(4,525)
Interest income	223,707	235,642
Net discounts	(2,881)	(2,698)
Provisions for losses on subsidiaries	(6,529)	(15,281)
Exchange gains and losses, net	1,753	(53)
Other	(94)	(4,292)
TOTAL	**207,438**	**208,792**

Interest income	2009	2008
Dividends	215,954	209,376
Investment income	5,174	19,339
Interest income from loans	2,578	6,927
Other financial income	0	0
TOTAL	**223,707**	**235,642**

3.2. RELATED PARTY TRANSACTIONS

	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Unrelated parties	TOTAL
INCOME STATEMENT				
Interest expense[(a)]	23,918	1,021	42,486	67,425
Interest income[(b)]	178,694	51,254	44,915	274,863

(a) Financial expense breaks down as follows:
Financial expense reported under "Related parties" corresponds mainly to impairment losses on shares in subsidiaries, interest on advances from the cash pool and interest on borrowings.
Financial expense reported under "Other companies with which Essilor has capital ties" corresponds mainly to impairment losses on shares in affiliates.
Financial expense reported under "Unrelated parties" corresponds mainly to impairment losses on treasury shares, interest on borrowings and customer discounts.

(b) Financial income breaks down as follows:
Financial income reported under "Related parties" corresponds mainly to dividend income, reversals of impairment losses on shares in subsidiaries, and interest on loans.
Financial income reported under "Other companies with which Essilor has capital ties" corresponds mainly to reversals of impairment losses on shares in affiliates.
Financial income reported under "Unrelated parties" corresponds mainly to capital gains on the sale of marketable securities (mutual fund units and retail certificates of deposit), interest income from marketable securities, interest on loans and reversals from provisions for performance share costs.

NOTE 4. NON-OPERATING ITEMS

€ thousands	**2009**	**2008**
REVENUE TRANSACTIONS	**(658)**	**(503)**
Other income and expenses from revenue transactions	(115)	(139)
Restructuring costs	(543)	(364)
CAPITAL TRANSACTIONS	**(1,924)**	**(1,350)**
Disposals of investments	(1,152)	(1,643)
Other income and expenses from capital transactions	(772)	293
PROVISION MOVEMENTS	**(26,111)**	**(3,808)**
Untaxed provisions	(1,933)	(2,392)
Restructuring provisions[(a)]	724	(2,477)
Provisions for impairment in value of intangible assets		
Provisions for impairment in value of investments	1,152	874
Other	(26,054)	188
TOTAL	**(28,694)**	**(5,660)**

(a) Restructuring costs concern the reorganization plan announced at the end of 2008, involving two prescription lens plants.

NOTE 5. INCOME TAX EXPENSE

5.1. PROFIT BEFORE ENTRIES RECORDED FOR TAX PURPOSES

€ thousands	**2009**	**2008**
Net profit	214,753	239,156
Income tax expense	(14,111)	(8,274)
Pre-tax profit	200,641	230,882
Change in untaxed provisions	1,933	4,642
Profit before tax and entries recorded for tax purposes	202,574	235,524

Profit for 2009 includes €215.96 million worth of dividends and €49,40 million worth of royalties that are taxed at a reduced rate.

5.2. ANALYSIS OF INCOME TAX EXPENSE

Income tax expense breaks down as follows between operating and non-operating items:

€ thousands	Before tax	Tax	After tax
2009			
Profit before non-operating items and tax	229,335	13,243	242,578
Non-operating income (expenses), net	(28,694)	868	(27,825)
NET PROFIT			**214,753**

€ thousands	Before tax	Tax	After tax
2008			
Profit before non-operating items and tax	236,543	7,152	243,695
Non-operating income (expenses), net	(5,660)	1,122	(4,538)
NET PROFIT			**239,156**

5.3. UNRECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

ASSETS

No deferred tax assets are recognized in the balance sheet.

€ thousands	2009	2008
Pension plan	26,242	39,435
Provisions for vacation pay[(a)]	11,179	10,868
Convertible bonds (amortization of redemption premiums)	2,392	7,466
Impairment of investments in subsidiaries and affiliates	72,238	64,969
Others[(b)]	33,864	34,947
TOTAL	**145,914**	**157,685**
Tax loss carryforwards[(c)]	**16,023**	**0**
Unrecognized deferred tax asset (34.43% tax rate)	55,755	54,291

(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) “Others” corresponds mainly to the provision for losses on AGA shares in an amount of €23,092 thousand,

(c) The Company believes it will be able to use its tax loss carryforwards.

EQUITY AND LIABILITIES

No deferred tax liabilities are recognized in the balance sheet. Recognition of deferred taxes on timing differences would have the effect of increasing income tax expense by €9,750 thousand as follows:

€ thousands	At Dec. 31, 2007	Increase 2008	Decrease 2008	At Dec. 31, 2008	Increase 2009	Decrease 2009	At Dec. 31, 2009
Provisions for:							
- Excess tax depreciation	21,617	8,939	4,297	26,259	7,253	5,321	28,191
- Other	173	(82)		90	37		128
TOTAL	**21,789**	**8,856**	**4,297**	**26,349**	**7,290**	**5,321**	**28,319**
Unrecognized deferred tax liability (34.43% tax rate)	7,502			9,072			9,750

NOTE 6. INTANGIBLE ASSETS

€ thousands	At January 1	Acquisitions	Disposals	Other movements	Amortization and impairment losses for the period	Reversals of amortization and impairment losses	At December 31
2009							
Development costs	2,138	13		430			2,580
Patents, trademarks and licenses	82,911	1,701	186	6,997			91,423
Purchased goodwill	434						434
Other intangible assets	21,801	5,288	407	(7,445)			19,237
GROSS	**107,284**	**7,002**	**594**	**-18**			**113,675**
Amortization and provisions	55,449				8,747	594	63,603
CARRYING AMOUNT	**51,835**						**50,072**
2008							
Development costs	2,095			43			2,138
Patents, trademarks and licenses	77,606	4,456	2,523	3,372			82,911
Purchased goodwill	434						434
Other intangible assets	3,882	21,250		(3,331)			21,801
GROSS	**84,017**	**25,706**	**2,523**	**84**			**107,284**
Amortization and provisions	46,268				11,698	2,517	55,449
CARRYING AMOUNT	**37,750**						**51,835**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

€ thousands	At January 1	Acquisitions	Disposals	Other movements	Depreciation and impairment losses for the period	Reversals of depreciation and impairment losses	At December 31
2009							
Land	13,564	60	27	189			13,786
Buildings	115,228	2,072	1,457	1,736			117,578
Plant and equipment	115,755	6,700	5,582	6,681			123,553
Other	45,923	1,060	1,475	184			45,692
Assets under construction	12,946	4,500	18	(9,250)			8,178
Advance payments to suppliers	385	190		(310)			265
GROSS	**303,801**	**14,581**	**8,559**	**(770)**			**309,052**
Depreciation and provisions	183,516				16,354	6,613	193,256
CARRYING AMOUNT	**120,285**						**115,796**
2008							
Land	12,106	1,537	358	279			13,564
Buildings	105,950	6,236	3,581	6,623			115,228
Plant and equipment	104,382	9,568	5,036	6,840			115,755
Other	46,881	2,046	3,119	115			45,923
Assets under construction	15,331	10,228	46	(12,567)			12,946
Advance payments to suppliers	704	306		(625)			385
GROSS	**285,353**	**29,921**	**12,139**	**665**			**303,801**
Depreciation and provisions	173,297				21,614	11,396	183,516
CARRYING AMOUNT	**112,056**						**120,285**

NOTE 8. INVESTMENTS AND OTHER NON-CURRENT ASSETS

8.1. ANALYSIS

€ thousands	At January 1	Acquisitions	Disposals	Other movements	Impairment losses for the period	Reversals of impairment losses	At December 31
2009							
Shares in subsidiaries and affiliates	1,318,936	4,197	72	67,353			1,390,414
Loans to subsidiaries and affiliates [(a)] (advances on share issues)	172,061	1,287,281	1,314,775	(39,862)			104,705
Other long-term investments (Essilor International shares)	156,301	132,047	110,874	0			177,474
Other loans	44	0	0	0			44
Other non-current assets[(b)]	32,153	30,139	24,244	(27,491)			10,557
GROSS	**1,679,494**	**1,453,664**	**1,449,965**	**0**			**1,683,193**
Provisions	**86,411**				**15,012**	**28,878**	**72,545**
CARRYING AMOUNT	**1,593,083**						**1,610,648**

(a) Acquisitions and disposals correspond mainly to the rollover of loans to subsidiaries.
(b) Interest-bearing escrow deposit: Satisloh.

€ thousands	At January 1	Acquisitions	Disposals	Other movements	Impairment losses for the period	Reversals of impairment losses	At December 31
2008							
Shares in subsidiaries and affiliates[(a)]	903,162	398,568	5,961	23,167			1,318,936
Loans to subsidiaries and affiliates [(b)] (advances on share issues)	135,718	1,447,881	1,401,165	(10,372)			172,061
Other long-term investments (Essilor International shares)	104,803	167,526	116,030	0			156,300
Other loans	86	0	42	0			44
Other non-current assets[(c)]	1,502	43,567	121	(12,795)			32,153
GROSS	**1,145,271**	**2,057,542**	**1,523,319**	**0**			**1,679,493**
Provisions	**58,334**				**35,753**	**7,676**	**86,411**
CARRYING AMOUNT	**1,086,936**						**1,593,082**

(a) Acquisitions:
- Acquisition of the entire capital of Satisloh Holding AG for €360 million.
- Acquisition of 80% of Omega Lenses Commercial for €16 million.
- Acquisition of the entire capital of Oftalmica Galiléo Italia SPA for €15.8 million.

Disposals:
- Liquidation of TAO (carrying amount of shares: €4 million.
- Liquidation of VIP (carrying amount of shares: €1.8 million).

(b) Acquisitions and disposals correspond mainly to the rollover of loans to subsidiaries.
(c) Interest-bearing escrow deposits: Satisloh and Galiléo.

8.2. SUBSIDIARIES AND AFFILIATES

Investments with a gross carrying value 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	76,030	799,753	235,876	228,662	6,000	20,168	321,229	42,259	46,396
International companies	252,137	945,687	1,153,137	1,088,171	52,455	503,528	3,887,074	395,744	166,275
LESS THAN 1% OF THE COMPANY'S CAPITAL									
French companies	80	948	80	80	15,000	657	15,225	521	1,550
International companies	12,203	12,331	1,321	1,262	8,107	9,395	62,983	2,331	1,733

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.

Additional information is provided in the consolidated financial statements, by geographic area.

8.3. RELATED PARTY TRANSACTIONS

	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Other	Total
INVESTMENTS (NET)				
Shares in subsidiaries and affiliates	1,244,579	73,475	0	1,318,054
Loans to subsidiaries and affiliates	102,550	2,155	0	104,705
TOTAL INVESTMENTS (NET)	**1,347,129**	**75,630**	**0**	**1,422,759**

8.4. ANALYSIS OF LONG-TERM LOANS AND RECEIVABLES BY MATURITY

€ thousands	**2009**	**2008**
More than one year	4,007	7,959
Less than one year	111,299	196,298
TOTAL	**115,305**	**204,257**

NOTE 9. CURRENT ASSETS

9.1. INVENTORIES

€ thousands	2009	2008
Raw materials and other suppliers	39,389	37,696
Goods for resale	7,428	7,188
Finished and semi-finished products and work in progress	33,401	35,018
Sub-total	80,218	79,903
Provisions	(17,157)	(17,423)
TOTAL	**63,061**	**62,479**

9.2. ANALYSIS OF OPERATING RECEIVABLES BY MATURITY

€ thousands	2009
More than one year	**186**
Prepayments to suppliers	0
Trade receivables	0
Other receivables	186
Less than one year	**280,448**
Prepayments to suppliers	2,655
Trade receivables	169,242
Other receivables	108,551
TOTAL	**280,635**

9.3. MARKETABLE SECURITIES

	2009		2008	
€ thousands	Cost	Net	Cost	Net
SICAV mutual funds	186,957	186,957	319,921	319,921
Essilor International shares[(a)]	0	0	0	0
Currency options	173	173	207	207
TOTAL	**187,129**	**187,129**	**320,128**	**320,128**
Retail certificates of deposit	0	0	20,000	20,000
TOTAL MARKETABLE SECURITIES	**187,129**	**187,129**	**340,128**	**340,128**

(a) Held under the liquidity contract

9.4. ACCRUALS

€ thousands	2009	2008
Prepaid expenses		
TOTAL	**2,906**	**4,392**

€ thousands	2009	2008
Oceane bonds redemption premium[a]		
VALUE AT JANUARY 1	**376**	**1,077**
Amortizations	361	701
VALUE AT DECEMBER 31	**14**	**376**

(a) The redemption premium (€14 million) is being amortized by the reducing balance method over 7 years

9.5. RELATED PARTY TRANSACTIONS

	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Other	Total
CURRENT ASSETS (NET)				
Trade receivables	86,741	6,532	73,748	167,021
Other receivables	61,549	4,292	42,460	108,301
TOTAL CURRENT ASSETS (NET)	**148,290**	**10,824**	**116,208**	**275,321**

9.6. ACCRUED INCOME

€ thousands	2009	2008
Investments and other non-current assets		
Loans to subsidiaries and affiliates	2,004	420
Receivables		
Trade receivables	21,094	11,134
Other receivables	5,075	4,803
TOTAL	**28,173**	**16,356**

NOTE 10. EQUITY

10.1. SHARE CAPITAL

Number of shares, except for per share data	Number of shares: At January 1	Issued	Cancelled	Exchanged	At December 31	Par value *in €*
Ordinary shares	211,019,922	5,990,050	-1,500,000		215,509,972	0.18
Preferred, non-voting shares	0				0	
TOTAL	**211,019,922**	**5,990,050**	**-1,500,000**	**0**	**215,509,972**	**0.18**

Of which treasury stock:

Number of shares	At January 1	Bought back	Canceled	Allocated on exercise of stock options	Allocated on conversion of Oceane bonds	Vested performance shares	At December 31
Treasury stock	4,006,005	2,179,698	(1,500,000)	(52,724)	0	(2,326)	4,630,653
Shares held in the liquidity account[(a)]	0						0
TOTAL	**4,006,005**	**2,179,698**	**(1,500,000)**	**(52,724)**	**0**	**(2,326)**	**4,630,653**

(a) A total of 3,961,848 Essilor International shares were purchased and sold between January 1 and December 31, 2009 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 reserve	Total equity
EQUITY AT JANUARY 1, 2009	**37,984**	**311,765**	**1,005,260**	**239,156**	**26,258**	**91**	**(2,518)**	**1,617,996**
Share issues								
- Employee rights issue	119	18,329						18,449
- Exercise of stock options	140	18,497						18,637
- Oceane bond conversions	819	120,909						121,728
Capital reduction	(270)	(54,179)						(54,449)
Other movements for the period					1,933	37	(1,404)	566
Appropriation of profit			239,156	(239,156)				0
Dividends paid			(136,189)					(136,189)
Net profit for the period				214,753				214,753
EQUITY AT DECEMBER 31, 2009	**38,792**	**415,321**	**1,108,228**	**214,753**	**28,190**	**128**	**(3,922)**	**1,801,489**

2009

During 2009, the issued capital was raised to €38,792 thousand, reflecting a net increase of 4,490,050 in the number of ordinary shares outstanding, as follows:

- Capital reduction through the cancellation of treasury shares (- 1,500,000 shares)
- Issuance of shares to the Essilor Corporate Mutual Fund (+ 662,646 shares)
- Issuance of shares on exercise of stock options (+ 778,714 shares)
- Conversion of Oceane bonds (+ 4,548,690 shares).

The new shares carried dividend rights as from January 1, 2009.

2008

During 2008, the issued capital was reduced to €37,984 thousand, reflecting a net decrease of 259,393 in the number of ordinary shares outstanding, as follows:

- Capital reduction through the cancellation of treasury shares (- 1,600,000 shares)
- Issuance of shares to the Essilor Corporate Mutual Fund (+ 720,144 shares)
- Issuance of shares on exercise of stock options (+ 452,913 shares)
- Conversion of Oceane bonds (+ 167,550 shares).

The new shares carried dividend rights as from January 1, 2008.

NOTE 11. PROVISIONS

11.1. PROVISIONS FOR CONTINGENCIES AND CHARGES

€ thousands	At January 1	Charges	Utilizations	Releases (surplus provisions)	At December 31
2009					
Provisions for pensions and other post-employment benefits	33,932	2,524	15,355	11	21,089
Provisions for losses in subsidiaries and affiliates	223	1,126	0	223	1,126
Provision for losses on treasury shares and for performance share costs	10,071	18,399	1,430	0	27,040
Provisions for restructuring	368	0	255	0	113
Other provisions for contingencies and charges	11,016	31,404	4,847	72	37,502
TOTAL	**55,611**	**53,454**	**21,888**	**306**	**86,870**
2008					
Provisions for pensions and other post-employment benefits	34,260	1,005	1,182	152	33,932
Provisions for losses in subsidiaries and affiliates	746	223	746	0	223
Provision for losses on treasury shares and for performance share costs	29,299	0	3,099	16,128	10,071
Provisions for restructuring	497	240	364	5	368
Other provisions for contingencies and charges	10,073	5,163	4,158	61	11,016
TOTAL	**74,875**	**6,631**	**9,549**	**16,347**	**55,611**

11.2. PROVISIONS FOR IMPAIRMENT

€ thousands	At January 1	Charges	Releases	At December 31
2009				
PROVISIONS FOR IMPAIRMENT	**106,611**	**34,059**	**48,304**	**92,367**
Inventories	17,423	17,157	17,423	17,157
Receivables	2,768	1,891	2,002	2,657
Shares in subsidiaries and affiliates	65,092	15,012	7,744	72,360
Other long-term investments[(a)]	21,319	0	21,134	185
Other	8			8

2008				
PROVISIONS FOR IMPAIRMENT	**77,179**	**55,178**	**25,747**	**106,611**
Inventories	17,077	17,423	17,077	17,423
Receivables	1,759	2,002	993	2,768
Shares in subsidiaries and affiliates	58,334	14,433	7,676	65,092
Other long-term investments[(a)]	0	21,319	0	21,319
Other	8			8

(a) The provision for impairment of treasury stock recorded in 2008 was reversed in full in 2009 for an amount of €20.8 million.

NOTE 12. LIABILITIES

12.1. MATURITIES OF LIABILITIES

Analysis of total liabilities by maturity and by category

€ thousands	**2009**	**2008**
DUE WITHIN ONE YEAR	**422,371**	**548,067**
Borrowings	55,264	200,631
Operating liabilities	228,833	234,810
Other liabilities[(a)]	138,274	112,626
DUE IN ONE TO FIVE YEARS	**708**	**177,234**
Borrowings		175,671
Operating liabilities		
Other liabilities	708	1,563
DUE BEYOND FIVE YEARS	**0**	**0**
Borrowings		
Operating liabilities		
Other liabilities		
TOTAL	**423,079**	**725,301**

(a) "Other liabilities" consist mainly of current account advances from subsidiaries for €131.2 million.

Analysis by maturity (total liabilities)

€ thousands	**2009**	**2008**
2006		
2007		
2008		
2009		548,067
2010	422,371	176,526
2011	708	708
Beyond 2011		

Analysis by currency (borrowings)

€ thousands	**2009**	**2008**
EUR	55,264	315,226
USD	0	61,076
GBP		

12.2. CONVERTIBLE BONDS

Number of bonds, except otherwise stated	2009	2008
Number of bonds issued	6,040,212	6,040,212
Number of bonds converted	5,033,646	2,759,301
Number of bonds outstanding	1,006,566	3,280,911
Nominal value *(in €)*	51.15	51.15
Annual interest *(in € thousands)*	1,654	2,515

Note: Redemption premiums carried in the balance sheet are being amortized by the reducing balance method over 7 years. The remaining period is 0.5 years.

12.3. RELATED PARTY TRANSACTIONS

	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Other	Total
LIABILITIES				
Trade payables	32,938	6,365	55,323	94,626
Other operating liabilities	11,779	3	122,426	134,207
Other liabilities	137,134	0	1,848	138,982
TOTAL LIABILITIES	**181,851**	**6,368**	**179,596**	**367,815**

12.4. ACCRUED CHARGES

€ thousands	2009	2008
Accrued interest	758	2,822
Trade payables (goods and services received but not yet invoiced)	27,883	22,527
Accrued taxes and personnel expenses		
- vacation pay	27,860	26,783
- discretionary profit-sharing	4,304	3,682
- other	14,481	14,464
Other accrued charges	77,725	76,885
TOTAL	**153,011**	**147,162**

€ thousands	2009	2008
Other accrued charges		
- Accrued customer discounts and rebates	65,074	68,052
- Amounts due to customers	5,203	1,799
- Credit notes to be issued	7,448	7,033
TOTAL	**77,725**	**76,885**

NOTE 13. OFF-BALANCE SHEET COMMITMENTS

13.1. FINANCIAL COMMITMENTS

Commitments given and received

€ thousands	2009	2008
COMMITMENTS GIVEN		
Guarantees[(a)]	593,854	493,674
COMMITMENTS RECEIVED		
Guarantees	205	480

(a) Guarantees given by Essilor International mainly to subsidiaries and associates.

Forward foreign exchange contracts

At December 31, 2009, forward sales of foreign currencies, excluding cross-currency swaps, totaled €191,225 thousand and forward purchases amounted to €91,797 thousand.

€ thousands	Forward equivalent of notional	Equivalent at market rate on December 31, 2009	Fair value at December 31, 2009
Foreign currency sell position	191,225	194,016	(2,791)
Foreign currency buy position	(91,797)	(93,041)	1,244
TOTAL			**(1,547)**

Currency options

At December 31, 2009, currency options were as follows:

€ thousands	Forward equivalent of notional (strike price)	Premiums paid/received at inception	Mark-to-market adjustment at December 31, 2009[(b)]	Mark-to-market gains/(losses) since inception at December 31, 2009
Purchases of puts	34,286	0	(114)	114
Sales of puts[(a)]				
Purchases of calls	(4,977)	(173)	(185)	12
Sales of calls[(a)]				
TOTAL		**(173)**	**(299)**	**126**

(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, 2009.

Interest rate swap

In 2007, the Company arranged euro-denominated, fixed rate financing for its US subsidiary, Essilor of America. The debt was hedged by a cross currency swap (euro/USD fixed/variable rate) on a notional amount of €250 million. The swap qualifies as a fair value hedge of interest rate and currency risks on the underlying debt.

In 2008, the interest rate was fixed through a swap.

€ thousands	Notional amount (USD)	Notional amount (EUR)	Fair value at December 31, 2009
External cross-currency swaps	328,375	250,000	38,422
Internal cross-currency swaps	328,375	250,000	(38,317)
Interest rate swaps	328,375		(4,877)
TOTAL			**(4,772)**

13.2. FINANCE LEASE COMMITMENTS

The Company has not had any commitments under finance leases since 2006.

13.3. COMMITMENTS UNDER NON-CANCELABLE OPERATING LEASES AND OTHER CONTRACTS

	Future minimum payments			
Contractual obligations at December 31, 2009 *€ thousands*	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**	**Total**
User rights				
Software licenses	855	708		1,563
Non-cancelable operating leases	3,100	12,400		15,500
TOTAL	**3,955**	**13,108**	**0**	**17,063**

13.4. EMPLOYEE BENEFIT COMMITMENTS

Supplementary pensions

The Company's obligations under supplementary pension plans in favor of management and certain other long-serving employees were revalued in 2009, using the projected unit credit method, based on a 2% inflation rate, an appropriate staff turnover rate, a 3% rate of salary increases (higher than inflation), and a discount rate of 5%.

On this basis, the total obligation at December 31, 2009 stood at €30,548 thousand, including €18,539 thousand funded under insured plans at that date.

€ thousands	**2009**	**2008**
Projected benefit obligation	30,548	32,313
Fair value of plan assets	(18,539)	(12,594)
Deferred items[(a)]	(6,002)	(1,414)
PROVISION RECOGNIZED IN THE BALANCE SHEET	**6,007**	**18,305**

(a) Deferred items correspond to actuarial gains and losses and past service cost.

Long-service awards

The Company's obligation for the payment of statutory long-service awards in application of French labor laws, collective bargaining agreements and trade union agreements was estimated at €2,220 thousand at December 31, 2009 based on a discount rate of 5%.

€ thousands	2009	2008
Projected benefit obligation	2,220	2,194
Fair value of plan assets	0	0
PROVISION RECOGNIZED IN THE BALANCE SHEET	**2,220**	**2,194**

Length-of-service awards payable on retirement

The Company's obligation for the payment of statutory length-of-service awards to employees on retirement was estimated at €22,984 thousand at December 31, 2009 based on a discount rate of 5%.

€ thousands	2009	2008
Projected benefit obligation	22,984	20,979
Fair value of plan assets	0	0
Deferred items(a)	(8,713)	(6,654)
PROVISION RECOGNIZED IN THE BALANCE SHEET	**14,271**	**14,325**

(a) Deferred items correspond to actuarial gains and losses and past service cost.

NOTE 14. EMPLOYEE DATA

14.1. AVERAGE NUMBER OF EMPLOYEES

Analysis of average number of employees	2009	2008
Management	1,216	1,228
Supervisory and administrative	1,345	1,363
Production	1,023	1,123
TOTAL	**3,584**	**3,714**

14.2. MANAGEMENT COMPENSATION

In accordance with Article 24-18 of the Decree of November 29, 1983, no loans or advances have been granted to senior management.

Total compensation and benefits paid to senior management amounted to:

- €2,641 thousand in 2009
- €1,895 thousand in 2008

Total compensation and benefits paid to Board members amounted to:

- €380 thousand in 2009
- €322 thousand in 2008

14.3. OTHER EMPLOYEE INFORMATION

"DIF" individual training entitlement

The cumulative number of hours training available to employees under the "DIF" scheme was 304,250 at December 31, 2009.

The cumulative number of hours for which no training request had been received at the balance sheet date was 295,986.

NOTE 15. FEES PAID TO THE AUDITORS AND MEMBERS OF THEIR NETWORKS

	PricewaterhouseCoopers				Mazars			
	Amount		In %		Amount		In %	
€ thousands, except for percentages	2009	2008	2009	2008	2009	2008	2009	2008
AUDIT SERVICES								
Statutory and contractual audit services	439	449			260	260		
Audit-related services	41	104			299	553		
Subtotal	**480**	**554**	**100%**	**100%**	**559**	**813**	**100%**	**100%**
OTHER SERVICES								
Legal and tax advice								
Other								
Subtotal	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**480**	**554**	**100%**	**100%**	**559**	**813**	**100%**	**100%**

NOTE 16. SUBSEQUENT EVENTS

In January 2010, Essilor expanded its coverage of the Chinese market by acquiring **Danyang ILT Optics Co. Ltd,** an ophthalmic lens manufacturer with revenue of some €7 million, generated in the domestic and export markets.

In addition, the Company has announced the formation of a long-term joint venture with Luxottica for the Australian and New Zealand markets. Under the terms of the agreement, the joint venture will manage **Eyebiz Pty Limited,** Luxottica's Sydney-based optical lens finishing laboratory which, as a result of this alliance, will be majority-controlled by Essilor.

NOTE 17. FIVE-YEAR FINANCIAL SUMMARY

€ thousands	2009	2008	2007	2006	2005
CAPITAL AT YEAR-END					
Share capital	38,792	37,984	38,030	36,347	36,122
Number of ordinary shares outstanding[(a)]	215,509,972	211,019,922	211,279,315	207,696,872	206,412,524
o/w treasury stock[(a)]	4,630,653	4,006,005	2,659,810	2,247,908	2,647,260
Number of preferred, non-voting shares outstanding	0	0	0	0	0

(a) In July 2007, the Company carried out a two-for-one stock-split in line with the decision of the Annual Shareholders' Meeting of May 11, 2007. The operation was carried out by increasing the shares' par value form €0.35 to €0.36 and then reducing it to €0.18. In the above table, the number of outstanding shares has been adjusted to reflect the effects of the stock-split.

€ thousands	2009	2008	2007	2006	2005
RESULTS OF OPERATIONS					
Net revenue	670,474	714,306	719,551	695,890	670,959
Profit before tax, depreciation, amortization and provisions	246,094	277,208	265,449	201,312	216,222
Income tax expense	(14,111)	(8,274)	3,496	7,029	16,858
Employee profit-sharing					
Net profit	214,753	239,156	205,079	168,745	163,519
Total dividends	147,616	136,629	129,344	112,997	95,770

In €	2009	2008	2007	2006	2005
PER SHARE DATA					
Earnings per share after tax and employee profit sharing, before depreciation, amortization and provisions, excluding treasury stock	1.23	1.38	1.26	0.95	0.98
Earnings per share, excluding treasury stock	1.02	1.16	0.98	0.82	0.80
Net dividend per ordinary share	0.70	0.66	0.62	0.55	0.47
Net dividend per preferred, non-voting share					

€ thousands, except for the average number of employee	2009	2008	2007	2006	2005
EMPLOYEE DATA					
Average number of employees	3,584	3,714	3,517	3,543	3,566
Total payroll	151,855	150,856	139,305	134,445	131,717
Total benefits	76,982	74,561	69,770	65,249	61,827

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, 2009

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders

In compliance with the assignment entrusted to us by the Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2009, on:

- The audit of the accompanying consolidated financial statements of Essilor International SA;
- The justification of our assessments;
- The specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1- Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit 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.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and financial position of Essilor International and its subsidiaries at December 31, 2009 and the consolidated results of operations for the year then ended, in accordance with IFRS as adopted by the European Union.

Without qualifying the opinion expressed above, we draw shareholders' attention to:

- The uncertainty concerning the outcome of the litigation described in Note 28 to the consolidated financial statements.
- Note 1 to the consolidated financial statements, which describes the new standards applicable from January 1, 2009 and their impact, particularly the amendment to IAS 1 – Presentation of Financial Statements and IFRS 8 – Operating Segments.

2- Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce)* relating to the justification of our assessments, we 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 10 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 fairness of this information and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie – March 11, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Jacques Denizeau	Pierre Sardet

20.4.1.2 Fees paid to the Auditors and the members of their networks

Years covered: 2009 and 2008.

	PricewaterhouseCoopers				**Mazars**			
	Amount (net of VAT)		Percentage of total (%)		Amount (net of VAT)		Percentage of total (%)	
€ thousands, except for percentages	2009	2008	2009	2008	2009	2008	2009	2008
AUDIT								
Statutory and contractual audit services:								
- Parent company	439	449	17%	19%	260	260	19%	19%
- Consolidated subsidiaries	1,724	1,508	68%	63%	666	558	49%	41%
Audit-related services:								
- Parent company	41	105	2%	4%	299	553	22%	40%
- Consolidated subsidiaries	130	177	5%	7%	121	0	9%	0%
SUB-TOTAL	2,334	2,239	93%	94%	1,346	1,371	99%	100%
OTHER SERVICES PROVIDED TO CONSOLIDATED SUBSIDIARIES								
Legal and tax advice	189	140	7%	6%	15	2	1%	0%
Other	0	0	0%	0%		0	0%	0%
SUB-TOTAL	189	140	7%	6%	15	2	1%	0%
TOTAL	**2,523**	**2,379**	**100%**	**100%**	**1,361**	1,373	**100%**	**100%**

20.4.1.3 Report of the Auditors on the parent company financial statements

Year ended December 31, 2009

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders

In compliance with the assignment entrusted to us by the Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2009, on:

- The audit of the accompanying financial statements of Essilor International SA;
- The justification of our assessments;
- The specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1- Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities at December 31, 2009, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2- Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we 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 conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the disclosures made in application of Article L.225-102-1 of the French Commercial Code on the compensation and benefits paid and commitments given to executive directors, we checked the consistency of these disclosures with the accounts or with the underlying data as well as with any relevant information obtained by the Company from its subsidiaries.

Based on these procedures, we hereby certify that this information is true and accurate.

Neuilly-sur-Seine and Courbevoie – March 11, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Jacques Denizeau	Pierre Sardet

20.4.1.4 **Special report of the Auditors on related party agreements in 2009**

Free translation of the original French language report.

To the shareholders

In our capacity as Statutory Auditors of Essilor International, we present below our report on related party agreements.

Agreements and commitments authorized during the year and up to the date when the financial statements were drawn up

Under the provisions of Article L.225-40 of the French Commercial Code (*Code de commerce*), we have been informed of the following agreements and commitments approved in advance by the Board of Directors.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of Article R.225-31 of the French Commercial Code (*Code de Commerce*), it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We performed our procedures in accordance with professional guidelines issued by the Compagnie Nationale des Commissaires aux Comptes for this type of engagement. Those guidelines require us to perform procedures to check the consistency of the information given to us with the underlying documents.

Purpose: Addendum to the employment contract of Hubert Sagnières, authorized by the Board of Directors on March 3, 2010.

Person concerned: Hubert Sagnières, Chief Operating Officer until December 31, 2009, Chief Executive Officer from January 1, 2010.

This new addendum, drawn up in application of France's "TEPA" Act of August 21, 2007, confirms the termination benefits that would be payable to Hubert Sagnières in the event that his employment contract is terminated by the Company (other than for serious or gross misconduct or when he reaches normal retirement age) – representing the equivalent of two years' salary – and submits the payment to performance conditions, as follows:

The performance benchmark will be the average performance by Hubert Sagnières over his last three years with the Company, measured as the ratio of actual results to the annual targets assigned to Hubert Sagnières by the Board of Directors and used for the calculation of his variable bonus.

Performance conditions: if actual results average between 100% (and over) and 50% of the target, the termination benefit will be determined on a strictly proportionate basis (for example, if actual results represent 90% of the target, Hubert Sagnières will receive 90% of the termination benefit). If actual results average less than 50% of the target, he will not be paid any termination benefit.

Purpose: Suspension of Hubert Sagnières' employment contract, authorized by the Board of Directors on November 26, 2009.

Person concerned: Hubert Sagnières, Chief Operating Officer until December 31, 2009, Chief Executive Officer from January 1, 2010.

At its meeting on November 26, 2009, the Board authorized the suspension of Hubert Sagnières' employment contract effective January 1, 2010, in line with the Board's decision on November 27, 2008 and in consideration of Hubert Sagnières' years of service with the Company at the time of his appointment as Chief Executive Officer (more than 20 years).

If the contract subsequently comes back into effect, Hubert Sagnières' compensation will be based on his 2008 compensation as President, Essilor Europe and North America, plus an amount corresponding to the annual average compensation increases awarded to category IIIC executives in the period to the date when the contract is reactivated. His gross compensation for 2008 amounted to €932,000 based on an average euro/Canadian dollar exchange rate of CAD 1.4861.

Purpose: Continuation of the supplementary pension plan for Hubert Sagnières, authorized by the Board of Directors on November 26, 2009.

Person concerned: Hubert Sagnières, Chief Operating Officer until December 31, 2009, Chief Executive Officer from January 1, 2010.

At its meeting on November 26, 2009, the Board authorized maintaining top hat pension benefits for Hubert Sagnières after January 1, 2010 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.

Purpose: Financial advisory agreement, authorized by the Board of Directors on November 26, 2009.

Person concerned: M. Olivier Pecoux, Managing Partner of Rothschild & Cie Banque, Director of Essilor International.

At its meeting on November 26, 2009, the Board of Directors authorized the signature of an exclusive financial advisory agreement with Rothschild & Cie. The agreement provided for the payment to Rothschild & Cie of a success fee of €2.5 million and, at Essilor's discretion, an additional success fee of €0.5 million. These fees will be rebilled in full by Essilor International to its subsidiary, Essilor of America.

No payments were made under this agreement in 2009.

Agreements and commitments authorized in previous years that remained in force during 2009

Under the provisions of the French Commercial Code (*Code de Commerce*), we were informed that the following agreements and commitments, authorized in previous years, remained in force in 2009.

Purpose: Top-hat pension plan authorized by the Board of Directors on November 23, 2005 and successive amendments authorized on November 14, 2007, November 27, 2008 and November 26, 2009.

Persons concerned: Xavier Fontanet (Chairman and Chief Executive Officer until December 31, 2009, Chairman of the Board of Directors from January 1, 2010), Hubert Sagnières (Chief Operating Officer until December 31, 2009, Chief Executive Officer from January 1, 2010) and Philippe Alfroid (Chief Operating Officer until June 30, 2009).

Essilor International provides its senior executives with pension benefits under a group defined-benefit plan.

Government-sponsored pension plans do not grant executives any benefits on the “tranche D” portion of their salary (between 8 and 16 times the Social Security contribution ceiling). A top-hat pension plan has therefore been set up for grade III C and “ungraded” executives, corresponding to the tranche D portion of their salary.

The additional benefit is equal to 1.5% of the tranche D portion of their salary per year of service between 10 and 20 years, subject to a cap of 5% of the reference salary as defined in the plan rules, with the entire pension benefit capped at 65% of this benchmark.

The top-hat pension plan for executive directors is a form of additional compensation governed by Article L.255-42-1 of the French Commercial Code (*Code de Commerce*) instituted by the July 25, 2005 “Breton Act”.

At its meeting on November 14, 2007, the Board decided that, in the event that the positions of Chairman of the Board and Chief Executive Officer were to be segregated, Xavier Fontanet's last salary and contractual bonus as Chairman and Chief Executive Officer could be used as the reference salary for the calculation of his pension benefits.

Purpose: Addendum to the employment contract of Xavier Fontanet, authorized by the Board of Directors on March 5, 2008

Person concerned: Xavier Fontanet, Chairman and Chief Executive Officer until December 31, 2009, Chairman of the Board of Directors from January 1, 2010.

This new addendum, drawn up in application of France's "TEPA" Act of August 21, 2007, confirms the termination benefits that would be payable to Xavier Fontanet in the event that his employment contract is terminated by the Company (other than for serious or gross misconduct or when he reaches normal retirement age) – representing the equivalent of two years' salary – and submits the payment to performance conditions, as follows:

The performance benchmark will be the average performance by Xavier Fontanet over his last three years with the Company, measured as the ratio of actual results to the annual targets assigned to Xavier Fontanet by the Board of Directors and used for the calculation of his variable bonus.

Performance conditions: if actual results average between 100% (and over) and 50% of the target, the termination benefit will be determined on a strictly proportionate basis (for example, if actual results represent 90% of the target, Xavier Fontanet will receive 90% of the termination benefit). If actual results average less than 50% of the target, he will not be paid any termination benefit.

Purpose: Continuation and amendment of an employment contract, authorized by the Board of Directors on August 27 and November 27, 2008.

Person concerned: Hubert Sagnières, Chief Operating Officer until December 31, 2009, Chief Executive Officer from January 1, 2010.

At its meeting on August 27, 2008, the Board of Directors appointed Hubert Sagnières as Chief Operating Officer and authorized the continuation of his employment contract as President, Essilor North America and Europe.

At its meeting on November 27, 2008, the Board of Directors authorized the payment by Essilor of America to Hubert Sagnières, in his capacity as President, Essilor North America and Europe, of gross annual compensation of CAD 1,326,640 for 2009, comprising a fixed salary and a variable bonus representing 40% of salary.

Purpose: Liquidity contract signed on November 18, 2004, renewed on September 28, 2005 and amended on January 27, 2006, March 21, 2007 and November 27, 2008.

Person concerned: Olivier Pécoux, Managing Partner of Rothschild & Cie Banque, Director of Essilor International

Under the terms of this contract, Essilor has retained the services of Rothschild & Cie Banque to trade in Essilor International shares on an independent basis on the Company's behalf, in order to promote a liquid market for the shares and stabilize the share price. Capital assigned to this contract represents approximately €43 million. Effective from 2008, Rothschild & Cie Banque charges the Company an annual fee of €548,000 for its services.

Neuilly-sur-Seine and Courbevoie – March 11, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Jacques Denizeau	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

None.

20.5 Age of the latest financial information

The latest audited financial information corresponds to the years 2008 and 2009 (from January 1, 2008 to December 31, 2008 and from January 1, 2009 to December 31, 2009).

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 2009

None.

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.

2009 dividend payable in 2010

In 2010, the Board will recommend a 6.1% increase in the net dividend to €0.70 per share for 2009 from €0.66 per share for 2008.

The recommended dividend represents over one third of consolidated net profit attributable to equity holders of Essilor International, which is in line with the average payout rate among listed companies. It reflects the Company's solid performance in 2009.

The dividend will be paid as from May 28, 2010, in cash only.

Historical payout rates

Total dividends for 2009 and the previous five years were as follows:

€ millions	Profit attributable to equity holders of Essilor International	total dividend	Payout ratio
2009 IFRS	394	147[(a)]	37%
2008 IFRS	383	136	36%
2007 IFRS	367	128	35%
2006 IFRS	328	113	34%
2005 IFRS	287	96	33%
2004 IFRS	244	77	32%
2004 (French GAAP)	227	77	34%

(a) After deducting dividends on shares held in treasury stock as of February 28, 2010.

Dividend history

Dividends per share for 2009 and the last five years were as follows:

In €	2009	2008	2007	2006	2005	2004
Ordinary shares[(a)]						
Net dividend	0.70	0.66	0.62	0.55	0.47	0.38
Paid on	May 28, 2010	May 26, 2009	May 28, 2008	May 15, 2007	May 16, 2006	May 18, 2005

(a) Adjusted for the July 2007 two-for-one stock-split.

Dividends not claimed within five years are time-barred, in accordance with the law.

Paying agent

CACEIS Corporate Trust - 14, rue Rouget de Lisle - 92862 Issy les Moulineaux – France - Phone: +33 (1) 57 78 00 00.

20.8 Legal and arbitration proceedings

Refer to Section 4.2 – Legal Risks.

20.9 Significant change in Essilor’s financial or trading position

No significant change in Essilor’s financial or trading position has occurred since December 31, 2009.

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 INTERNATIONAL SHARES

21.1.1.1 Amount of share capital

a) Number of shares authorized:

See Section 21.1.5 – Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital, and Section 21.1.4.4 – Bonds convertible into or exchangeable for new or existing shares (Oceanes).

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, 2009, the Company's share capital amounted to €38,791,794.96, represented by 215,509,972 ordinary shares, each with a par value of €0.18 and all fully paid.

Taking into account (i) the double voting rights on shares registered in the name of the same holder for at least two years and (ii) the impact of treasury shares which are stripped of voting rights, the total number of voting rights attached to the Company's shares at December 31, 2009 amounted to 229,344,448.

d) Reconciliation of the number of shares outstanding at the beginning and end of the year, and capital paid:

Refer to Note 8 to the consolidated financial statements (Section 20.3.1.5) and Note 10 to the Company financial statements (Section 20.3.2.5).

21.1.1.2 Changes in share capital in 2009

Changes in share capital in 2009 were as follows:

- €270,000 decrease, corresponding to the cancellation of 1,500,000 treasury shares, each with a par value of €0.18.
- €119,276.28 increase, excluding premiums, corresponding to the issue of 662,646 new shares, each with a par value of €0.18 to the Essilor 5 and 7-year corporate mutual funds (FCPE Essilor).
- €140,168.52 increase, excluding premiums, corresponding to the issue of 778,714 new shares, each with a par value of €0.18 on exercise of stock options.
- €818,764.20 increase, excluding premiums, corresponding to the issue of 4,548,690 new shares on conversion of 2,274,345 Oceane bonds.

At December 31, 2009, the Company's share capital amounted to €38,791,794.96, represented by 215,509,972 ordinary shares, each with a par value of €0.18 and all fully paid.

OWNERSHIP STRUCTURE AT DECEMBER 31, 2009

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

To the best of the Company's knowledge, no shareholder other than the Valoptec International corporate mutual fund (see Section 17.3) 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 options and performance share rights are presented below (information limited to plans for which options or performance share rights were outstanding at December 31, 2008).

STOCK OPTIONS (OPTIONS ON NEW SHARES)

	At December 31, 2009	o/w in 2009
Option granted [(a)]	12,567,510	1,579,120
Options canceled [(a)]	383,733	112,365
Options exercised [(a)]	3,370,325	778,714
Options outstanding [(a) and (b)]	8,813,452	

(a) Options granted under the November 14, 2001 plan and subsequent plans (no options granted under earlier plans were outstanding at December 31, 2008). Historical information about stock option plans i porvided in section 17.2.2.2.

(b) Representing the equivalent of 4.09% of shares outstanding at December 31, 2009.

The exercise price of all of the above options was determined by reference 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 OPTIONS (OPTIONS ON EXISTING SHARES)

	At December 31, 2009	o/w in 2009
Option granted [(a)]	1,340,500	0
Options cancelled [(a)]	38,026	0
Options exercised [(a)]	1,137,847	52,724
Options outstanding [(a) and (b)]	164,627	0

(a) All of these options were granted under the November 14, 2001 plan. Historical information about stock option plans is provided in section 17.2.2.2.
(b) Representing the equivalent of 0.08% of shares outstanding at December 31, 2009.

The exercise price of all of the above options was determined by reference 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.

PERFORMANCE SHARE RIGHTS

	At December 31, 2009	o/w in 2009
Rights granted[(a)]	2,380,496	601,756
Rights cancelled[(a)]	27,923	12,567
Rights exercised[(a)]	2,450	2,326
Rights outstanding[(a) and (b)]	2,350,123	

(a) Since November 22, 2006, date of the first performance share grants. Historical information about performance share plans is provided in section 17.2.2.2.
(b) Representing the equivalent of 1.09% of shares outstanding at December 31, 2009.

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

MAXIMUM DILUTION AT DECEMBER 31, 2009

Taking into account all shares which could be issued after December 31, 2009 due to the exercice of the existing options, regardless of their strike prices, the maximum dilution would be as follows:

At December 31, 2009	Number of shares	%	Number of voting rights	%
Shares outstanding at December 31, 2008	215,509,972		229,344,448	
Outstanding stock options	8,813,452	4.09%	8,813,452	3.84%
Outstanding performance share rights	2,350,123	1.09%	2,350,123	1.02%
Outstanding Oceane bonds (share equivalents)	2,013,132	0.93%	2,013,132	0.88%
TOTAL POTENTIAL DILUTION	**13,176,707**	**6.11%**	**13,176,707**	**5.75%**
Fully diluted capital at December 31, 2009	228,686,679		242,521,155	

The stock options shown in the above table are exercisable for new shares. Options on existing shares are not included because they are exchanged for treasury stock and do not give rise to issue of new shares.

21.1.1.3 Essilor International shares

The market for the Company's securities

Essilor has two types of listed securities: ordinary shares and bonds convertible or exchangeable for new or existing shares (Oceane). For more information on Oceane, refer to Section 21.1.4.4.

Essilor International shares

The Essilor share trades on Euronext Paris (Local stocks – Compartment A), under ISIN Euronext code FR0000121667.

The shares are eligible for the "SRD" deferred settlement service. At December 31, 2009, a total of 215,509,972 fully paid-up ordinary shares, each with a par value of €0.18, were issued and outstanding.

Indices

Stock indices

Essilor International is included in the following indices: CAC 40, SBF 120, SBF 250, Euronext 100, FTSEurofirst 300, Dow Jones Euro STOXX and Dow Jones STOXX 600.

The Company has been part of the Low Carbon 100 Europe® index since its launch by NYSE Euronext on October 24, 2008. This index is designed to measure the performance of the 100 largest blue-chip European companies with the lowest carbon (CO_2) emissions in their respective sectors.

SRI indices

Essilor International is also included in the following three socially responsible investment (SRI) indices:

- DJSI World (Dow Jones Sustainability Index), based on cooperation between Dow Jones Indexes, STOXX Limited and Swiss Asset Management Group (SAM Group).
- ASPI Eurozone® (Advanced Sustainable Performance Indices), an international stock index composed of the 120 euro zone companies with the best sustainable development ratings.
- FTSE4Good, published by FTSE, which is owned by the Financial Times and the London Stock Exchange.

Employee stock ownership index

Essilor International is included in the Euronext FAS IAS® index launched by Euronext and the Fédération Française des Associations d'Actionnaires Salariés et d'Anciens Salariés (FAS). It is composed of all SBF 250 companies with a significant employee shareholder base (i.e. companies where at least 3% of the share capital is held by employees representing over one quarter of the total workforce).

For more information about employee share ownership, refer to Appendix 2 - Social and Environmental Policy (disclosures made in application of France's "NRE" Act), at the end of the Social Policy section under "Responsible shareholders and employee share ownership".

Sales of shares (Article 11 of the Bylaws)

The shares are freely negotiable and indivisible vis-à-vis the Company.

21.1.1.3.1 Share prices[(a)]

(Source: Euronext Paris)

	Price *(in €)*				
	High	**Low**	**Price at December 31**	**Shares outstanding at December 31**	**Market capitalization at December 31[(b)]** *(€ millions)*
2009	42.000	26.080	41.750	215,509,972	8,395
2008	44.390	26.870	33.570	211,019,922	7,065
2007	47.500	40.100	43.650	211,279,315	9,066
2006	42.670	33.320	40.720	207,696,872	8,430
2005	35.970	26.150	34.100	206,412,524	7,012

(a) Data adjusted, where applicable, for the July 16, 2007 two-for-one stock-split.
(b) Market capitalization used by Euronext Paris in the CAC 40 index (before the effect of bond conversions and the share issue to the employee stock ownership plan).

21.1.1.3.2 High and low share prices and trading volume

(Source: Euronext Paris)

	Trading volume *(number of shares)*	Trading volume *(€ millions)*	High and low share prices *(in €)*	
			High	Low
2008				
September	25,089,278	898.58	37.760	33.505
October	48,659,833	1,552.62	37.020	26.870
November	22,027,295	712.00	35.250	29.580
December	19,795,240	618.99	34.200	28.710
2009				
January	20,706,278	652.88	35.260	28.330
February	14,144,977	410.02	30.250	26.910
March	17,069,157	472.58	29.100	26.080
April	16,213,652	502.86	33.635	28.885
May	16,132,344	544.23	34.880	32.450
June	11,764,580	398.16	35.060	32.720
July	16,036,703	584.49	38.900	34.185
August	13,316,490	506.31	39.795	36.610
September	14,919,913	562.61	39.305	36.720
October	15,465,942	612.50	41.390	38.025
November	10,511,978	409.42	39.805	37.730
December	9,255,989	374.07	42.000	38.550
2010				
January	9,572,766	399.76	42.985	40.840
February	12,525,804	536.81	44.350	40.950

21.1.2 SHARES NOT REPRESENTING CAPITAL

None.

21.1.3 TREASURY STOCK

Essilor held 4,006,005 treasury shares as of December 31, 2008. No shares were held under the Company’s liquidity contract at that date. During 2009, 2,179,698 shares were bought back by the Company at an average net price of €35.61, 1,500,000 shares were cancelled, 52,724 shares were allotted on exercise of stock options at a price of €15.62. In addition, 2,326 shares were delivered under the Company's performance share program. Treasury shares purchased under the liquidity contract were all resold during the year and no shares were held under the contract at year-end.

At December 31, 2009, Essilor held 4,630,653 treasury shares, representing 2.15% of share capital. The aggregate par value of these shares was €833,517.54, and their book value was €174,580 thousand.

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 2009, the Annual 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 15, 2010.

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 2009 of the authorizations given by the Annual Shareholders' Meetings of May 14, 2008 and May 15, 2009. Apart from transactions under the liquidity (market-making) contract that was signed and extended during the period, 2,179,698 shares were bought back on the market between January 1 and December 31, 2009 at an average price of €35.60 and no shares were sold. The related trading fees (including commissions net of tax) amounted to €0.01 per share on average, increasing the average net cost per share to €35.61.

On November 18, 2004, the Company entered into a liquidity contract with Rothschild & Cie Banque. The contract complied with the Code of Ethics issued by the AFEI (French association of investment firms) endorsed on April 10, 2001 by the Commission des Opérations de Bourse (COB), the predecessor of the AMF. In September 2005, the contract was aligned with the new AFEI Code of Ethics endorsed by the AMF on March 22, 2005 and instituted as part of the transposition of the EU Market Abuse Directive into French law. A total of 3,961,848 shares were purchased under the liquidity contract between January 1 and December 31, 2009 at an average price of €35.91, and the same number of shares were sold at an average price of €36.02 over the same period. No shares were held under this contract at December 31, 2009. Transactions were conducted in compliance with the principles outlined in the AMF decision of March 22, 2005 recognizing liquidity contracts as an acceptable market practice and endorsing the latest AFEI Code of Ethics. The AFEI has been renamed AMAFI (Association française des Marchés Financiers).

To enable Rothschild & Cie Banque to continue and increase its market-making activities in Essilor International shares, a total of €36 million has been assigned to the contract since its inception.

At its November 26, 2009 meeting, the Board of Directors decided to cancel 1,500,000 shares.

At December 31, 2009, the Company held 4,630,653 shares in treasury, acquired at an average net cost of €37.70, representing 2.15% of share capital at that date.

Main characteristics of this program:

- To cover employee share-based payment programs (i.e. to purchase shares for allocation on exercise of stock options and under performance share plans, and to offset the dilutive effect of stock options on new shares through share cancellations).
- To offset the dilutive effect created or that may be created by the conversion of Oceane bonds.
- To support the liquidity contract.

Transactions for the year for the above three purposes are presented below (information disclosed in accordance with Article 225-211 of the French Commercial Code as amended by government order no. 2009-105 dated January 30, 2009):

	2009			
	Shares held for stock option and performance share plans	**Shares held for Oceane conversions**	**Shares held for liquidity contract**	**Total shares held in treasury stock**
Number of shares at January 1	**3,194,757**	**811,248**	**0**	**4,006,005**
Shares allocated on exercise of stock options	(52,724)			(52,724)
Delivery of performance shares	(2,326)			(2,326)
Delivery of shares on conversion of Oceane bonds				0
Cancellations of treasury stock	(700,000)	(800,000)		(1,500,000)
Purchases of treasury stock		2,179,698		2,179,698
Purchases and sales of shares under liquidity contract			0	0
Number of shares at December 31	**2,439,707**	**2,190,946**	**0**	**4,630,653**

No shares were reassigned to a purpose other than the one for which they were originally purchased in 2009.

Summary of previous share buyback programs

Transactions conducted between March 1, 2009[a] and February 28, 2010:	
Percentage of shares held directly or indirectly in treasury	2.53%
Number of shares canceled over the last 24 months	3,100,000
Number of shares held in treasury	5,461,037
Book value of treasury stock (in €)	210,460,793
Fair value of treasury stock[b] (in €)	241,896,634

(a) First day after the end of the previous buyback program.
(b) Based on the closing price on February 28, 2010.

Transactions under the liquidity contract and other transactions

	Transactions in the period from March 1, 2009 to February 28, 2010			Open positions at February 28, 2010					
	Purchases	Sales[a]	Cancellations	Open purchases			Open sales		
				Purchased calls	Sold puts	Forward purchases	Purchased Puts	Sold Calls	Forward sales
Number of shares	6,743,706	4,185,496	1,500,000						
Average maximum maturity									
Average transaction price, in €	37.42	36.36							
Total amount, in €	252,354,244	152,184,236							

(a) Including shares delivered on exercise of stock options, in respect of performance shares and on conversion of Oceane bonds.

Renewal of the authorization to implement a share buyback program proposed at the Annual Shareholders' Meeting of May 11, 2010

In accordance with Article 241-2 of the AMF's General Regulations, the Annual Shareholders' Meeting of May 11, 2010 will be asked to renew the authorization to buy back shares for the purposes set out below (and not listed in any particular order of priority).

The program's main purposes will be:

- To buy back shares for allocation on exercise of stock options and for other share-based payment plans for management and employees, including stock grant plans governed by Articles L.225-197-1 *et seq.* of the French Commercial Code.
- To buy back shares for cancellation, in order to offset the dilutive impact of stock options on new shares granted to management and employees.
- To cover Oceane bond conversions (through the purchase of shares (i) for delivery to bond holders or (ii) if the bonds are converted into new shares, for cancellation in order to offset the dilutive effect).
- To ensure the liquidity of the Company's shares under a liquidity contract that complies with the AMAFI Code of Ethics endorsed by the AMF.

The Company may also use of the program for the following purpose:

- To buy back shares for delivery or exchange in connection with future external growth transactions.

Essilor International 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 in treasury according to the resolution tabled at the Annual Shareholders' Meeting of May 11, 2010: 10% (equivalent to 21,575,203 shares based on the capital at February 28, 2010).

- Maximum percentage of share capital that may be bought back, taking into account the number of shares held in treasury as of February 28, 2010: 7.47%, or 16,114,166 shares (21,575,203 - 5,461,037), based on the capital at February 28, 2010.
- Maximum purchase price per share: €70 (as adjusted if necessary to take into account the effects of any corporate actions).
- Minimum sale price per share: €25 (as adjusted if necessary to take into account the effects of any corporate actions).

The shares may be purchased, sold or transferred and paid for by any appropriate method on the organized market or over-the-counter (including through straight purchases, or the use of financial instruments or derivatives or the implementation of options strategies). The entire share buyback program may be carried out through a block purchase.

The authorization is being sought for a period of 18 months expiring on November 10, 2011.

21.1.3.2 Share cancellations and capital reductions

The Annual Shareholders' Meeting of May 14, 2008 authorized the Board of Directors to reduce the capital by canceling all or some of the shares held by the Company, provided that the number of shares cancelled during any 24-month period does not exceed 10% of total share capital. At its November 27, 2008 meeting, the Board of Directors decided to use this authorization to cancel 1,600,000 shares, leading to a €288,000 capital reduction and at its November 26, 2009 meeting, the Board of Directors decided to use this authorization to cancel 1,500,000 shares, leading to a €270,000 capital reduction.

21.1.4 CONVERTIBLE SECURITIES, EXCHANGEABLE SECURITIES, SECURITIES WITH WARRANTS, STOCK OPTIONS AND RIGHTS TO PERFORMANCE SHARES

21.1.4.1 Stock options (options on new shares)

21.1.4.1.1 Stock options on new shares outstanding at December 31, 2009 and February 28, 2010

Date granted	Number of options granted	o/w options granted to Executive Committee members	Exercice price *(in €)*	Number of options outstanding at December 31, 2009	Number of options outstanding at February 28, 2010
November 14, 2001	321,320	60,000	15.620	0	0
November 20, 2002	1,625,160	486,000	20.340	370,631	359,392
November 18, 2003	1,609,140	440,000	20.370	448,384	380,381
November 17, 2004(a)	1,787,800	537,880	26.500	1,144,856	1,069,292
January 27, 2005(a)	31,500	24,700	27.290	26,968	26,968
November 23, 2005(a)	1,996,880	680,000	34.700	1,794,603	1,711,883
November 22, 2006(b)	930,740	128,000	41.460	866,160	859,880
November 14, 2007(b)	1,117,770	148,000	43.650	1,057,310	1,048,370
November 8, 2008(b)	1,568,080	430,000	33.170	1,525,420	1,513,020
26 novembre 2009 (b)	1,579,120	314,160	38.960	1,579,120	1,558,950
TOTAL	**12,567,510**	**3,248,740**		**8,813,452**	**8,528,136**

(a) Capped plans.
(b) Capped performance options.

The exercise price of all of the above options was determined by reference 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.

Capped performance options vest only if the share price reaches 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 Changes in stock options on new shares between December 31, 2009 and February 28, 2010

Changes in outstanding stock options on new shares are presented below (information limited to plans for which options were outstanding at December 31, 2009).

	At December 31, 2009	o/w in 2009	At February 28, 2010	o/w in 2010
Options granted [a]	12,567,510	1,579,120	12,567,510	
Options cancelled [a]	383,733	112,365	430,681	46,948
Options exercised [a]	3,370,325	778,714	3,608,693	238,368
Options outstanding [a] and [b]	8,813,452		8,528,136	

(a) Options granted under the November 14, 2001 plan and subsequent plans (no stock options granted under earlier plans were outstanding at December 31, 2008). Historical information about stock option plans is provided in section 17.2.2.2.
(b) Representing the equivalent of 4.09% of shares outstanding at December 31, 2009.

21.1.4.1.3 Exercise of stock options (options on new shares)

The exercise of all the stock options on new shares that were outstanding at December 31, 2009 would result in the issuance of 8,813,452 shares.

21.1.4.2 Stock options (on existing shares)

21.1.4.2.1 Stock options on existing shares outstanding at December 31, 2009 and February 28, 2010

Date granted	Number of options granted	o/w options granted to Executive Committee members	Exercice price *(in €)*	Number of options outstanding at December 31, 2009	Number of options outstanding at February 28, 2010
November 14, 2001	1,340,500	400,000	15.620	164,627	160,509
TOTAL	**1,340,500**	**400,000**		**164,627**	**160,509**

The exercise price of these options was equal to the average of the opening prices quoted for the Company's shares over the twenty trading days that preceded the Board of Directors' decision to grant the options on November 14, 2001.

The first stock option plan under which options were exercisable for existing shares of the Company bought back on the market was authorized at the combined Ordinary and Extraordinary Shareholders' Meeting of January 18, 2001. This authorization was used by the Board of Directors on November 14, 2001.

The Board of Directors did not grant any new options on existing shares in 2002, 2003 or 2004. The authorization, which was given for a period of three years, expired in 2004.

21.1.4.2.2 Changes in outstanding stock options on existing shares in the periods to December 31, 2009 and February 28, 2010

Changes in stock options on existing shares were as follows:

	At December 31, 2009	o/w in 2009	At February 28, 2010	o/w in 2010
Options granted [a]	1,340,500		1,340,500	
Options canceled [a]	38,026		38,026	
Options exercised [a]	1,137,847	52,724	1,141,965	4,118
Options outstanding [a] and [b]	164,627		160,509	

(a) All of these options were granted under the November 14, 2001 plan. Historical information about stock option plans is provided in section 17.2.2.2.
(b) Representing the equivalent of 0.08% of shares outstanding at December 31, 2009.

21.1.4.2.3 Exercise of stock options (options on existing shares)

Upon exercise of these options, option holders will be allocated Essilor International shares held in treasury stock for this purpose.

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 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, compared 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 and 2008 performance share plans are as follows:

Conditions that are common to all 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 vesting period for years 2 to 4 is opened during which the shares can be granted, if the average opening price of Essilor International shares for the three months preceding the second anniversary of the allocation date exceeds the initial benchmark price.
- If none of the average opening prices for the successive three-month periods between the second and fourth anniversaries of the allocation date (i.e. the vesting period) exceeds the initial benchmark price, the performance share rights do not vest and are cancelled.
- For the 2008 and 2009 plans, the second vesting period has been increased by two years, and therefore runs from the second to the sixth anniversary of the allocation date.

Conditions that are common to all plans

- If the shares are granted:
  - o The number of shares 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 the shares vested on the sixth anniversary of the allocation date).
- As an exception to the above principle, performance shares will vest early in the case of a takeover bid for Essilor International.

Refer to Note 5 to the consolidated financial statements (Section 20.3.1.5).

21.1.4.3.1 Performance share rights outstanding at December 31, 2009 and February 28, 2010

Date granted	Number of rights granted	o/w rights granted to Executive Committee members	Initial benchmark share price (used to assess performance) (in €)	Number of rights outstanding at December 31, 2009	Number of rights outstanding at February 28, 2010
November 22, 2006	527,112	211,500	41.46	519,714	519,200
January 24, 2007	49,152	0	41.46	45,440	45,296
November 14, 2007	552,491	260,480	43.65	547,715	547,302
January 31, 2008	90,860	40	41.57	82,900	82,500
November 27, 2008	513,775	173,890	33.17	509,888	509,363
December 18, 2008	45,350	110	33.17	42,710	42,500
November 26, 2009	536,116	165,835	38.96	536,116	536,059
December 18, 2009	65,640	195	38.96	65,640	65,025
TOTAL	**2,380,496**	**812,050**		**2,350,123**	**2,347,245**

21.1.4.3.2 Changes in performance share rights in the periods to December 31, 2008 and February 28, 2009

Changes in performance share rights were as follows:

	At December 31, 2009	o/w in 2009	At February 28, 2010	o/w in 2010
Rights granted [a]	2,380,496	601,756	2,380,496	
Rights cancelled [a]	27,923	12,567	30,726	2,803
Rights exercised [a]	2,450	2,326	2,525	75
Rights outstanding [a] and [b]	2,350,123		2,347,245	

(a) As from the November 22, 2006 plan, representing the Company's first performance share plan. Historical information about stock option plans is provided in section 17.2.2.2.
(b) Representing teh equivalent of 1.09% of shares outstanding at December 31, 2009.

21.1.4.3.3 Vesting of performance shares

If the performance shares vest, grantees will be allocated either existing or new Essilor International shares.

21.1.4.4 Oceane (bonds convertible into or exchangeable for new or existing shares)

In July 2003, Essilor issued bonds convertible into or exchangeable for new or existing shares (Oceane) in the amount of €309 million. The seven-year bonds are redeemable at the holders' option after five years and at the issuer's option subject to certain conditions.

The Oceane have been listed on the Euronext Paris market since July 2, 2003 under ISIN code FR0000189276. At December 31, 2009, a total of 1,006,566 bonds were outstanding, each with a nominal value of €51.15.

Following the July 16, 2007 two-for-one stock split the exchange ratio of bonds convertible into or exchangeable for new or existing shares (Oceane) was adjusted, with each bond now convertible or exchangeable for two new or existing shares, each with a par value of €0.18.

21.1.4.4.1 Oceane prices

(Source: Euronext Paris)

	Price *(in €)*			
	High	Low	Closing price	Number of Oceane outstanding at December 31
2009	82.22	52.01	80.00	1,006,566
2008	84.00	58.63	62.00	3,280,911
2007	92.50	77.50	82.00	3,459,062
2006	89.10	59.00	82.15	5,249,674
2005	74.75	58.25	72.90	6,039,749

21.1.4.4.2 High and low prices and trading volume

(Source: Euronext Paris; data excludes off-market block trades.)

			Price *(in €)*	
	Trading volume *number of Oceane*	Trading volume *in € millions*	High	Low
2008				
September	281	0.02	72.00	70.00
October	81	0.01	67.05	62.90
November	240	0.02	67.00	67.00
December	520	0.03	63.00	58.63
2009				
January	607	0.03	62.61	52.20
February	122	0.01	60.00	60.00
March	2	0.00	59.70	52.01
April	343	0.02	65.00	62.00
May	166	0.01	65.00	65.00
June	292	0.02	61.27	61.27
July	182	0.01	72.00	71.00
August	141	0.01	77.33	65.98
September	255	0.02	76.56	76.56
October	380	0.03	82.22	72.74
November	60	0.00	78.50	75.05
December	595	0.05	80.00	75.15
2010				
January	408	0.03	82.40	75.59
February	449	0.04	82.00	78.25

21.1.4.4.3 Oceane conversions

Conversion of Oceane results in the issuance of new shares, unless Essilor International prefers to exchange all or some of them for existing shares.

The potential number of shares to be created on conversion of these bonds was 2,013,132 at December 31, 2009.

Under the seventeenth resolution of the Annual Shareholders' Meeting of May 16, 2003, the Board of Directors decided on June 11, 2003 to issue 5,252,359 bonds convertible into or exchangeable for new or existing shares, with a 15% greenshoe option. The issue was priced on the basis of a reference Essilor International share price of €36.0216. It was carried out without pre-emptive subscription rights but with a priority subscription period for issues carried out in France. The greenshoe option was exercised, leading to the issue of a total of 6,040,212 Oceanes with a nominal value of €51.15, for a total nominal amount of €308,956,843.80, representing a 42% premium to the reference Essilor International share price on the date the final terms were set. Any unconverted bonds will be redeemed in full on July 2, 2010 at a price of €53.54 each, representing a premium to par of roughly 104.7%. Bondholders can ask for their bonds to be converted or exchanged for shares at a ratio of two Essilor International shares for one bond, based on the new par value of the shares as of July 16, 2007. Essilor International may choose to issue new shares or allot existing shares for the bonds.

Since the issue date, 3,853,646 bonds have been converted, including 2,274,345 in 2009, and 1,180,000 bonds have been bought back by the Company for cancellation.

21.1.5 INFORMATION ABOUT AND TERMS OF ANY ACQUISITION RIGHTS AND/OR OBLIGATIONS OVER AUTHORIZED BUT UNISSUED CAPITAL OR AN UNDERTAKING TO INCREASE THE CAPITAL

The following table lists the shareholder authorizations to issue shares, with or without pre-emptive subscription rights, that are currently in force.

Date of the Shareholders' Meeting	Type of authorization and ceiling	Duration	Expiration date	Utilization 2007 – 2008 - 2009
May 11, 2007				
16th resolution	Stock option grants. Maximum 3% of the capital.(a)	38 months	July 10, 2010	1,117,770 stock options granted by the Board on November 14, 2007 (exercisable for one €0.18 par value share per option) 1,568,080 stock options granted by the Board on November 27, 2008 (exercisable for one €0.18 par value share per option) 1,579,120 stock options granted by the Board on November 26, 2009 (exercisable for one €0.18 par value share per option
17th resolution	Share grants. Maximum 3% of the capital.(a)	38 months	July 10, 2010	552,491 performance shares granted by the Board on November 14, 2007 90,860 performance shares granted by the Board on January 23, 2008 559,125 performance shares granted by the Board on November 27, 2008 536,116 performance shares granted by the Board on November 26, 2009 (shares with a par value of €0.18)
18th resolution	Overall limit on stock option plans and share grants: **3% of the capital**.(a)	38 months	July 10, 2010	2007- 2008-2009 grants: Stock options and performance share grants on a total of 6,003,562 shares, representing **2.79% of the capital**.

(a) 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.

Date of the Shareholders' Meeting	Type of authorization and ceiling	Duration	Expiration date	Utilization 2007 – 2008 - 2009
May 14, 2008				
16th 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**.(b)	26 months	July 14, 2010	In 2008, €129,625.92 increase excluding premiums, corresponding to the issue of 720,144 new shares, each with a par value of €0.18, to the Essilor 5 and 7-year corporate mutual funds (FCPE Essilor). In 2009, €119,276.28 increase excluding premiums, corresponding to the issue of 662,646 new shares, each with a par value of €0.18, to the Essilor 5 and 7-year corporate mutual funds (FCPE Essilor), representing **0.64% of the capital**.
17th and 18th resolutions	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%	26 months	July 14, 2010	Not used.
19th and 20th resolutions	Issue of shares and share equivalents without pre-emptive subscription rights but with an optional priority subscription period. ▪ Shares: maximum 10% of capital ▪ Debt securities: maximum €1 billion ▪ Greenshoe option: 15%	26 months	July 14, 2010	Not used.
21st resolution	Capital increase to be paid up by capitalizing reserves. Maximum €500 million.	26 months	July 14, 2010	Not used.

(b) The shares may not be offered at more than a 20% discount 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 carry out the issue or at a premium to this average.

21.1.6 Capital of any member of the Company under option or agreed to be put under option

Under its acquisitions strategy and in order to build loyalty among the management teams of the acquired companies, Essilor International generally starts by acquiring 75% to 90% of the companies concerned and then establishes reciprocal put and call options on the remaining shares, exercisable over periods ranging from three to five years.

This strategy was applied for the majority of acquisitions carried out in the United States and Europe in 2009.

As part of its acquisition programs in emerging markets, Essilor may gradually increase its interest in target companies from 10% to 51% over a 3 to 5-year period.

The liabilities represented by put options granted to minority shareholders are recognized in the consolidated balance sheet at their exercise price (see Section 20.3.1.2).

21.1.7 CHANGES IN SHARE CAPITAL

Change in share capital over the last five years *€ thousands*	Number of shares issued	Par value	Premium	New issued capital	New number of shares outstanding
SHARE CAPITAL AT DECEMBER 31, 2004				**36,159**	**206,620,966**
Issuance of shares to the Essilor Corporate Mutual Funds	691,064	121	16,728	36,280	207,312,030
Issuance of shares on exercise of stock options	900,494	158	14,876	36,437	208,212,524
Cancellation of treasury stock	(1,800,000)	(315)	(40,283)	36,122	206,412,524
SHARE CAPITAL AT DECEMBER 31, 2005				**36,122**	**206,412,524**
Issuance of shares to the Essilor Corporate Mutual Funds	610,266	107	19,389	36,229	207,022,790
Issuance of shares on exercise of stock options	674,082	118	13,699	36,347	207,696,872
Cancellation of treasury stock					207,696,872
SHARE CAPITAL AT DECEMBER 31, 2006				**36,347**	**207,696,872**
Issuance of shares to the Essilor Corporate Mutual Funds	578,917	102	20,303	36,449	208,275,789
Issuance of shares on exercise of stock options	931,122	166	19,627	36,615	209,206,911
Cancellation of treasury stock	(700,000)	(126)	(19,139)	36,489	208,506,911
Issuance of shares on conversion of Oceanes	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**
Issuance of shares to the Essilor Corporate Mutual Funds	720,144	130	21,102	38,160	211,999,459
Issuance of shares on exercise of stock options	452,913	82	10,071	38,241	212,452,372
Cancellation of treasury stock	(1,600,000)	(288)	(53,721)	37,953	210,852,372
Issuance of shares on conversion of Oceanes	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**
Issuance of shares to the Essilor Corporate Mutual Funds	662,646	119	18,329	38,103	211,682,568
Issuance of shares on exercise of stock options	778,714	140	18,497	38,243	212,461,282
Cancellation of treasury stock	(1,500,000)	(270)	(54,179)	37,973	210,961,282
Issuance of shares on conversion of Oceanes	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**

In application of the resolutions of the Annual Shareholders' Meeting of May 11, 2007, in July 2007 the Company 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 2003 to 2006 have been restated to take into account this stock-split.

Details of changes in share capital in 2009 are presented in Section 21.1.1.2.

21.1.8 Financial authorizations to be put to the vote at the Annual Shareholders' Meeting of May 11, 2010 (extraordinary resolutions)

First, the Board is seeking an authorization to cancel shares held in treasury stock, leading to a reduction in capital of no more than 10%. The purpose of the share cancellations would be to reduce the dilutive impact of stock option and performance share grants.

Second, the Board is seeking a 26-month authorization to issue new shares for cash and to grant newly issued shares or share equivalents to employees, in accordance with the law including Articles L.225-129, L.225-129-6 and L.225-138 of the French Commercial Code and Article L.3332-18 of the French Labor Code. These issues and grants would be made to members of an Employee Stock Ownership Plan set up by Essilor International or a related company, within the meaning of Article L.225-180 of the Commercial Code. Shares issued under this authorization would not exceed the equivalent of 2% of the shares outstanding at the issue date.

Third, the Board is asking shareholders to renew earlier financial authorizations given to the Board of Directors, as follows:

- 26-month authorization to issue shares and securities convertible, redeemable, exchangeable or otherwise exercisable for shares with pre-emptive subscription rights (share issues capped at €15 million, debt issues capped at €1.5 billion).
- 26-month authorization to issue debt securities convertible, redeemable, exchangeable or otherwise exercisable for shares, without pre-emptive subscription rights but with a priority subscription period (debt issues capped at €1 billion, with the resulting share issues capped at 10% of the capital).
- Greenshoe option, allowing the Board to increase by up to 15% any issues that are oversubscribed, with the same restrictions as for the original issue.
- 26-month authorization to increase the capital by up to €500 million, by capitalizing retained earnings, income, additional paid-in capital or other capitalizable amounts.

Fourth, the Board is seeking a 26-month authorization to issue shares, on one or several occasions, in payment for shares or other equity instruments of another company, in connection with a merger or an acquisition (capped at 10% of the current capital).

For information about the proposed renewal of the share buyback program, 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 (Memorandum and Articles of Association)

21.2.1 Corporate purpose

See Section 5.1.4.

21.2.2 Provisions relating to members of the Board of Directors and senior management

See Section 16.1.2.

21.2.3 Rights, preferences and restrictions attaching to each class of shares

See Section 18.2.

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 for information on dividends.

21.2.4.2 **Resolutions related to shareholders' rights tabled at the Annual Shareholders' Meeting of May 11, 2010**

We are committed to maintaining a high quality shareholder base and creating value for external and employee shareholders.

At the Annual Shareholders' Meeting, we are presenting a resolution authorizing the Board to issue stock warrants in the case of a takeover bid for the Company (so-called "Breton warrants"). The warrants would be issued to shareholders without consideration, on the basis of one warrant per share. The total number of warrants would not be exercisable for shares representing more than 25% of the issued capital. The warrants would be exercisable on preferred terms for new Essilor International shares. This measure would enable the Board of Directors – the majority of whose members are independent directors – to negotiate with the bidder or bidders in the best interests of shareholders. We are therefore recommending that, on the basis of a report drawn up by a designated bank approved by the majority of Essilor International's independent directors, the Board should be required to report to shareholders when the warrants are issued to explain why the takeover bid is not considered as being in the shareholders' best interest and to justify the issuance of such warrants as well as the criteria and methods applied to set their exercise price.

Refer to Section 18.4 for information on:

- Arrangements resulting in a change in control of the Company
- Shareholder pacts
- Contracts containing a change of control clause (Article L.225-100-3 of the Commercial Code).

21.2.5 GENERAL 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.

General Shareholders' Meetings are called and conduct business in accordance with the applicable laws and regulations.

21.2.5.2 **Participation in meetings**

To participate in a General Shareholders' Meeting in person or by proxy:

- Holders of registered shares must be listed as the shareholder of record in the Company's share register at midnight CEST on the third business day before the Meeting date ("record date").
- Holders of bearer shares must be listed as the shareholder of record at midnight CEST on the fourth business day before the Meeting date ("record date"). Ownership of the shares will be evidenced by a certificate of ownership (*attestation de participation)* issued by the custodian institution that keeps the shareholder's securities account, to be submitted with the postal voting form/proxy or the request for an attendance card issued in the shareholder's name. A certificate of ownership can also be issued to shareholders wishing to attend the Meeting who have not received their attendance card by midnight CEST on the fourth business day before the date of the Meeting.

Shareholders may give proxy only to their spouse or to another shareholder. 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 CEST on the fourth business day preceding the Meeting and no such transactions will be taken into account by the Company, regardless of any agreement to the contrary.

Shareholders who are not resident in France, within the meaning of Article 102 of the French Civil Code, may ask their custodian institution to transmit their votes in accordance with the applicable laws and regulations.

21.2.5.3 **2010 Annual Shareholders' Meeting**

The Annual Shareholders' Meeting will be called on May 11, 2009.

For information about the financial authorizations to be put to the vote at the Meeting, see Section 21.1.8.

For information about the proposed renewal of the share buyback program, see Section 21.1.3.1 – Share Buyback Programs.

Refer also to Section 21.2.4.2, which includes information about certain extraordinary resolutions to be put to the vote at the Meeting.

21.2.6 CHANGE OF CONTROL PROVISIONS

Refer to Sections 18.4, 21.2.4.2 and 21.2.7.

21.2.7 DISCLOSURE THRESHOLD PROVISIONS

At December 31, 2009

- In addition to the statutory disclosure thresholds, the Company's bylaws state that any acquisition of 1% of the voting rights or any increase in an interest to 1% of the voting rights must be disclosed to the Company within five days, by registered letter sent to the Company's registered office with return receipt requested. The same formalities are required when a shareholder acquires or raises its interest to 2% of the voting rights or any multiple of 2%.
- Disclosure is also required, within the same maximum period, of any reduction in the percentage of voting rights held to below any of the above thresholds.
- Any undisclosed shares in excess of the above disclosure thresholds will be stripped of voting rights in accordance with the law at the request of one or several shareholders together holding at least 5% of the capital.

Refer also to Section 21.2.4.2 – Resolutions related to shareholders' rights tabled at the Annual Shareholders' Meeting of May 11, 2010.

21.2.8 CONDITIONS GOVERNING CHANGES IN CAPITAL

The Company's bylaws do not contain any restrictions over and above the applicable legal provisions in relation to capital increases.

22 MATERIAL CONTRACTS

See Section 6.4. – Dependence on patents, licenses, contracts and manufacturing processes.

Refer also to Section 18.4 – Arrangements resulting in a change in control of the Company.

23 THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

23.1 Expert statements and 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 DOCUMENTS ON DISPLAY

The bylaws and other corporate documents are available for consultation at Company 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 2009 Registration Document and Annual Report will be available as of the date of the Annual Shareholders' Meeting on May 11, 2010.

Essilor regularly provides its shareholders with transparent, accessible information about the Company, its activities and its financial results via a large range of resources.

INFORMATION PUBLISHED BY THE COMPANY IN THE PAST YEAR

Documents published in the *Bulletin des Annonces Légales Obligatoires* (BALO) are available (in French only) by searching under Essilor International or the Company's SIREN (registration) number – 712049618 – at http://balo.journal-officiel.gouv.fr/

All periodic and standing information filed with the French securities regulator (Autorité des Marchés Financiers) can be downloaded (in French) from www.info-financiere.fr.

Information available on the **Company's website** (http://www.essilor.com) includes:

- Regulatory information as defined by the French securities regulator (AMF).
- AMF filings that are required to be published on the corporate 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 General Shareholders' Meetings, including notices of meeting, proposed 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 7, 2009 and March 15, 2010.

1. INFORMATION AVAILABLE ON THE COMPANY'S WEBSITE (www.essilor.com) UNDER "PUBLICATIONS"

News releases

Date	Subject	Title
January 7, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of December 31, 2008 (in French only)
January 12, 2009	Liquidity contract	Half-yearly report on liquidity contract transactions (in French only)
January 15, 2009	Acquisitions	Essilor agrees to acquire Signet Armorlite
January 29, 2009	2008 revenue	A new year of growth in 2008 – Revenue up 9.7% excluding the currency effect. Higher earnings expected.
February 6, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of January 31, 2009 (in French only)
February 12, 2009	Signature of an agreement	Essilor and Nikon create a joint research center in Japan
March 5, 2009	2008 results	2008: solid sales and earnings
March 5, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of February 28, 2009 (in French only)
April 2, 2009	Share buyback program	Monthly disclosure of treasury stock transactions – March 2009 (in French only)
April 2, 2009	Proxy information	Procedure for requesting or viewing proxy information for the combined Ordinary and Extraordinary Annual Meeting on May 15, 2009.
April 7, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of March 31, 2009 (in French only)
April 9, 2009	Publication of a report	2008 Registration Document filed
April 23, 2009	First quarter 2009 report	Strong growth in first-quarter revenue, up 10.3%
May 5, 2009	Share buyback program	Monthly disclosure of treasury stock transactions – April 2009 (in French only)
May 7, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of April 30, 2009 (in French only)
May 15, 2009	Annual Shareholders' Meeting	Resolutions adopted at the 2009 Combined Ordinary and Extraordinary Annual Meeting
May 15, 2009	Stock issue	Employee stock issue
June 4, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of May 31, 2009 (in French only)
June 17, 2009	Signature of an agreement	Essilor agrees to acquire a stake in WLC
July 3, 2009	Liquidity contract	Half-yearly report on liquidity contract transactions (in French only)
July 6, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of June 30, 2009 (in French only)
July 7, 2009	New partnerships	Essilor forges new strategic partnerships around the world
July 17, 2009	First-half 2009 revenue	Strong growth in first-half revenue, up 9.4% – Operating margin holds firm
August 5, 2009	Share buyback program	Monthly disclosure of treasury stock transactions – July 2009 (in French only)
August 5, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of July 31, 2009 (in French only)
August 27, 2009	First-half 2009 results	An excellent first half: contribution margin maintained at a high 18.2% – A further increase in basic earnings per share – Sharp rise in net cash flow
August 27, 2009	Publication of a report	Publication of the 2009 Interim Financial Report
September 3, 2009	Share buyback program	Monthly disclosure of treasury stock transactions – August 2009 (in French only)
September 3, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of August 31, 2009 (in French only)
September 8, 2009	Appointments	Hubert Sagnières to be appointed Chief Executive Officer on January 1, 2010 Xavier Fontanet will continue as Chairman of the Board of Directors
October 5, 2009	Share buyback program	Monthly disclosure of treasury stock transactions – September 2009 (in French only)
October 5, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of September 30, 2009 (in French only)

Date	Subject	Title
October 22, 2009	Third-quarter 2009 report	Nine-month revenue up 8.4% – Return to like-for-like growth
November 4, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of October 31, 2009 (in French only)
November 5, 2009	Share buyback program	Monthly disclosure of treasury stock transactions – October 2009 (in French only)
November 26, 2009	Stock issue	Employee stock issue
December 7, 2009	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of November 30, 2009 (in French only)
December 16, 2009	Signature of an agreement	Essilor agrees to acquire FGX International Holdings Limited, the US leader in non-prescription reading glasses
January 11, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of December 31, 2009 (in French only)
January 14, 2010	Liquidity contract	Half-yearly report on liquidity contract transactions (in French only)
January 22, 2010	Acquisitions	Essilor steps up its international development with ten new partnerships
February 8, 2010	Creation of a joint venture	Luxottica and Essilor form a joint venture for the Australian and New Zealand markets
February 8, 2010	Monthly disclosure of capital and voting rights	Disclosure of shares and voting rights outstanding as of January 31, 2010 (in French only)
March 4, 2010	2009 results	A remarkable year in the context of 2009
March 15, 2010	Acquisition	Essilor acquires FGX International

Registration Documents

Date	Type of document
March 28, 2008	2007 Registration Document filed with the AMF under no. D.08-0161

2. INFORMATION PUBLISHED IN THE BULLETIN DES ANNONCES LÉGALES ET OBLIGATOIRES (BALO) (IN FRENCH ONLY)

Date	Issue no.	Subject
March 27, 2009	Bulletin no. 37	Notice of General Meeting
June 22, 2009	Bulletin no. 74	Approval of the 2008 financial statements/Statutory Auditors' reports
July 17, 2009	Bulletin no. 85	Notice to Oceane bondholders
January 18, 2010	Bulletin no. 8	Notice to Oceane bondholders

25 INFORMATION ON HOLDINGS

See Notes 32 to 35 to the consolidated financial statements in Section 20.3.1.5.

26 APPENDIX TO THE 2009 REGISTRATION DOCUMENT

Appendix 1 Chairman's Report

On Corporate Governance and Internal Control and related Auditors' Report

To the shareholders

In accordance with Article 117 of France's Financial Security Act (Act no. 2003-706), Article 62 III of the French Employee Stock Ownership Act (Act no. 2006-1770 of December 30, 2006), Article 621-18-3 of the French Monetary and Financial Code and Article 26 of Act no. 2008-649 of July 3, 2008 adapting various provisions of French company law to comply with European Union legislation, and in application of Article L.225-37, paragraphs 6 to 10, of the French Commercial Code, I present below my report describing:

- The membership of the Board of Directors and the preparation and organization of Board meetings during the year ended December 31, 2009.
- 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 executive directors' compensation and benefits.
- Contracts containing a change of control clause.

The purpose of this report is to help shareholders understand our Company's management processes and methods.

It was prepared after certain procedures had been performed, in particular by the Corporate Senior Vice President, Legal Affairs. Section 2 was prepared in close collaboration with the Internal Audit department based on written consultations and discussions with the heads of the various departments involved in internal control at the corporate level. It was reviewed by the Audit Committee (on March 1, 2010) before being presented to the Board of Directors, to enable senior management to validate the description of the Company's priorities and the work underway and to ensure that internal control is afforded the importance it deserves within the Company. In preparing the report, we referred to the principles described in the internal control framework for listed companies recommended by the work group of the Autorité des Marchés Financiers (AMF). The contents of this report were approved by the Board of Directors at its meeting of March 3, 2010.

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 Act no. 2008-649 of July 3, 2008 adapting various provisions of French company law to comply with European Union legislation and which transposed European directive 2006/46/EC dated June 14, 2006 into French law, at its meeting on March 4, 2009 the Board of Directors formally decided to adopt the December 2008 AFEP/MEDEF "Corporate Governance Code for Listed Corporations". This Code is based on the 2003 AFEP/MEDEF consolidated report and the AFEP/MEDEF recommendations of January 2007 and October 2008 on the compensation of executive directors of listed companies. It can be downloaded from the MEDEF website at http://www.medef.fr/main/core.php.

2. Directors' charter

The Directors' Charter adopted by the Board on November 18, 2003 describes the rights and obligations of the members of the Essilor Board. It was updated by the Board on January 27, 2005, to reflect the provisions of the Market Abuse Directive (2003/6/EC) dated January 28, 2003 on insider dealing and market manipulation, and the disclosure by executive directors of their transactions in the issuers securities and those of any closely related persons. For more information, refer to Section 16.1.2.

The charter requires each director to commit to remaining independent, to regularly attend Board meetings and General 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 director 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. In addition, directors must be given all relevant information about the Company and may participate in meetings to examine in detail the matters put before the Board.

The charter was amended 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 director is now required to hold 1,000 Essilor International shares compared with 500 previously, and also to stipulate that each director has the right to meet with Company executives on a one-to-one basis, provided that senior management is informed of the meeting.

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, as amended on January 27, 2005, January 24, 2007 and, most recently, by decision of the Board on November 26, 2009. The purpose of the November 26, 2009 amendments were 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 parent company and consolidated accounts.
- 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.
- Place on record the fact that all directors, without exception, have been members of the Strategy Committee since August 26, 2009.

The main internal rules governing the Board's practices are set out in Section 16.1.2 and those governing the Committees of the Board are presented in Section 14.1.2.

The internal rules also stipulate that:

"Each director 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."

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".

4. Members of the Board of Directors

As of December 31, 2009

Xavier Fontanet, Chairman and Chief Executive Officer

Philippe Alfroid, Chief Operating Officer until June 30, 2009, has continued to serve as a director since he retired from the Company.

Hubert Sagnières Chief Operating Officer

Independent directors:

At its meeting on November 26, 2009, 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 2003 consolidated AFEP/MEDEF report and the AFEP/MEDEF Corporate Governance Code), the Board decided that of the fifteen members of the Board as of December 31, 2009, nine were independent, as follows:

Alain Aspect

Benoît Bazin

Antoine Bernard de Saint-Affrique

Yves Chevillotte

Bridget Cosgrave

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 90% of its capital is held by the public. For more information, see "Board decisions and information", paragraph 3 "Annual review of directors' independence".

Directors representing employee shareholders:

Aïcha Mokdahi

Yves Gillet

Alain Thomas

Each director 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 the directors by email, with postal confirmation, 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 2009, the Board held six scheduled meetings on the dates planned in 2008 (January 28, March 4, May 15, July 16, August 26 and November 26). Each meeting lasted an average of two and a half hours. Two unscheduled meetings were held on April 7 and December 9, 2009.

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. 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 94% in 2009 (unscheduled meetings included). The Auditors attended the two Board meetings to which they were invited. As in prior years, the Works Council representatives on the Board attended all Board meetings held in 2009.

Fourteen of the fifteen directors attended the Annual Shareholders' Meeting held on May 15, 2009.

8. Information made available to directors

All necessary documents to inform the directors 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 directors reasonably in advance of the meeting. In 2009, as in prior years, directors were informed of the negative windows for 2010, 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 ethical guidelines drawn up by the Company which state that directors 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

In 1997, based on a recommendation by the Chairman, Essilor set up three Committees of the Board –the Audit Committee, Remunerations Committee and Strategy Committee. At the end of 2009, the Board decided to set up an Appointments Committee that will hold its first meeting in 2010. This fourth committee will comply with the related guidance contained in paragraph 15 of the AFEP/MEDEF corporate governance code. 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 26, 2009. Extracts from the internal rules are presented in Sections 14 and 16 of the Registration Document.

Audit Committee

The Audit Committee, whose role is defined in the eighth European Directive, met on August 21, 2009 to review the interim consolidated financial statements and on March 1, 2010 to review the annual consolidated financial statements. The Chief Financial Officer and the external Auditors attended both of these meetings, to present the accounts and answer the Committee's questions.

The Chairman of the Committee had lengthy discussions with the Chief Financial Officer prior to each of these meetings to review the consolidated financial statements and operating highlights in detail, as well as with other risk management executives including the Corporate Senior Vice President, Legal Affairs and the Vice President, Internal Audit.

The Audit Committee also met on May 4 and December 7, 2009.

The following topics were discussed at these various meetings:

- Commitment rules and delegations of authority
- Technological risks and ethical design rules for R&D operations
- Financial statement sensitivity to changes in exchange rates
- Statutory Auditors' fees
- Current risk exposures
- Results of internal control procedures
- Accounting organization
- Risk management organization
- New IFRSs (IFRS 3 revised, IFRS 8, IAS 27 revised and IFRIC 13).

At the Committee's meetings in March, May, August and December 2009, the Vice President, Internal Audit presented the 2009 internal audit program to the Committee and provided it with an update on measures taken to improve internal control, as well as outlining the results of the internal audits performed during the period. The 2010 internal audit program was presented to the Audit Committee in December 2009. The Vice President, Internal Audit also described the work undertaken in the area of risk management and announced the creation of a unit tasked with consolidating risk data.

The Committee's work was presented to the Board of Directors by the Chairman of the Committee, Yves Chevillotte.

In line with AFEP/MEDEF recommendations, the Audit Committee will consider the recommendations to be made concerning the prior approval of services provided by the Company's auditors that are related to or represent an extension of their audit of the accounts, such as acquisition audits.

The attendance rate at Audit Committee meetings in 2009 was 78%.

Remunerations Committee

The Remunerations Committee met six times in 2009 to examine:

- 2008 incentive bonuses and the 2009 bonus targets and other conditions.
- The proposed creation of an Appointments Committee and the type of work undertaken by the Remunerations Committee
- The allocation of roles and responsibilities between the Chairman and the Chief Executive Officer
- The 2010 compensation of the Chairman of the Board of Directors and the Chief Executive Officer
- The procedures of the Board of Directors
- The situation of each director in relation to the independence criteria set out in the corporate governance code.

The attendance rate at Remunerations Committee meetings was 95.8% in 2009.

The successive Chairmen of the Committee (Jean Burelle and Michel Rose) presented the Committee's reports allowing the Board of Directors to set the executive directors' bonuses for 2009, in line with the principles and conditions decided in 2008, and to determine the principles and rules governing senior management compensation for 2010 based on Article L.225-37, paragraph 7, of the French Commercial Code. In accordance with article 21.1 of the AFEP/MEDEF corporate governance code, the components of management compensation were disclosed on the Company's website following the Board meeting of November 26, 2009 at which they were decided.

During the August 26, 2009 meeting, the directors were given a questionnaire to help them review the status of Board members based on the independence criteria stipulated in the Bouton corporate governance report and taken up in the 2003 AFEP/MEDEF consolidated report, which continues to serve as the French reference on this subject as it was folded into the AFEP/MEDEF 2008 Corporate Governance Code. The Remunerations Committee then prepared an executive summary of the survey results. Lastly, at the November 26, 2009 Board meeting, the Remunerations Committee presented the results of the directors' self-assessment of the Board's practices.

Principles and rules for determining senior management compensation in 2010

Starting in 2010, the Board of Directors has decided to segregate the positions of Chairman of the Board of Directors and Chief Executive Officer. This decision affects the executive directors' compensation structure.

The Board of Directors decided that the Chairman of the Board should be paid a fixed amount of compensation.

As previously, the Chief Executive Officer will be paid a basic salary and a contractual bonus based on certain objectives. The bonus may increase to up to one-and-a-half times the contractual amount if the targets are exceeded.

The bonus objectives, as well as their measurement method, weighting and amount will be decided by the Board in March 2010.

The Board of Directors may grant performance shares or stock options to the executive directors and these directors will also continue to receive the same benefits in kind and other forms of compensation as in prior years (see Section 15.1 of the Registration Document for details).

In line with the AFEP/MEDEF's recommendations issued in October 2008 as transposed into the Corporate Governance Code, on November 27, 2008, the Board of Directors enacted rules governing stock option and performance share grants to executive directors, as follows:

- The value (under IFRS) of stock options and/or performance shares granted to each executive director may not exceed the sum of his or her annual salary plus contractual bonuses.
- The aggregate stock options and/or performance shares granted to all executive directors may not exceed 20% of the total stock options and/or performance shares granted by the Company to management and employees.

Performance conditions:

- The annual performance index, expressed as a percentage, is determined by applying the performance criteria weightings used to calculate executive directors' bonuses.
- The vested portion of the grant is then determined by reference to the arithmetical average of the performance indices for the fiscal years in the period between the year of grant and the year when the option becomes exercisable, with a cap of 100%.

If an executive director retires, only his or her years of service are taken into account in the calculation.

In addition, since the December 30, 2006 Employee Profit-Sharing and Stock Ownership Act came into effect on December 31, 2006, the executive directors have been required to retain a certain number of registered shares obtained on exercise of stock options or performance share rights for as long as they remain in office.

For stock options and performance share rights granted since 2007, at the end of the lock-up period specified in the rules of the plan concerned, executive directors are required to retain, in registered form:

- One third of their vested performance shares, or
- One third of the shares acquired on exercise of stock options, excluding those shares sold immediately to finance the exercise price and the tax due on the capital gain.
- The lock-up ceases to apply to new share acquisitions when the cumulative number of shares subject to the lock-up represents the equivalent of two years' cash compensation.
- In line with the AFEP/MEDEF corporate governance code, the equity risk has not been hedged.
- For a long time now, many Essilor employees in France and abroad have been awarded stock options or performance shares. In 2009, 8,557 employees participated in these plans, up from 8,440 in 2008. Around 3% to 5% of annual stock option or performance share grants are made to executive directors who reinvest the bulk of their capital gains in Essilor shares, thereby sharing the same risks and rewards as the Company's other shareholders. The stock option and performance share grants for management and employees are decided in November of each year by the Board of Directors and do not include any discount. In addition, in the last three years, all employees of Essilor International and of certain French subsidiaries (BBGR, Novisia, BNL Eurolens and Delamare Sovra) have participated in collective performance share plans. To place executive directors and employees on the same footing as other shareholders, these grants are subject to performance conditions linked to gains in the Essilor share price. Moreover, to protect the interests of external shareholders, management has given a commitment to offset the dilutive effect of these grants to Essilor executives and employees by canceling, on a one-for-one basis, Essilor shares bought back on the market for this purpose.

Top-hat pension plans

Executive directors are covered by Essilor's "Article 39" supplementary pension plan for category III C senior executives, as defined in the metalworking industry collective bargaining agreement. The plan is governed by Article 137-11 of the French Social Security Code as well as by a company agreement dated November 2, 2000 and its addenda.

The plan provides additional pension benefits over and above the benefits received under the Social Security and government-sponsored ARRCO and AGIRC schemes, equal to 10% of their reference salary beyond 10 years of service, plus:

- The equivalent of 1% of their reference salary per additional year of service, up to a maximum replacement rate of 20%.
- The equivalent of 1.5% of the portion of their salary above the "Tranche C" band for social security contributions per year of service between 10 and 20 years, capped at 5% of the reference salary defined in the pension plan rules.

In all, for executive directors with at least 20 years' service the top-hat plan pays pension benefits of up to 25% of their reference salary.

Strategy Committee

The Strategy Committee met twice in 2009.

The meeting on July 16, 2009 was devoted primarily to reviewing the Company's worldwide prescription laboratory strategy.

During the meeting on October 22, 2009, the consultant's report on the way that international groups should plan for the next fifty years was presented to the Committee members and there was further discussion of the proposed acquisition of 100% of FGX, a listed company that is the leading designer and marketer of non-prescription eyewear in the United States.

After each meeting, a summary of the Strategy Committee's work was presented to the Board of Directors by the Committee's Chairman.

The attendance rate at Strategy Committee meetings was 96%.

REPORT ON ESSILOR INTERNATIONAL S.A. INTERNAL CONTROL PROCEDURES

1. Internal control objectives

Internal control is a process designed to provide reasonable assurance regarding the achievement of the following objectives:

- Compliance with the applicable laws and regulations.
- Application of senior management strategies and guidelines.
- Efficient operation of internal processes, particularly those contributing to the protection of assets.
- Reliable financial information.

More generally, internal control contributes to the disciplined management of the business, the effectiveness and efficiency of operations and the efficient use of resources. Our internal control and risk management system is geared to the Company's situation. The parent company ensures that adequate systems of internal control exist within the subsidiaries. These systems are developed based on each subsidiary's individual characteristics and on relations between the parent company and the subsidiaries.

In practice, the purpose of internal control is to ensure that:

- All acts of management, all transactions, and the behavior of all Company employees, comply with the general strategic guidelines established by the Board of Directors, applicable laws and regulations, and the Company's corporate values, standards and internal rules.
- All accounting, financial, legal and management information reported to the Board of Directors, the regulatory authorities, shareholders or the public gives a true and fair view of the Company's business and financial position.
- The Company's internal policies and procedures provide reasonable assurance that the business is managed efficiently and effectively.

One of the objectives of internal control is to prevent and manage business, financial and legal risks, including the risk of errors and fraud, to which the Company and its subsidiaries are exposed in France and abroad. However, no system of controls can provide an absolute guarantee that all such risks have been completely avoided, eliminated or entirely brought under control, or that the Company's objectives will be met. This is because of the probability of meeting these objectives depends on a number of factors such as the uncertain external environment, uncertainty arising from economic cycles, regulatory uncertainty, the exercise of judgment or malfunctions due to human error, fraud or straightforward mistakes.

Additional information on risks is provided in Section 4 of the Registration Document.

The charter of Valoptec, an association made up of active and retired Essilor employees, states that the association's purpose is to "promote the adoption by group companies of sound business practices and human resources management policies." The charter upholds the values of respect and trust among individuals. Although employees are not asked to sign the charter, its principles permeate the Essilor corporate culture. The members of Valoptec and other employee shareholders together hold 13.8% of the Company's voting rights. The association's bylaws are regularly updated and reviewed to ensure they are aligned with its development.

2. Internal control principles

Our system of internal control is rooted in:

- Clear definitions of responsibilities, backed by the necessary resources and skills, appropriate information systems, procedures and processes, tools and practices.
- Internal communication of all the information needed to enable each individual to fulfill his or her responsibilities.
- The identification and analysis of the main risks that could prevent the Company from fulfilling its objectives, and the implementation of procedures to manage these risks.
- Control procedures that are proportionate to the risks associated with each process and are designed to provide assurance that measures are taken to limit and, to the extent possible, manage the risks that could prevent the Company from fulfilling its objectives.
- Supervision of the internal control and risk management process and regular reviews of its effectiveness.

The Board of Directors and senior management 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 Company. Support is provided by various staff and line executives who are members of the Executive Committee, based on their respective areas of competence and according to an organization structure by country, by region and by technical area. The Chief Financial Officer and the Corporate Senior Vice President, Legal Affairs, who have front-line responsibility for internal control, are members of the Executive Committee.

3. Overall organization of internal control

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

Since the decision to separate the functions of Chairman of the Board and Chief Executive Officer, effective January 1, 2010, the Vice-President, Internal Audit, reports to the Chief Executive Officer, ensuring the independence and objectivity necessary to his task. He has no authority over, or responsibility for, the audited operations. He also reports on his department's activities to the Audit Committee and presents an executive summary each year to the Executive Committee. The department is organized on a decentralized basis, with teams based at Company headquarters (responsible for auditing corporate units and operations in Europe and South America), in the United States (covering North America) and in Singapore (covering the Asia-Pacific and Middle East regions).

The main role of the internal auditors is to ensure that internal control procedures are properly applied throughout the organization, by checking that practices comply with internal rules and procedures, verifying the reliability of accounting information and reviewing the efficiency of internal processes.

Internal audits are planned on the basis of identified process risks, according to a cycle covering all subsidiaries, with special audits added to the program at the request of Company senior management or a regional President. Certain audits are carried out by multidisciplinary teams comprising internal auditors, tax and legal specialists. The annual audit program is approved by Company senior management and the Audit Committee.

Internal audits are carried out according to the same methodology in all host countries. At the end of each audit, a report is issued setting out the internal auditors' findings and recommendations for improvement. The audited units are responsible for implementing the recommendations. The internal auditors ensure that their recommendations are acted upon, by reviewing implementation of the action plans decided jointly with the management of the audited units.

A copy of their report is given to the management of the audited unit, the regional President, Company senior management and the Chief Financial Officer, and an executive summary is given to the heads of the operating and corporate units concerned. Each year, a summary of the internal auditors' findings and recommendations is presented to the Chairman and Chief Executive Officer and the Audit Committee.

The responsibilities, powers and objectives of the internal audit team are set out in an internal audit charter, which describes the rules of professional conduct that internal auditors have to follow, as well as the methodology to be used when auditing a unit. According to the charter, the Internal Audit department can audit any of the Company's activities, corporate functions or legal entities.

The Internal Audit department is also overseeing an internal control self-assessment process that began in 2004 in various Company units.

In 2009, the Internal Audit department took steps to centralize risk management processes. The project was organized in three phases. The initial top-down phase consisted of formally identifying the main risks that the Executive Committee members believe could prevent them from meeting their objectives. At the same time, a risk assessment grid was created, based on the following risk categories: market and operational risks, strategic and organizational risks, legal, financial, reputational and IT risks. A preliminary assessment served to prioritize the identified risks.

The second phase, which has just begun, consists of reviewing the alignment between risks addressed at operational level and the risks identified by Executive Committee members.

The third phase will involve creating a management reporting system to track each identified risk.

To strengthen the process, a risk consolidation unit will be set up, comprising representatives of the legal, sustainable development and internal audit departments, to ensure that risks are managed consistently throughout the organization and that data to track potential risks is kept up to date.

Consolidation

The Consolidation department is responsible for defining consolidation rules and methods that comply with the applicable standards, to be applied throughout the Company, and preparing quarterly and annual consolidated income statements and balance sheets in accordance with the Company's general policies. It also leads and coordinates the financial reporting activities of the consolidated companies.

It produces the consolidated financial statements based on the accounts of the various subsidiaries, as adjusted to comply with Essilor 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.

Accounting Control

Each Group unit has its own management accounting team responsible for analyzing the unit's performance, with guidance from the regional or divisional management accounting department. Corporate Accounting Control performs consistency tests on management reporting data, to check the overall reliability of the information. It also oversees a network of management accountants, provides decision-making guidance and monitors the monthly management results of each entity or business unit. Corporate Accounting Control produces the monthly consolidated management accounts and the consolidated budget, performs monthly variance analyses and checks the consistency of transfer prices. The accounting controllers report to both line and staff management.

Sustainable Development

This cross-functional unit is primarily responsible for anticipating and influencing foreseeable changes in the business, and analyzing the economic, human and environmental consequences, to enable the Company, its stakeholders and the community to benefit from the opportunities that arise and to warn management of possible risks. The unit is also responsible for producing the Company's non-financial disclosures.

Health, Safety and Environment (HSE)

The HSE department is responsible for applying the Company's safety strategy to protect individuals and assets, prevent industrial risks, preserve employees' health and protect the environment. The head of the HSE department reports directly to the Corporate Senior Vice President, Global Engineering (a member of the Executive Committee) and also has a dotted-line reporting relationship with the Vice-President, Sustainable Development. The department leads the network of HSE correspondents and sets up programs and systems to ensure regulatory compliance and continually improve the Company's HSE performance. It also provides technical expertise in the areas of REACH compliance, fire protection and equipment safety to the Company'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 Company and the Board of Directors 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 Company in an international legal and regulatory environment that is increasingly complex and burdensome. For example, five Essilor technical R&D communities developed an ID card with key information about themselves and a confidentiality guide has been prepared for their use. The guide explains and demonstrates the importance of confidentiality rules by providing real-life examples of good practices. It also reaffirms the principle of free circulation of information within the communities and sets out the rules governing exchanges of information with persons outside the community. A handbook prepared with input from the Legal Affairs department was distributed to community members.

Regional legal teams that have a dotted-line reporting relationship with the Corporate Senior Vice President, Legal Affairs, issue legal guidelines for line managers on safety and compliance issues and also prepare legal and compliance guides for employees in their region.

The Legal Department provides training in contractual and commercial practices as well as in the avoidance of competition law breaches, for Executive Committee members, regional Presidents and the Corporate Senior Vice Presidents. Lastly, an audit of European sales contracts was launched at the end of 2009.

Legal Affairs ensures that the Company fulfills its more than ten thousand contractual obligations, with the help of a contracts database that is constantly updated. It keeps an up-to-date list of claims and lawsuits filed by or against the Company (such as judicial disputes, industrial property disputes, tax audits or claims), and posts information memoranda on its intranet site announcing changes in legal, tax or insurance rules or practices. To help enhance the reliability and quality of legal and financial information on the many subsidiaries, the department has integrated a new web-enabled intranet application to manage and update this information.

The insurance department, which is part of Legal Affairs, implements a policy that combines prevention, in the form of regular site visits and audits with our insurers and brokers, with protection, in the form of international insurance programs.

At the end of 2009, a legal compliance unit was set up within the Legal Affairs department, responsible for training, audit and prevention programs. A roadmap is in the process of being developed, listing the main issues to be considered (identification of risks, assessment of existing procedures, individual accountability, resources, compliance process effectiveness, senior management support).

Lastly, compliance procedures are gradually being deployed throughout the Company, relating mainly to Company-wide agreements and charters such as the charter for the prevention of all forms of unlawful discrimination, the "Essiboomers" agreement on the development and enhancement of the third phase in employees' careers and the agreement on the employment of people with a disability. 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 trading in the Company's shares is prohibited ("negative windows").

Quality and Customer Satisfaction

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 core aims are to:

- Enhance satisfaction with our 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 our overall strategic objectives and developing techniques to measure their efficiency.
- Ensure that decision-making processes are results-oriented, by contributing to the establishment of indicators, based where possible on industry benchmarks.
- Encourage the involvement, motivation and personal development of employees.

Mergers and Acquisitions

Reporting to the Chief Financial Officer, the Vice President, Merger and Acquisitions and his team define the Company's external growth strategies and coordinate the strategic growth initiatives undertaken by subsidiaries. They also analyze, monitor and validate the financial aspects of proposed business acquisitions, and approve the financial terms of proposed acquisitions and divestments. Under no circumstances may Essilor entities decide alone to acquire a subsidiary 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 authorized in advance by the Board of Directors.

Corporate Treasury

This department manages financing requirements and available cash at corporate level in France mainly through cash pooling activities and inter-company loans. Essilor companies may not engage in financing and/or cash management transactions without prior approval from Corporate Treasury, which is generally responsible for providing advice and assistance on matters related to cash management and obtaining contract approval from the Legal Affairs department.

Corporate Treasury's centralized role has the advantage of allowing subsidiaries' cash surpluses to be used to meet the short-term financing needs of other units, and of concentrating interest rate risk within the parent company. Available cash is invested in short-term facilities with a view to meeting the Company's main cash management priorities of financial security and liquidity.

Currency risks are systematically hedged using appropriate market instruments. Intercompany transactions are billed in the local currency of the importer or exporter, so that only a limited number of subsidiaries are exposed to material currency risks. Subsidiaries exposed to material currency risks hedge these risks with support from Corporate Treasury. The other subsidiaries' exposure, which is very limited, is monitored by Corporate Treasury.

Corporate Treasury is responsible for managing relations with banks

Lastly, the department works alongside the Consolidation department to monitor compliance with procedures for applying the IFRSs dealing with financial instruments.

4. Internal control standards and procedures

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, communications, finance, legal affairs, operations, R&D and human resources.

The procedures are organized by process, including fixed assets, inventories, sales/receivables, treasury, purchasing, on and off-balance sheet commitments, tax, R&D and production start-up costs, production accounting, fraud prevention, insurance, human resources, legal affairs, consolidation and acquisitions of companies, assets and businesses. Available for on-line consultation on the Company's intranet, in French and English, the Group Finance Manual provides essential guidelines for the preparation of the accounts and to maintain an appropriate control environment at all units. It is regularly updated to take into account changes in regulations and the Company's needs, as well as to incorporate new international standards applicable to the Company.

The manual includes a section devoted to the Company's principles of ethical business practice, focusing on four main areas: human rights, working conditions, the environment and the fight against corruption.

The finance director of each entity or business unit is responsible for ensuring that these rules and procedures are fully and properly applied.

b) The quality and reliability of financial information is guaranteed by the use of an integrated management and statutory reporting system, FIGURES. Local accounting data are entered in the system either directly or via an interface, according to a detailed reporting timetable issued by Corporate Finance at the beginning of each year.

Consolidation procedures guarantee the consistency of financial information. The FIGURES manual includes a glossary describing the information to be entered for each module in accordance with Company 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 Company'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 Essilor accounting policies and procedures. The use of FIGURES guarantees consistent accounting treatment of transactions and enables us to exercise close control over the preparation of the accounts of the various units.

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

c) We have numerous information systems to manage, monitor, analyze and control both upstream activities (production/logistics) and downstream activities (prescription/distribution). In addition, an international intranet charter has been drawn up to coordinate the circulation and sharing of information via the Essilor intranet.

d) Essilor is included in five sustainable development indices: ASPI Eurozone®, FTSE4Good, Dow Jones Sustainability Index (DJSI), Ethibel Excellence and ECPI® Ethical Index €uro.

e) Essilor supports the Global Compact initiative and is committed to embracing and enacting its ten universal principles within its sphere of influence. The Company regularly reports its achievements and progress to the Global Compact Office at UN Headquarters in New York.

f) Attentive to the consequences of climate change, Essilor supports the Carbon Disclosure Project and Caring for Climate initiatives. The production of a pair of corrective lenses generates only a few hundred grams of CO_2 equivalents. Used for many months, these small, light objects do not consume any energy.

g) All Essilor plants (excluding Nikon-Essilor) have ISO 9001-certified quality management systems, ISO 14001-certified environmental management systems and OHSAS 18001-certified workplace health and safety systems.

5. Description of internal control systems

Internal controls are based on an organization structure and specific methodologies. They concern all Essilor entities and are monitored by the individuals or structures responsible for control activities, in accordance with Company standards and procedures, enabling the Company to classify the various strategic risks and opportunities in order to set priorities.

An overall risk management strategy is developed based on analyses performed by each department of the specific risks associated with its activities during the business plan preparation process. Essilor is capable of reacting swiftly to any change of circumstances or any incident that could severely affect the Company's ability to fulfill its objectives, by adjusting the overall strategy or the strategy followed in a given area. At local level, identifying risks is the responsibility of the regional Presidents and the management of the subsidiaries. All information about risks and related protection is reported to the members of the Executive Committee. At the end of 2009, an assessment of these risks, calculated on a consolidated basis, was presented to the Executive Committee by the Vice President, Internal Audit. The information provided included details of their scope and nature, the name of the Executive Committee member responsible for their management, a description of the risk management methods and control processes, as well as details of any action plans in progress or to be implemented.

In 2009, we have some 200 legal entities and units combined, the majority of which are direct subsidiaries of Essilor International. Levels of authority and accountability are clearly defined for each management level, with very strong cross-functional relations, and the heads of the subsidiaries are informed of the procedures for carrying out their obligations. Certain Corporate functions, such as Purchasing, Internal Audit, Accounting Control, Legal Affairs and Human Resources, have a dual reporting relationship, with local management and with the Corporate Senior Vice President who heads the department concerned. On the operations side, each plant manager reports to the regional Production Director who in turn reports to the Corporate Senior Vice President, Operations. On the sales side, the manager of each subsidiary reports to the regional President.

The various reporting packages and the various monthly or quarterly external controls enable us to monitor and control the activities of subsidiaries in the areas of finance, sales, workplace accidents, occupational health and safety audits, APAVE inspections, ISO certification, sustainable development, logistics (monthly reporting), insurance claims, other claims, etc.

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

Each operating division draws up its own five-year business plan setting strategic objectives based on the overall strategy decided by the Company's senior management. The business plan submitted to senior management reflects these strategic objectives and the related action plans. The key points of the business plan are presented to the Strategy Committee.

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

The budgets are presented to the Company's senior management at budget review meetings held at the end of the year. The consolidated budget is produced at the end of November and the final budget is issued in December.

The annual budget is updated in August of the budget year and again in November, when the following year's budget is prepared.

The process, which concerns all Essilor units, is led and monitored by Corporate Accounting Control, in order to ensure that all budgets are prepared on the same basis and are consistent with the Company's overall strategic objectives.

Actual performance is analyzed on a monthly basis via the FIGURES reporting system, which is used not only for management reporting 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 Essilor accounting policies.

The aims of consolidation procedures are to:

- Guarantee compliance with the applicable rules (IFRS, Essilor 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 (accounting control, consolidation, treasury) within the required timeframes.
- Guarantee data integrity through high-level systems security.

Specific instructions are issued to reporting entities before each consolidation exercise, including a detailed reporting timeline.

The procedures for monitoring off-balance sheet commitments and assets are included in the Group Finance Manual. They stipulate the types of commitments to be recorded on- and off-balance sheet. Full information about these commitments is provided by the reporting system

The budgeting process and consolidation procedures enable us to constantly monitor the performance of the various units and to swiftly identify any variances from budget in order to take immediate corrective action.

All of the procedures set out in the Group Finance Manual apply to all Essilor companies, whether or not they are consolidated, and the internal auditors' work plans include checking that the procedures are implemented. The external Auditors review accounting and internal control systems in order to plan their audit engagements and determine their audit approach. The Audit Committee meets twice a year to review the annual and interim financial statements. The meetings are attended by the Chief Financial Officer and the external Auditors, who present the accounts and discuss with the Committee all significant transactions and the main accounting options selected to address potential risks.

Lastly, although not part of the internal control process, the external Auditors are responsible for expressing an opinion as to whether the financial statements have been properly prepared and give a true and fair view of the assets and liabilities, financial position and results of operations of Essilor, in accordance with generally accepted accounting principles. The accounts of all consolidated and non-consolidated entities are audited by local auditors, most of whom are members of the networks of the accounting firms that audit the Company's consolidated accounts.

7. Internal audits carried out in 2009 and future developments.

Essilor has launched a phased project to assess the level of compliance of its internal procedures. Overseen by the Internal Audit department, the project began at the end of 2003 with a review of the control environment and was pursued in 2004 with the introduction of a self-assessment process at certain entities. The project continued in subsequent years, with the definition of new processes.

The various stages of the project include:

- Identifying critical processes within the organization
- Analyzing the risks associated with these processes
- Identifying the controls required to manage these risks
- Testing the controls (internal auditors)
- Identifying control points that need to be improved and determining the necessary corrective measures

The six processes defined in 2004 and 2005 (purchases, sales, inventories, fixed assets, treasury, reporting) were re-assessed in 2009. The six self-assessment questionnaires reflect the principles described in the AMF's internal control framework and accompanying guidelines. They include around 375 control points and were distributed to all consolidated subsidiaries through the Web tool, which can be used not only to answer each question online, but also to attach any necessary documentation corresponding to each control point and describe action plans for those controls that require improvement.

The internal auditors checked the reliability of the answers and the status of the action plans of a certain number of selected units.

An executive summary by subsidiary was sent to each subsidiary concerned and a Company-level executive summary was presented to the Chairman and Chief Executive Officer and to the Audit Committee.

In 2009, the internal auditors continued to ensure that action plans had been implemented to address any weaknesses revealed by the self-assessment exercise. The results were presented to the Audit Committee at each of its meetings, and to the Chairman and Chief Executive Officer.

This approach, which forms part of a process of continuous improvement, helps us to guarantee the quality and reliability of financial information by strengthening procedures applied throughout the organization on a consistent basis.

The 2010 and 2011 internal audit plans will include follow-up reviews of certain weaknesses identified by the internal auditors in 2009.

All the identified processes will be analyzed in the coming years, ultimately allowing us to report conclusively on the quality of internal control.

MATTERS SUBMITTED TO THE BOARD AND RELATED DECISIONS

Corporate Governance Code provisions that are not being applied and reasons for the decision:

1) At its meeting on November 27, 2008, the Board of Directors adopted the AFEP/MEDEF recommendations of October 2008 concerning the compensation of executive directors of listed companies, 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 did express reservations about the necessity for an executive director to terminate his employment contract when appointed Chief Executive Officer or Chief Operating Officer.

While it would appear reasonable not to give an employment contract to an executive director 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 executive directors 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 French securities regulator (AMF) has recognized the validity of this position.

Having played a pioneering role in promoting employee stock ownership, Essilor has long preferred to promote executives from within, thereby encouraging them both to take a long-term view and to share in the entrepreneurial risk. Their ownership of significant Essilor shareholdings is a clear demonstration of our success in this area.

2) When the Board's internal rules were revised, explanations were omitted concerning the information to be given to the Board concerning the Company's financial position, cash position and commitments. These information requirements will be added to the internal rules during the next update.

Annual review of each director 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. Following the changes in Board membership that took place in late 2006 and early 2007, and the elections and re-elections of directors at the Annual Shareholders' Meeting in May 2007, the Board performed a second independence review of each director at its meeting of November 14, 2007. A third review was conducted at the Board meeting of November 27, 2008, based on the independence criteria set out in the 2008 Corporate Governance Code.

After conducting this thorough review, the Board determined that all of the directors were independent, except for Xavier Fontanet, Philippe Alfroid and Hubert Sagnières, who are all executive directors, and Aïcha Mokdahi, Yves Gillet and Alain Thomas, who represent the employee shareholders on the Board.

Olivier Pécoux was considered independent according to AFEP/MEDEF criteria, despite having belonged to an M&A team and being a managing partner of a financial institution, Banque Rothschild & Cie, as Essilor's transactions with the bank are not material in relation to both parties' total volume of financial transactions.

Yves Chevillotte retired from Crédit Agricole in January 2004 and was only elected as a director – and subsequently Chairman of the Audit Committee – after his retirement.

Self-assessment of Board procedures

Formal self-assessments of the Board's procedures were conducted in 2004 and again in 2007, and relatively detailed assessments were performed in 2005 and 2006, leading to changes in the Board's internal rules and the Directors' Charter. In 2008, the Board reviewed implementation of the recommendations made after the 2007 formal self-assessments. In 2009, a new formal self-assessment exercise was undertaken. Based on the Remunerations Committee's analysis of the completed questionnaires, the Board made the following suggestions:

- Strike a better balance between financial reporting and strategic issues, in response to the directors' recommendation that the Chief Executive Officer participate more actively in strategic presentations.
- Ensure that directors receive documents sufficiently in advance of Board meetings and meetings of Board committees to allow them to take part in the discussion on a more informed basis.
- Arrange specific training on strategic issues and organize site visits.

The aim of the self-assessments is to review Board procedures and check that all important issues are properly prepared and discussed. However, the Company does not have a formal system to measure the individual directors' contribution to the Board, taking into account their specific areas of competence. Since 2006, the independent directors also meet privately, without the presence of executive directors, Company employees and directors representing employee shareholders.

The matters examined by the Board during 2009 and the decisions taken covered a wide range of areas, including:

- The Company's business performance
- Competition
- Strategic choices
- The interim and annual financial statements and financial forecasts
- The annual budget
- Press releases announcing the 2008 annual results and 2009 interim results
- Presentations and reports by the Audit Committee and the Remunerations Committee
- The Company's dividend policy
- Resolutions to be presented at the Annual Shareholders' Meeting
- Reports to shareholders
- Acquisitions and other strategic projects
- Share cancellations
- Related party agreements to be authorized and disclosed
- The amount of guarantees given by the Company
- Employee share issues and matching payments by the Company
- Performance share and stock option grants
- The share buyback program
- The senior management succession plan
- Segregation of the positions of Chairman of the Board of Directors and Chief Executive Officer
- Senior management compensation
- Allocation of directors' fees
- Corporate governance issues, including transactions in the Company's shares by directors and officers
- Membership of the committees of the Board following changes in Board membership
- Creation of an Appointments Committee
- Alignment of the Board's internal rules with French law
- The main employee-related issues
- Press articles and financial analysts' research reports
- Delegations of authority to the Chief Executive Officer
- The dates of Board meetings and the Annual General Meeting in 2010

Additional information on corporate governance and the Board of Directors' internal rules is presented in Sections 14, 15 and 16 of the Registration Document.

POWERS OF THE CHIEF EXECUTIVE OFFICER

At its meeting on May 11, 2007, the Board of Directors decided not to separate the functions of Chairman and Chief Executive Officer and not to place any restrictions on the Chairman and Chief Executive Officer's executive powers. However, restructuring operations and material investments other than bolt-on acquisitions continued to be submitted to the Board for authorization, as stipulated in the Board's original internal rules dated November 2003. The Chairman and Chief Executive Officer was assisted by two Chief Operating Officers until June 30, 2009 and by one Chief Operating Officer from July onwards.

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 approve the financial statements of the parent company and the consolidated financial statements. This meeting, referred to as the Annual Shareholders' 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 meeting must be called again.

There is no quorum requirement for Ordinary Shareholders' 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 postal votes.

ARTICLE 26 – EXTRAORDINARY SHAREHOLDERS' MEETINGS

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

Subject to these restrictions, the Extraordinary Shareholders' Meeting may, for example, decide to increase or reduce the share capital, change the corporate purpose, change the Company's name, extend its life or wind it up in advance, or change its legal form.

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

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

Exceptionally, resolutions concerning the capitalization of reserves, earnings or additional paid-in capital are subject to the quorum and voting majority rules applicable to Ordinary Shareholders' Meetings.

The Extraordinary Shareholders' Meeting may also amend the rights attached to shares in different classes. However, any such change will require ratification by a Special Meeting of holders of the class of shares concerned. Said Special Meeting will be subject to the legal and regulatory provisions applicable to Extraordinary Shareholders' Meetings. If none of the Company's directors holds shares in the class concerned, the Special Meeting elects its own Chairman.

CONTRACTS CONTAINING A CHANGE OF CONTROL CLAUSE

In application of Article L.225-37, paragraph 9, of the French Commercial Code, the information required under Article L.225-25-3 of the Code is presented in the management report and in Section 18.4 of the Registration Document.

Charenton, March 3, 2010

Xavier Fontanet

Report of the Auditors

prepared in application of Article L.225-235 of the French Commercial Code *(Code de Commerce)* on the report of the Chairman of the Board of Directors of Essilor International

To the shareholders

In our capacity as statutory auditors of Essilor International, and as required by Article L.225-235 of the French Commercial Code (*Code de Commerce)*, we report to you on the report prepared by the Chairman of your Company in accordance with article L.225-37 of the Commercial Code for the year ended December 31, 2009.

It is the Chairman's responsibility to prepare and submit 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 performed our procedures in accordance with professional guidelines applicable in France.

Information about internal control and risk management procedures relating to the production and processing of financial and accounting information

Professional guidelines applicable in France require us to perform procedures 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. These procedures 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 these procedures, 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 Chairman of the Board's report prepared in accordance with Article L.225-37 of the Commercial Code.

Other information

We certify that the Chairman's report includes the other disclosures required by Article L.225-37 of the Commercial Code.

Neuilly-sur-Seine and Courbevoie – March 11, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	**Mazars**
Jacques Denizeau	Pierre Sardet

Appendix 2 Social and Environmental Policies

(Disclosures made in application of France's "NRE" Act)

For maximum consistency with the Company's corporate report (*bilan social*), the information on corporate social responsibility policies given below in accordance with Article 225-102.1, paragraph 5, of the French Commercial Code mainly concerns Essilor International, the parent company. It follows the guidelines of France's "NRE" Act.

Comprehensive social and environmental information concerning Essilor companies worldwide is presented in **Appendix 3** where the report follows the guidelines of the Global Reporting Initiative (GRI).

SOCIAL POLICY

Essilor aims 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 shareholders of the Company, by implementing a responsible employee stock ownership policy.

Social information concerning Essilor companies worldwide reported on a group perimeter along the guidelines of the Global Reporting Initiative (GRI) in order to present the global social contribution of the company to sustainable development can be found in Appendix 3 in "Report on the economic, human and environmental contribution of the company to sustainable development on a group perimeter".

1.

1.1

Number of employees of the parent company:

3,049 permanent employees + **182** employees under fixed-term contracts = **3,231** (total France) + **240** (Essilor Industries) = **3,471.**

Out of the **182** people hired under fixed-term contracts at December 31, 2009, **149 (82%)** were students taken on under work-study schemes with qualifications ranging from vocational diplomas to post-graduate degrees.

Number of new hires:

70 permanent employees + **141** employees under fixed-term contracts = **211 in total.**

Terminations

No lay-off plans involving more than 9 employees were implemented in France in 2009.

Thirty-four employees were terminated for other reasons (poor performance, medical unfitness or misconduct) and **1** due to the elimination of their job.

Overtime

In 2009, employees in France worked a total of **65,042** hours overtime.

The new rules concern full-time employees on an hourly wage, part-time employees on an hourly wage and employees receiving a fixed wage for a 37 ½-hour week (See section 2. Organization of working hours).

Of the 65,042 overtime hours worked in 2009, 30,755 were included in the fixed wage paid for a 37 ½-hour week.

Temporary staff and subcontractors

In France, temporary employees represented the equivalent of **265** full-time employees in 2009, calculated on a monthly average basis. **51%** of these employees replaced permanent employees on leave of absence and **49%** were taken on to cope with surges in the order flow. **Six** temporary employees were subsequently hired under fixed-term contracts and **13** under permanent contracts.

In addition, **323** employees of subcontractors worked for the Company in 2009. They included **97** facilities maintenance employees, **123** IT engineers, **30** security guards, **19** company restaurant staff, **3** security officers and **51** 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, transfer employees to other positions, take back staff previously laid off and support employees who are being terminated

Not applicable. No lay-off plans involving more than 9 employees were carried out in France in 2009

2.

Organization of working hours

Working hours at Essilor are defined in the time planning agreement of March 30, 2000, which came into effect on September 1, 2000.

Working hours

The **1,208** monthly-paid employees work a 36-hour week, the **687** shift-workers work a 33 ½-hour week and the **246** hourly-paid employees work a 38 ½-hour week (in all cases not including rest periods). Employees in all three categories are also entitled to **6** "RTT" days off per year and their average working week, determined on an annual basis, is therefore 35 hours, 32 ½ hours and 37 ½ hours respectively. The **929** employees whose working time is determined on the basis of days rather than hours work **217** days per year and are entitled to between 9 and 13 "RTT" days off, depending on the year. Senior executives and sales representatives – representing **161** people in total – are not covered by working hours legislation but are entitled to **10** days off per year in addition to their paid vacation. **217** employees work part time, including **134** employees under a progressive retirement scheme.

Absenteeism

In 2009, the absenteeism rate was **5.6%**. The causes, in declining order of importance, were sick-leave of less than 6 months (**69.0%**), maternity leave (**15.7%**), authorized leaves of absence (**7.7%**), workplace accidents (**3.5%**), leaves of absence for personal reasons (**3.4%**), accidents on the way to or from work (**0.6%**) and non-work-related commitments (**0.1%**).

3.

Compensation

The total payroll in 2009 amounted to **€151,855 thousand**.

Payroll taxes and other employee benefits expense

Payroll taxes and other employee benefits expense, excluding discretionary profit-sharing, amounted to **€76,982 thousand** in 2009.

Compensation increases

Average compensation increases – all employee categories combined – stood at **4.5%** in 2008 and 2009.

Employee incentive plans

A discretionary profit-sharing plan (*plan d'intéressement des salariés aux résultats de l'entreprise*) and employee stock ownership plans (*plans d'épargne enterprise*) have been set up in France in accordance with the requirements of Titre IV, Livre IV of the French Labor Code.

Gender equality

The gender equality working group made up of human resources executives and trade union representatives held a series of seven meetings that culminated in the signature of an agreement designed to ensure equal treatment of men and women in the workplace (see Corporate Agreements below).

4.

Labor relations

Local-level employee representatives and Works Councils meet on a monthly basis, while the Corporate Works Council meets up to five times a year. Trade union and employee representatives participate very actively in the Works Councils to develop projects to improve working conditions, leading in some cases to the negotiation of corporate agreements.

Corporate agreements

The following corporate agreements were signed in 2009:

- **Agreement on the acquisition of additional pension entitlements by employees on redeployment leave**
- **Addendum to the Essilor International Employee Stock Ownership Plan rules**
- **Addendum to the time planning agreement of March 30, 2000**
- **Addendum to the corporate agreement on health, disability and death insurance of December 10, 2001**
- **Addendum to the end-of-career management agreement of June 1, 2004**
- **Agreement on the allocation of performance share rights granted by the Board of Directors on November 26, 2009**
- **Addendum to the agreement on pension benefits for managers, similar managers categories and sales representatives**
- **Gender equality agreement**
- **Agreement on the employment of older employees "Essiboomers: the over-fifties at Essilor"**

Occupational Health and Safety

OHSAS 18001 certified occupational health and safety management systems are set up and maintained at all the upstream production sites (100%). The management systems of the three production sites in France are certified, like the other production sites in the rest of the world (for information about the other OHSAS 18001-certified facilities, see the section entitled Environmental Policy in § 9 : Objectives set for foreign subsidiaries).

5.

Workplace Accidents

In 2009, **30** lost-time accidents and **24** accidents without lost time were reported involving Essilor employees in France, together with **4** lost-time accidents and **6** accidents without lost time involving temporary staff.

Occupational illnesses

Fifteen cases of occupational illness were reported in France in 2009. They were "Table 57" illnesses (joint disorders caused by certain working gestures or positions).

6.

Training

In 2009, the training budget for all French units represented **4.5%** of the total payroll. This represented a distinct investment in a year of cost containing context. Spending was optimized by channeling a significant proportion of the budget through accredited external training organizations, thereby reducing the net investment after training grants to just over 4% of the payroll. In this way, we maintained our constant commitment to upgrading the skills base in order to meet future challenges more effectively through a long-term approach that helps employees to flourish.

Our general training policy focuses on providing both group and individual training sessions to increase employees' skill sets and their employability, in order to support the implementation of our strategy:

a. Specific job-related skills, such as techniques and technology, as well as language and computer skills
b. Shared methodologies, such as project management and experience pooling
c. Innovation and sustainable development
d. Management and communication skills, an indispensable component of Essilor's matrix-based structure
e. Cross-functional knowledge of Essilor's fields of expertise

Change management is another key training topic and encompasses managing change from both an individual perspective, in the case of job mobility for example, and on a group level, such as adapting to new technology and organization methods The conversion of certain prescription lens laboratories into service platforms was supported by a sustained training drive focused primarily on change management, to help all employees concerned to smoothly transition to their new jobs.

More than **2,000** employees in France (**62%** of the total) participated in at least one training session during the year. Nearly **67,000** hours of training were organized (78,000 hours in 2008).

For several years, assistance has been provided to the departments to help them plan training more effectively. In 2009, training priorities were discussed in depth to ensure that the Company's future development was not compromised by the drive to contain costs and that the acquisition of core competencies continued to be promoted.

2009 was devoted to consolidating the initiatives launched in the previous two years in the areas of customer relationship management and services. Other key training topics included communication, management and change management skills, and Essilor technologies and techniques. Since 2007, considerable emphasis has also been placed on training production employees, particularly at the Dijon facility, with the organization of training days involving the entire staff.

In the area of human resources, French managers received training in managing their teams' working hours while the introduction of a new appraisal system was used as an opportunity to provide guidance in conducting annual performance reviews.

Lastly, **200** people (2008: 135) requested personal training plans (outside of business hours) under France's "Droit Individuel à la Formation" legislation, which gives employees the right to sign up for a certain number of hours' training each year in an area of their choice, subject to their employer's consent. Most requests concerned computer and language skills, but there was also demand for personal growth and fulfillment courses, job training (in some cases to prepare for transfer or inplacement) or training to obtain a diploma recognizing workplace-acquired skills under France's "VAE" system.

Training was given in seven main areas: Communication/ Management Skills (**23%** of training hours, **23%** of trainees), Administration/Sales/Management (**14%** of training hours, **16%** of trainees), Essilor Technologies and Techniques (**18%** of training hours, **16%** of trainees), Information Technology and Office Systems (**11%** of training hours, **15%** of trainees), Language Skills (**11%** of training hours, **11%** of trainees), Environmental Protection/Quality/Workplace Health and Safety (**4%** of training hours, **5%** of trainees), and General Skills (**3%** of training hours, **11%** of trainees The numerous safety training initiatives undertaken at the Company's various facilities are not included in the data provided in this report as they correspond to legal obligations.

Lastly, significant investments were made in workstation training at the prescription laboratories to optimize individual performance. Teams of internal trainers/mentors help to ensure that expertise is passed on in a structured manner and internal diplomas are awarded at the end of the process.

Accounting for more than **16%** of total training hours, certification training programs enabled **66** participants to earn either i) vocational degrees under a government-sponsored program for young people and the unemployed, or ii) trade skills certificates of proficiency, in the case of Company employees enrolled in the production skills certification program.

14 skills assessments were completed during the year under the training program and **25** under the DIF, representing the first step in a career development plan.

As well as training our permanent employees, we also employed **237** people under work-study programs, including **200** apprentices. **102** new contracts were signed in 2009, including **34** continuing education contracts. As these figures continue to rise, they attest to our commitment over nearly twenty years to helping students to gain work experience

7.

Disabled workers

In 2009, Essilor employed **133** disabled workers in France, including **99** administrative and production employees and **25** managers and supervisors, of which **9** are management grade.

Disability Project

The first corporate agreement on the employment of disabled employees, signed at the end of 2006 and applicable over the period 2007 through 2009, has just come to an end. The agreement defined the areas that the Disability Project team had decided to focus on, the team's objectives and the human, financial and technical resources needed to meet them. It will be followed by a second agreement that will extend the existing project and introduce new measures identified and negotiated with the trade unions. The new agreement, which is subject to approval by the relevant authorities, will cover the period 2010 through 2012.
Attitudes towards disabled employees have improved thanks to a major communication and awareness-raising campaign.

Over the last three years, a further **60** employees have been classified as disabled. Employees with hidden disabilities are more willing to come forward and their co-workers and managers keep the proper level of acceptance and understanding in this wider open context. Some **50** disabled employees benefited from measures to help them stay in their job in 2009 and **seven** disabled persons were hired. Purchases from sheltered workshops tripled in value over the year.

8.

Welfare programs

In France in 2008, we paid **€5,816,811** to employee benefit plans (health insurance, death/disability insurance) and **€17,261,229** to supplementary pension plans. The sharp rise in supplementary pension plan costs compared with 2008 stemmed from the provision recorded in application of IAS 39.

The Company's statutory contribution to employee commuting costs amounted to **€2,663,018** and the cost of meal vouchers issued to employees was **€1,181,857.**

The total budget awarded to the various Works Councils to finance employee leisure activities was **€1,666,730**, representing 1.15% of the total payroll in France, and a further **€277,019** were paid to cover the Works Councils' administrative costs.

Match-funding payments to the Vacation Vouchers plan covering **707** employees amounted to **€568,580.**

The 0.45% government housing levy came to **€573,774**.

The cost of employee medical check-ups was **€296,863.**

We also supply optical equipment to employees, according to specific rules, and pay 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 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 of our host countries, we promote 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. We also monitor the Global Reporting Initiative (GRI) version 3.0 indicators HR4, HR5, HR6 and HR7, which correspond to the four fundamental ILO conventions that inspired four of the ten Global Compact principles.

We participate in the development of the regions where our factories and laboratories are located, enhancing the skills and quality of life of the men and women employed by the Company 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 social data report (*bilan social*) in France.

In 2009, payments to sub-contractors represented **12.5%** of purchases.

In 2009, the eighteen members of the Essilor European Dialogue and Information Committee (EEDIC) met in the Paris area for the Committee's 10th annual plenary session. During the meeting, the Committee's officers were re-elected and a secretary was appointed, following the early-2009 re-election of the members representing the various countries.

The meeting was chaired by Bertrand Roy, Vice President – Europe Region, who presented Essilor's 2008 results and outlined the challenges and targets for 2009. The Committee members asked a certain number of questions about the current changes in the business model, fulfilling the EEDIC's purpose as a forum for dialogue with management.

Eric Thoreux, Vice President - Strategic Marketing, outlined the Company's development strategy and drew participants' attention to the important reservoirs of growth that exist around the world.

Jean Lasserre, Director – Instruments Division, then presented a review of the instruments business, highlighting the very successful launch of the new Mr Blue edger.

Henri Vidal, Vice President – Human Resources, reviewed the Company's employee stock ownership plans in Europe and in the rest of the world.

The day ended with a presentation of the Company's strategy by Hubert Sagnières, Chief Executive Officer, followed by a question and answer session.

The officers of EEDIC have met twice since this plenary session at the end of May and a third meeting is scheduled for March 2010. These smaller scale meetings provide a forum for ongoing direct discussions with European management and ensure that the EEDIC is kept informed in real time of all major events that occur during the year.

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.

We actively encourage employee share ownership, proposing various options to employees according to the country in which they work.

More than **9,700** 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. We manage around a quarter of a million stock-keeping units and our products must be kept dust-free throughout the production process. By keeping premises clean and orderly, our environmental management systems contribute significantly to plant efficiency.

Environmental information concerning Essilor companies worldwide reported on a group perimeter along the guidelines of the Global Reporting Initiative (GRI) in order to present the global environmental contribution of the company to sustainable development can be found in Appendix 3 in "Report on the economic, human and environmental contribution of the company to sustainable development on a group perimeter".

1.

Use of natural resources, waste, discharges and disamenities

Water

362,316 cubic meters (2008: 346,252 cubic meters). The 4.6% increase in water use year-on-year was mainly due to a sharp rise in mold production at one of the plants.

Raw materials

The main raw materials used by Essilor in France in 2009 were CR 39 monomers (**738** metric tons vs. 910 metric tons in 2008) and polycarbonate pellets for Airwear® lenses (**447** metric tons vs. 623 metric tons in 2008). The year-on-year declines were due to overall changes in inventory and lower scheduled production output.

Energy

100.3 GWh. (electricity: **69.9** GWh, gas: **30.2** GWh, fuel oil: **0.2** GWh) (2008: 97.6: GWh). The 2.7% increase was due to higher gas use. Electricity consumption was down 1.7%.

Selective waste disposal

All of Essilor's 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

One complaint was received by post during the year. A detailed check was immediately commissioned from an independent organization, which found that noise levels were within regulatory limits. The complaint is no longer outstanding.

Odors

No complaints concerning odors were received in France in 2008.

2.

Biological balance, natural environment and protected species

Our environmental management systems include measures to avoid upsetting the biological balance, or harming the natural environment or protected animal and plant species.

The United Nations has declared 2010 the International Year of Biodiversity and Essilor has decided to support this initiative by including a special category in its 2010 Grand Awards of the lenses – Medals of Corporate Sustainability. These Awards recognize the best sustainable development practices promoted by the Company's employees around the world in the economic, human and environmental aspects of sustainable development.

3.

Certifications

The Group has established and maintains ISO 14001-certified environmental management systems at all of its plants worldwide, including the three plants in France (100% certificate rate). (For more information, see the section entitled Environmental Policy – 9. Objectives set for foreign subsidiaries.)

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 2009 to prevent any damage to the environment totaled **€2,112,000** (2008: €1,876,000).

6.

Environmental organization and management systems

The **Corporate Health, Safety and Environment department** is staffed with experts in the environment, workplace health and safety and the safe use of chemicals. It provides the network of correspondents throughout the organization with assistance and support in these areas.

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 site perimeter.

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 2009, a work group continued to implement action plans that successfully brought Essilor into compliance with REACH. Made up of managers and/or experts in purchasing, legal affairs, sustainable development, the environment, workplace health and safety and R&D, the group was assisted by an external consultant. It will continue to monitor REACH compliance over the long term, undertaking upgrade programs as required. The work group members include a representative of the instruments division.

7.

Provisions and warranties

We were not required to record any provisions for environmental risks in 2009. These risks are self-insured.

8.

Indemnities

We have 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 are set up and maintained at our 14 upstream production facilities worldwide (excluding Nikon-Essilor). All of these plants in - Brazil (**1**), China (**1**), France (**3**), India (**1**), 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, 2005, and all the more as of December 31, 2009, representing a 100% certification. In 2009, 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%** (14/14).

Occupational health and safety management systems are set up and maintained at our 14 upstream plants (excluding Nikon-Essilor). All of these plants in - Brazil (**1**), China (**1**), France (**3**), India (**1**), 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, 2008, and all the more as of December 31, 2009, representing a 100% certification. In 2009, inspection audits were carried out.

The certification ratio of the Occupational Health and Safety Management Systems of the upstream production facilities of the group stays at its maximum level of **100%** (14/14).

Quality management systems are set up and maintained at all of our plants are ISO 9001: 2000 certified, representing a **100%** certification rate. In 2009, monitoring audits were carried out.

Appendix 3 Report on the economic, human and environmental contribution of the company to sustainable development on a group perimeter.

This appendix contains information on the Company's social, economic and environmental performance, presented in the form generally described as a **sustainability report**. This report is provided in addition to the information disclosed in Appendix 2 - Social and Environmental Policy (disclosures made in application of France's "NRE" Act).

For maximum consistency with the Company's social data report (*bilan social d'entreprise*), the information on social and environmental policy given in Appendix 2 in accordance with Article 225-102.1, paragraph 5 of the French Commercial Code mainly concerns Essilor International, the parent company.

It was therefore considered appropriate to publish a supplementary document with similar information on Essilor's constantly expanding worldwide organization. Appendix 3 has been created for that purpose.

In 2003 and 2006, this information was presented in a separate document entitled "Seeing the World Better (2003, 2006). Our Contribution to Sustainable Development". The corresponding information for 2004 and 2005 was provided in those years' annual reports. Since 2007, it shows in the registration document.

In future years, Essilor may decide to publish the same type of information in a different document.

Non-financial data is collected and consolidated for reporting purposes through a dedicated reporting application that has been based on the guidelines of the **Global Reporting Initiative** (GRI) since 2003, and more specifically on those of GRI version 3 since 2006.

The application is a **twin version** of the application used for financial reporting. Core indicators recommended by the GRI are monitored. Only certain relevant indicators are published. In some cases, indicators are divided into numerous categories. For example, the indicator for total materials used (EN-01) is broken down into several dozens of products selected based on the importance of their role in producing corrective lenses.

The Company'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 Company's reporting systems and procedures.
- The finance and accounting teams have the skills 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. Better informed, involved and aware, they help the Company find new ways to continuously improve its economic, social and environmental performances.
- 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 geared to their specific needs.

Essilor belongs to one of the specific sub-sectors in the **APE/NAF 33 sector**, which covers the manufacture of medical, precision and optical instruments, and to **sub-sector 4537 "medical supplies"** of the **"Industry Classification Benchmark"** (ICB) classification. In terms of sustainable development, Essilor deals with specific aspects that are directly linked to the nature of its products and services. It is consequently difficult to make a comparative evaluation of the Company. To overcome this difficulty, Essilor uses the main GRI indicators that are most relevant to its operations.

Since 2006, Essilor has published its **Global Value®** rating, which evaluates the contribution of sustainable development criteria to the Company's overall financial and non-financial performance and ultimately to value creation. The 2009 rating is presented in Appendix 4 of this registration document, following this Appendix 3.

For 2009, the number of business units reporting their non financial data is the same as in 2008.

The sustained acquisition policy implemented by Essilor in the prescription business has led the group to define the boundaries of non financial information, considering on one hand the gross perimeter and on the other hand the relevant perimeter, this latter one being used since 2008.

As a reminder, the gross perimeter corresponding to the total headcounts of all the bussines units of the entire group whatever the control rate amounts 34,759 employees in 2009.

The relevant perimeter is the ratio between the total headcounts of the reporting units which activities and size are relevant in terms of non financial reporting, that is 23,578 out of 25,730 employees in 2009.

The relevant reporting perimeter in 2009 reaches 91.6%. (91.4% in 2008).

The group would not be in a position to commit itself to a scope of 100% and wishes to maintain a reserve of about 15% due to the fact that certain acquisitions may not be able to report their non financial information at the close of the first annual integrated period.

PROFILE

1. STRATEGY AND ANALYSIS		
§1.1	Statement from the most senior decision-maker ...	Please refer to the corresponding pages of this 2009 Registration Document and/or of the 2009 Annual Report.
§1.2	Description of key impacts, risks and opportunities.	Key impacts, risks and opportunities are described in several parts of this 2009 Registration Document. Please refer to it. The most important challenge of Essilor International in terms of sustainable development is to help people «**Seeing the World Better**» to refer to the group's tagline and therefore to facilitate acess to its products and services through the networks of eye care professionals, its customers and prescribers.
2. ORGANIZATIONAL PROFILE		
§2.1	Name of the organization.	Essilor International
§2.2	Primary brands, products, and/or services.	Please refer to this 2009 Registration Document and/or the 2009 Annual Report. Essilor offers a wide range of lenses to correct myopia, hyperopia, astigmatism and prebyopia under the flagship brands **Varilux®**. **Crizal®**, **Essilor® Definity®** and **Xperio®**. Lenses belonging to the **Airwear®** range of products are made from a thermoplastic material which can be **recycled** at the end of its lifecycle for the production of other objects than corrective lenses.
§2.3	Operational structure of the organization ...	Please refer to the corresponding pages of this 2009 Registration Document.
§2.4	Location of organization's headquarters.	147, rue de Paris - F 94227 Charenton-le-Pont - France
§2.5	Number of countries where the organization operates ...	Please refer to the corresponding pages of this 2009 Registration Document.
§2.6	Nature of ownership and and legal form.	Please refer to the corresponding pages of this 2009 Registration Document.
§2.7	Markets served ...	Please refer to the corresponding pages of this 2009 Registration Document.
§2.8	Scale of the reporting organization ...	Please refer to the corresponding pages of this 2009 Registration Document. For the year 2009, the total headcounts of the company worldwide all units included was **34,759** employees.
§2.9	Significant changes during the reporting period ...	Please refer to the corresponding pages of this 2009 Registration Document.
§2.10	Awards received during the reporting period	In 2009, Xavier Fontanet, Chairman and Chief Executive Officer of the group was presented with the Olivier Lecerf Award by the French Academy of the Moral and Political Sciences. Each year, this award recognizes an individual whose achievements are a good illustration of a humanist approach of the business management. Also in 2009, the Essilor Vision Foundation was presented with the award of Excellence in Mission Achievement for organizations with operating budgets under $ 1 million by the Center for Non Profit Management in Dallas. The mission of the Center for Non Profit Management is to build stronger communities by increasing the performance and impact of non profit organizations. The mission of the Essilor Vision Foundation is to help eliminate poor vision and its lifelong consequences by promoting « Better Life through Better Sight » since infancy. Essilor International's plant in Chihuahua Mexico, SOFI, has been presented with an award in one of the categories of the second edition of the National Contest for the Recycling of Waste COPARMEX 2009. The contest is co-organized by the of the Business Confederation of the Mexican Republic, the National Commission for Ecology and the Secretary for Natural Resources and Environment of the Federal Government of Mexico.. The award winning achievement is one of SOFI's initiatives targeting the optimization of the waste management of this production unit through the reduction of the volume of waste, the organization of optimized sorting techniques and the search for industrial partners interested in recycling the waste and re-using it. AMEAC, a social non profit organization with a mission to help the local communities has been closely associated with this entire action. The recycled waste, mainly elastomers and plastimers cannot be re-used in SOFI's own productions. But, it can begin numerous second lives like for example being re-used for the production of special gaskets for irrigation / agricultural equipment or special flooring. A practical example of industrial ecology that all benefit from.

3. REPORT PARAMETERS

Report profile

§3.1	Reporting period (...) for information provided.	January 1, 2009 to December 31, 2009.
§3.2	Date of most recent previous report (if any).	Appendices 2 and 3 of the 2008 Registration Document. Permanent information about Essilor International's contribution to Sustainable Development can be found in the permanent documents « Seeing the World Better 2003. Our contribution to sustainable development » and « Seeing the World Better 2006. Our contribution to sustainable development».
§3.3	Reporting cycle (annual, biennal, etc ...)	Annual
§3.4	Contact point for questions regarding the report	Mr. Claude Darnault, Chief Sustainability Officer.

Report scope and boundary

§3.5	Process for defining report content ...	Responsibility of the Corporate Sustainability department, via the network of subsidiaries using the «Hypérion® Sustainability» reporting system.
§3.6	Boundary of the report ...	Essilor group with the exception of associate companies on a relevant perimeter of **91.6%** of the employees. [(23,578 / 25,730 (relevant perimeter)]. (91.4% in 2008).
§3.7	State any specific limitations on the scope or boundary ...	Associate companies are not included in the reporting scope.
§3.8	Basis for reporting on joint ventures, subsidiaries ...	No object. To facilitate comparisons, non financial reporting of the Essilor group comprises previous year indicators and current year reported indicators.
§3.9	Data measurement techniques and the bases of calculations ...	Through direct measure readings or accounting data. Application of the GRI guidelines (G3 version since 2006) and use of its core indicators. The «Hyperion® Sustainability» non financial reporting system is a twin application of the «Hyperion® Figures» financial reproting system.
§3.10	Explanation of the effect of any re-statements of information ...	Provided as needed.
§3.11	Significant changes from previous reporting periods ...	Same perimeter, no additional reporting units in 2009.

GRI content index

§3.12	Table identifying the location of the Standard Disclosures	Appendix 3 is organized in such a way that no index is needed. Please refer to the general index of this 2009 Registration Document.

Assurance

§3.13	Policy and current practice with regard to seeking	Please refer to the sythesis note regarding the 2009 Global Value® rating in Appendix 4 of this registration document following this appendix 3. The rating is based on the analysis of the 2009 group's performances on the different aspects of sustainable development. 2009 non financial information has been audited.

4. GOVERNANCE, COMMITMENTS AND ENGAGEMENTS

Governance

§4.1	Governance structure of the organisation ...	Please refer to the corresponding pages of this 2009 Registration Document.
§4.2	Indicate whether the Chair of the Highest governance body ...	Please refer to the corresponding pages of this 2009 Registration Document.
§4.3	State the number of members of the Highest governance body ...	Please refer to the corresponding pages of this 2009 Registration Document.
§4.4	Mechanisms for shareholders and employees ...	Please refer to the corresponding pages of this 2009 Registration Document.
§4.5	Linkage between compensation for members ...	Please refer to the corresponding pages of this 2009 Registration Document.
§4.6	Processes in place for the highest governance body ...	Please refer to the corresponding pages of this 2009 Registration Document. Directors, executives and other senior managers are prohibited from trading in the Company's shares during specific periods that are set and announced each year.
§4.7	Process for determinig the qualifications and expertise ...	Please refer to the corresponding pages of this 2009 Registration Document.
§4.8	Internally developed statements of mission or values ...	Valoptec Association charter of values. Essilor International Profile.
§4.9	Procedures of the highest governance body for overseeing ...	The Corporate Sustainability Department regularly reports its actions to the Executive Committee of the group and to the Audit Committee of the Bard of Directors.
§4.10	Process for evaluating the highest governance body's own ...	Please refer to the corresponding pages of this 2009 Registration Document.

Commitments to external initiatives		
§4.11	Explanations of whether and how the precautionary approach ...	Continuous improvement in managing and preventing risks is achieved through various quality, environmental and occupational health and safety management systems. An **EFQM** excellence model is implemented within the Worldwide Operations. A Hygiene, Safety and Environment Charter and its associated Guide has been enforced for all projects since the year 2002. The eco efficiency / eco-conception approach is enforced since the year 2004. Essilor International has signed the UN Global Compact and belongs to five major Social Responsability Indices: ASPI Eurozone®, ECPI® Ethical Index EURO®, FTSE4Good, Dow Jones Sustainability Index (DJSI) and Ethibel Excellence.
§4.12	Externally developped economic, environmental and social ...	Since 2003, Essilor International is a member of the **Global Compact**. The group embraces, supports and enacts, within its sphere of influence, a set of core values based on the Universal Declaration of Human Rights (1st and 2nd principles), I.L.O. Conventions relating to the Freedom of Association, Right to Organise and Collective Bargaining (3rd principle), to the Abolition of Forced Labour (4th principle), to the Effective Abolition of Child Labour (5th principle), to the Elimination of Discrimination in Respect of Employment and Occupation (6th principle), the Rio Declaration on Environment and Development (7th, 8th and 9th principles) and the UN convention against corruption (10th and last principle). Essilor is a member of **Transparency International®**. Other numerous initiatives can be found in the permanent documents « Seeing the World Better 2003. Our contribution to sustainable development » and « Seeing the World Better 2006. Our contribution to sustainable development». Please refer to these documents.
§4.13	Memberships in associations ...	No object.
Stakeholder engagement		
§4.14	List of stakeholders engaged by the organization	The Company 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 withnumerous NGOs like **Helen Keller international**, the **Lions Club International** or **Special Olympics**. Essilor has invested in the company «Investisseur et Partenaire pour le Développement», a structure with two main activities, one directed to finance micro financing institutions, the other directed to advise, support an co-finance local entrepreneurs in french speaking west African countries.
§4.15	Basis for identification and selection of stakeholders ...	Actions are generally undertaken with stakeholders that are interested in the company's operations or that can develop synergies with it.
§4.16	Approaches to stakeholder engagement ...	Wherever and whenever necessary.
§4.17	Démarche de ce dialogue et notamment fréquence...	Developing networks of eyecare 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** (W.H.O.) and **UNESCO**. Other numerous partnerships can be found in the permanent documents « Seeing the World Better 2003. Our contribution to sustainable development » and « Seeing the World Better 2006. Our contribution to sustainable development». Please refer to these documents..

ECONOMIC PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation and other community investments, retained earnings and payments to capital providers and governments	The Company'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 2009 Registration Document. Please refer to the corresponding pages. Essilor socio-economic footprint can be summarized by the following items in decreasing order of importance : Sales €**3,268** million, Suppliers €**1,454** million, Employees €**1,070** million, Taxes €**142** million, Shareholders €**139** million, Financial Expenses €**12** million.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	The Company is not unusually exposed to natural risks. It is not concerned by emissions licenses. Nevertheless, the group is participating in the «**Carbon Disclosure Project**» initiative and is one of the early signatories of the «**Caring for Climate**». 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 Company offers employees a wide variety of benefit, pension and savings and investment plans worldwide. Please refer to the corresponding pages in this 2009 Registration Document.
EC4	Significant financial assistance received from government	The Company enjoys total operational independence.

MARKET PRESENCE		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	In order to ensure consistency in its supplies and in its international quality and respect for its universal good production practices, Essilor has a centralized purchasing policy. This policy generally encompasses different materials and supplies entering in the production of corrective lenses. Besides, the company generates significant business flows with local suppliers of goods and services on a quasi exclusive base for all purchases out of the scope of this central referencing.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	The company encourages the local recruitment of management teams in its subsidiaries and, more generally, enforces the principle of local decision-making. The proportion of senior management hire from the local community at locations of significant operation exceeds 80%.
INDIRECT ECONOMIC IMPACTS		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	This global indicator EC 8 is not relevant to the industry sector where Essilor operates. It is therefore not reported.

ENVIRONMENTAL PERFORMANCE INDICATORS

			2009	2008
MATERIALS				
EN1	Materials used by weight	Raw materials standard substrates	**4,663** t	**4,966** t
		Raw materials other substrates	**5,463** t	**5,797** t
EN2	Percentage of materials used that are recycled input materials		The company does not use recycled material for the production of its corrective lenses. It recycles all input materials that can be realistically recycled, sometimes in very significant proportions (e.g. 95% for elastomeres used for the production of gaskets). For reasons of quality, recycled organic raw materials cannot be used in the manufacture of ophthalmic lenses, but can be used for other types of products.	
ENERGY				
EN3	Direct energy consumption	Electricity	**365.7 GWh**	**368.2 GWh**
		Gas	**62.6 GWh**	**60.8 GWh**
		Liquid fuel	**7.6 GWh**	**7.6 GWh**
EN4	Indirect energy consumption by primary energy source		The evaluation of energy consumed in transportation is based on the calculation of CO_2 emissions by four types of transportation : primary (from a production unit to a distribution center), secondary (from a distribution center to a subsidiary), tertiary (from a subsidiary to its customers) and occupational transportation. In 2009, the calculations for the two first categories have been performed and their translations in terms of CO_2 equivalent show in indicator EN 17. In 2009, the measurement of emissions linked to occupational transportation has begun with a first population of about 1,500 persons among whose around 700 are considered «frequent travellers». Differences in infrastructures and geography between countries and continents do not allow any reliable extrapolation to a larger perimeter at this point. This type of measurements will be therefore extended.The use of corrective lenses does not require any energy source. Their end of life impact is negligible.	
WATER				
EN8	Total water withdrawal by source		**2,300,525** m^3	**2,681,172** m^3
BIODIVERSITY				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		0 m^2	0 m^2
EN12	Description of significant impacts of activities, products, and services on biodiveristy in protected areas and areas of high biodiversity value outside protected areas		Refer to Note [(a)]	Refer to Note[(a)]

(a) The environment management systems contain the search for potential signifcant impacts on biodiversity. As of today,no significant impact has been identified. Should a potential significant impact been discovered due to any change of the existing conditions, the environment management systems that would have led to this finding would immediately drive to put analysis into place and immediately thereafter any necessary action plan with its objectives and targets and this new element would be automatically integrated in the continuous improvement process for the implementation of any efficent solution.

			2009	2008
EMISSIONS, EFFLUENTS AND WASTE				
EN16[(a)]	Total direct and indirect greenhouse gas emissions by weight		The conversion of energy consumption into equivalent CO_2 emissions is estimated at **33,085** tons for 2009, with a mean conversion factor of 1 kWh = 50 g for electricity, 1 kWh = 200 g for gazeous fuel and 1 kWh = 300 g for liquid fuel (2008: 31,455 tons)	
EN17[(a)]	Other relevant indirect greenhouse gas emissions by weight		Equivalent CO_2 emissions linked with primary transportation (from a production unit to a distribution center) in 2009 amounted **8,414** tons (2008: 7,791 tons). Equivalent CO_2 emissions linked with secondary transportation (from a distribution center to a subsidiary) in 2009 amounted **7,734** tons (2008: 7,909 tons).	
EN19	Emissions of ozone-depleting substances by weight		0 t	0 t
EN20	NOx, SOx, and other significant air emissions by type and weight		Refer to Note [(b)]	Refer to Note [(b)]
EN21	Total water discharge by quality and destination		The Company has full control of water discharges. Suspended materials, COD, BOD at 5 days, heavy metals and other general characteristics like pH or more specific ones depending on the requirements of local water agencies are monitored through the environmental management systems. The consolidation of indicator EN 21 is not considered as a relevant information. Essilor water discharges are treated in compliance with local regulations.	
EN22	Total weight of waste by type and disposal method	Total quantity of solid waste	**17,334** t	**16,700** t
EN23	Total number and volume of significant spills		**0**	**2**[(c)]
PRODUCTS AND SERVICES				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		The wide range of **Airwear®** ophthalmic lenses includes corrective lenses made from a thermoplastic **recyclable** material. For quality reasons, the recycled material cannot be use to manufacture new lenses, but it can be used for other products.	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		The company has undertaken sustainable actions to reduce, reuse and recycle its packaging materials. Some customers of Essilor have put into place systems aimed to collect used eyewear. The elimination of eyewear at the end of the lifecycle is not a significant environmental nuisance.	
COMPLIANCE				
EN28	Monetary value of significant fines and	Significant fines	0	0
	total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Non-monetary sanctions	0	0

(a) The total of both indocators **EN16** and **EN17** amounts 33,085 + 8,414 + 7,734 = **49,233** tons of equivalent CO_2 for 2009.

(b) NOx and SOx emissions of the group are negligible. They are not reported as of today.

(c) Reminder : These two spills of glycol based cooling solution for injection molding presses for a total of 300 liters, notified in 2008, were immediately contained in their workshop, cleaned and disposed of properly by the cleaning and maintenance teams.

SOCIAL PERFORMANCE INDICATORS

			2009	2008
LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS				
Employment				
LA1	Total workforce by employment type, employment contract, and region	Women	12,642 (54%)	12,311 (53%)
		Men	10,936 (46%)	10,770 (47%)
		Total	**23,578**	**23,081**
LA2	Total number and rate of employee turnover by age group, gender, and region	In %	**8.60%**	**10.20%**
Labor / Management relations				
LA4[a]	Percentage of employees covered by collective bargaining agreements		This indicator is not consolidated as of today. The Company has a wide variety of many different employee representative bodies. Refer to Note [a]	
LA5	Minimum notice period(s) regarding significant operational changes, including wether it is specified in collective agreements		Notice is generally provided more than 6 months in advance.	
Occupational health and safety				
LA7	Rates of injury, occupational	Accidents with lost time	133	157
	diseases, lost days, absenteeism	Accidents without lost time	403	420
	and number of work-related	Fatal accidents	0	0
	fatalities by region	Lost work days	**3,085**	**3,084**
		Rate of absenteeism	4.80%	4.50%
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce member, their families, or community members regarding serious diseases		The company takes action in this area whenever necessary. In 2005, it formed an observation cell charged with monitoring avian flu. This cell works in collaboration with health experts who follow WHO recommendations. In 2009, for example, the cell has triggered, followed through and supported the action plans related to the evolutions of the AH1N1 type of influenza which were implemented in Essilor's business units throughout the world.	
Training and education				
LA10	Average hours of training per year	Number of employee hours	402,440	311,544
	per employee by employee category	Number of management hours	186,481	189,481
		Total	**510,519**	**501,025**
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 indicators in diversity		This indicator is not covered at this time. Refer to Note [b]	
LA14[b]	Ratio of basic salary of men to women by employee category		This indicator is not covered at this time. Refer to Note [b]	

(a) As a signatory of the Global Compact, Essilor embraces, supports and enacts, within its sphere of influence, the Universal Declaration of Human Rights (and more specifically as far as indicator LA4 is concerned, its 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 I.L.O. Conventions (and more specifically as far as indicator LA4 is concerned, the fundamental convention N° 87 relating to Freedom of Association and Protection of the Right to Organise and the fundamental convention N° 98 relating to the Right to Organise and Collective Bargaining).

(b) As a signatory of the Global Compact, Essilor embraces, supports and enacts, within its sphere of influence, the eight I.L.O. Conventions (and more specifically as far as indicators LA13 and LA14 are concerned, the fundamental convention N° 100 relating to Equal Remuneration and the fundamental convention N° 111 relating to Non Discrimination (Employment and Occupation).

			2009	2008
HUMAN RIGHTS PERFORMANCE INDICATORS				
Investment and procurement practices[a]				
HR1[a]	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		0%	0%
HR2[a]	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		0%	0%
Non-discrimination [b]				
HR4[b]	Total number of incidents of discrimination and actions taken.		0	0
Freedom of association and collective bargaining [b]				
HR5[b]	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		0	0
Child labor [b]				
HR6[b]	Operations identified as having significant risk for incidents of child labor, and measures taken to contrinute to elimination of child labor.		0	0
Forced and compulsory labor [b]				
HR7[b]	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contrinute to elimination of forced or compulsory labor.		0	0
SOCIETY PERFORMANCE INDICATORS				
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 Company is aware of its role in the communities where its employees live and work. Its presence generates work for local businesses. Environmental commitments and impacts are assessed in the context of the ISO 14001 certified environment management systems. Numerous examples of contributions to the communities where employee of the group live and work can be found in the permanent documents « Seeing the World Better 2003. Our contribution to sustainable development » and « Seeing the World Better 2006. Our contribution to sustainable development». Please refer to these documents.	
Corruption[c]				
SO2[c]	Percentage and total number of business units analyzed for risks related to corruption.		0%	0%
SO3[c]	Percentage of employees trained in organization's anti-corruption policies and procedures		This indicator is not covered at this time. Refer to Note [c]	
SO4[c]	Actions taken in response to incidents of corruption.		Should one happen, action would be a dismissal for misconduct. Sanctions up to termination for cause are listed in the Internal Rulebooks or other appropriate documents. Refer to Note [c]	
Public policy				
SO5	Public policy positions and participation in public policy development and lobbying.		The group is not involved in political activities. It collaborates with public sector stakeholders as and where necessary. It participates in the compilation of international standards and in other global activities of interest to its business.	
Compliance				
SO8	Monetary value of significant fines	Significant fines	0	0
	and total number of non-monetary sanctions for non-compliance with laws and regulations	Non-monetary sanctions	0	0

(a) The sector in which Essilor operates is fortunately considered as an industrial and also a retail sector (eye care professionals) where Human Rights issues are not at stake. This does not prevent Essilor to embrace, support and enact, within its sphere of influence, the Universal Declaration of Human Rights. Essilor pays a very specific attention to the selection of its local suppliers in countries considered as more exposed to Human Rights challenges.

(b) As a signatory of the Global Compact, Essilor embraces, supports and enacts, within its sphere of influence, the eight I.L.O. Conventions, and 1) more specifically as far as indicator HR4 is concerned, the fundamental convention N° 100 relating to Equal Remuneration and the fundamental convention N° 111 relating to Non Discrimination (Employment and Occupation) and 2) more specifically as far as indicator HR5 is concerned, the fundamental convention N° 87 relating to Freedom of Association and Protection of the Right to Organise and the fundamental convention N° 98 relating to the Right to Organise and Collective Bargaining, and 3) more specifically as far as indicator HR6 is concerned, the fundamental convention N° 138 relating to Minimum Age and the fundamental convention N° 182 relating to Worst Forms of Child Labour and 4) more specifically as far as indicator HR7 is concerned, the fundamental convention N° 29 relating to Forced Labour and the fundamental convention N° 105 relating to Abolition of Forced Labour.

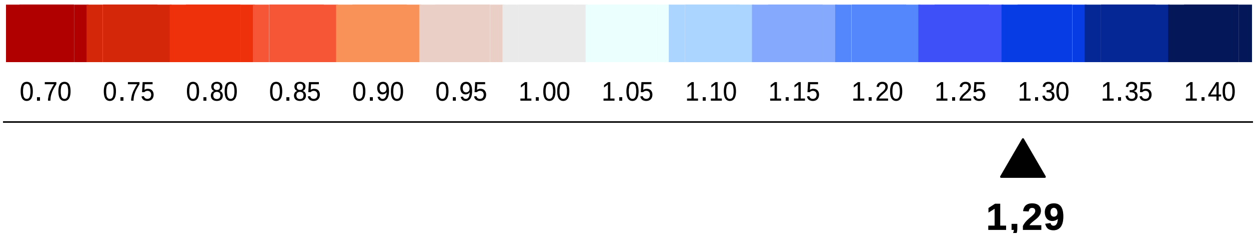
(c) The sector in which Essilor operates is fortunately considered as an industrial and also a retail sector (eye care professionals) where corruption issues are not at stake. This does not prevent Essilor to work against all forms of corruption, including extortion and bribery. A member of Transparency International®, Essilor embraces, supports and enacts the UN convention against corruption.

		2009	2008
PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS			
Custumer health and safety			
PR1	Life cycle stages in which health ad safety impacts of products and services are assessed for improvements, and percentage of significant products and services categories subject to such procedures	Hygiene, safety and health aspects are taken into consideration both upstream and downstream for all the categories of products and services.	
Product and services labeling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Each of the distribution subsidiaries has multiple forms of local language information about all the products and services it offers to its customers, the eye care professionals.	
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 to local applicable laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	
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

Annexe 4 Global Value®.Rating

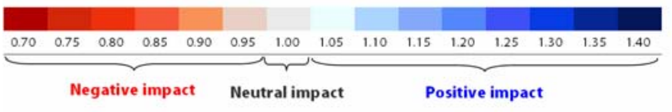
Paris, March 8, 2010

The extra-financial rating agency BMJ Ratings assigns to Essilor International a global performance index of 1.29.



The Global Value® rating

The Global Value® model allows the association of financial and extra-financial elements, and identifies the impacts of non-financial aspects on economic results.



The Global Value® index illustrates how the firm's sustainability policy contributes to its economic performance.

A global index valued at 1.00 results from a non-significant impact of the corporate responsibility policy on the economic performance.

A global index above 1.00 indicates that the decisions linked to the corporate responsibility policy contribute to a better economic performance.

A global index lower than 1.00 indicates that the decisions linked to the corporate responsibility policy are not efficient and limit the economic performance.

Global Index of performance

BMJ Ratings raises Essilor International's global performance index. The agency has noticed that the Group's initiatives in the fields of corporate responsibility contribute to a reinforced economic performance. The results progress significantly and reach a global performance index of 1.29 on a scale ranging from 0.70 to 1.40. Essilor International consolidates its leadership position as regards the benefits derived from its environmental, social and governance-related commitments.

Validity of assessment

The rating of Essilor International is produced for a one-year period starting from March 8, 2010.

The assessment does not take into account any element that may have been decided upon after this date.

Pascal Bello,

Chief Executive Officer

The Global Value® assessment methodology

The methodology implemented to measure the global performance of Essilor International is based on the Global Value® model developed by BMJ Ratings.

Global Value® is a model which measures the contribution of extra-financial criteria to the economic performance of companies.

The assessment given by the agency results from an analysis based on the consultation of strategic documents and the conducting of 25 interviews with the company's management.

The Global Value® model matches financial data with non-financial data through a unique rating tool. It is built following a twofold requirement:

- It integrates the economic dimension alongside the different fields of corporate responsibility that are traditionally taken into account by non-financial rating (environment, human resources, communities & civil society, marketing & sales, procurement, governance).
- It analyzes the interactions which exist between the different criteria, and assesses their contribution to the economic performance of the corporation through partial indices.

11 partial indices, related to Essilor International's sectorial issues, are evaluated and consolidated for the determination of the global performance index.

These partial indices are calculated according to an exhaustive series of items, each of them being qualified as either a positive or negative contributor to the consistency and the efficiency of the corporation's activities.

This calculation method guarantees the sharpness and the objectivity of the evaluation.

Assessment summary

Essilor International's Global Value® rating has increased by 0.02 compared to the previous assessment. All of the partial indices taken into account have increased and contribute positively to the Group's economic performance. Indices range from 1.14 to 1.38 and consolidate into a global performance index of 1.29.

The Group's governance has kept improving and still constitutes the fundamental grounds for the high level of global performance. A series of major improvements explain the positive evolution of the Global Value® index. The level of internal sensitization and commitment regarding environmental concerns has greatly increased to a point where these become a managerial reflex acquired by the Group's workforce. Issues related to water and energy consumption are under control. Diversity and social equity issues are thoroughly taken into account, as well as societal issues linked to the Group's activities at a local scale. Processes aiming at optimizing the control of extra-financial risks and the associated expenses are widely implemented.

In the social field, the measuring of a very positive contribution of human resources policies on economic performance is renewed. In comparison with the previous assessment, the Group has maintained its effort in terms of training and recruitment in a balanced way, and has been able to bring e-learning into general use. The Group has taken initiatives regarding diversity issues and the employment of handicapped people. Business ethics issues are growingly integrated into the assessment of managers. The Group's practices are efficient as regards compensations and benefits as well as employees shareholding. The Group's culture and the good management of its immaterial capital (intellectual property, skills, know-how...) account for its long-term performance and ought to be developed so as to favour the integration of new acquisitions.

In the environmental field, the observation of a high level of control of impacts and associated risks is renewed. The agency underlines that the organization in charge of EHS has been repositioned in 2009 so as to reinforce its monitoring on the international scale. Water-related issues and principles of sobriety now appear widely integrated at the operational level, while an action plan specific to energy efficiency has been formalized and implemented. As regards the integration of environmental concerns within contractual relationships, the agency notices the increasing use of eco-friendly packages towards customers as well as the work achieved with suppliers on Reach-related issues.

The Group's societal actions greatly contribute to economic value. The Group engages in proactive initiatives in the fields of education and visual correction. As regards education, Essilor International has established strong partnerships with global organizations like but not limited to the Unesco. As far as visual correction is concerned, in addition to the Essilor Vision Foundation in the USA, numerous initiatives are implemented by the Group at the international scale in several countries. These various actions have a positive impact on the Group's economic performance since they strongly reinforce its brand reputation.

In terms of management of contractual relationships, products quality and innovation stand as the Group's core performance levers. The agency notices that the Group's corporate responsibility objectives are in line with its strategic planning which is based on a stronger knowledge of customer needs and the association with retailers. The strategic partnerships established with high-performance suppliers reinforce the Group's innovation potential and its long-term competitiveness. The organization of the purchasing function is consistent and fulfils its cost-reduction objective.

The Registration Document and the Annual Report were prepared by Essilor International's Investor Relations and Financial Communications department.

The information presented in this Registration Document was mainly prepared by Essilor International's Financial, Legal Affairs and Investor Relations and Financial Communications departments.

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