

# Consolidated financial statements

# Key financial data

year ended December 31, 2001

(EUR million, except for per share data)

	2001	2000	1999
<b>Income statement</b>			
Sales	2,070	1,978	1,662
Operating income	311	274	229
Income before non-operating items and tax	233	223	193
Net income	143	135	121
Basic earnings per share <sup>(1)</sup>	1.43	1.29	1.16
Diluted earnings per share <sup>(1)</sup>	1.43	1.29	1.15

## Balance sheet

Capital stock	35	32	32
Shareholders' equity	1,207	1,047	1,147
Net debt	321	466	164
Fixed assets, net	1,199	1,204	1,014
Total assets	2,149	2,131	1,846

(1) After 10-for-1 stock-split.

## Consolidated financial statements

# Consolidated income statement

year ended December 31, 2001

(EUR thousand)

	Note	2001	2000	1999
Sales	3	2,070,379	1,978,419	1,661,810
Production transferred to inventory		390	10,613	4,523
Production of assets for own use		22,286	31,102	40,834
<b>Production</b>		<b>2,093,055</b>	<b>2,020,134</b>	<b>1,707,167</b>
Purchases of materials and change in inventory		425,321	419,418	359,893
Other purchases		470,391	480,790	408,960
<b>Added value</b>		<b>1,197,343</b>	<b>1,119,926</b>	<b>938,314</b>
Taxes, other than income tax		41,425	32,448	28,926
Personnel expenses		723,213	698,199	591,370
<b>Gross operating income</b>		<b>432,705</b>	<b>389,279</b>	<b>318,018</b>
Depreciation, amortization and provisions, net		- 117,597	- 109,306	- 81,078
Other income/expense, net		- 4,509	- 5,903	- 8,046
<b>Operating income</b>		<b>310,599</b>	<b>274,071</b>	<b>228,894</b>
<b>Net interest expense</b>	4	<b>- 48,298</b>	<b>- 41,296</b>	<b>- 29,587</b>
<b>Non-operating expense, net</b>	5	<b>- 29,007</b>	<b>- 9,489</b>	<b>- 5,985</b>
<b>Income before non-operating items and tax</b>		<b>233,294</b>	<b>223,286</b>	<b>193,322</b>
Corporate income tax	6	69,218	62,464	50,194
<b>Net income of fully consolidated companies</b>		<b>164,076</b>	<b>160,822</b>	<b>143,128</b>
Net income of companies accounted for by the equity method		2,647	3,735	- 524
Amortization of goodwill		23,927	28,450	19,932
Minority interests		220	666	1,833
<b>Net income</b>		<b>142,576</b>	<b>135,441</b>	<b>120,839</b>
Earnings per common share (EUR) <sup>(1)</sup>		1.43	1.29	1.16
Weighted average number of common shares, excluding treasury stock <sup>(1)</sup> (thousands)		99,409	104,424	103,756
Diluted adjusted earnings per share (EUR) <sup>(1)</sup>		1.43	1.29	1.15
Diluted weighted average number of common shares, excluding treasury stock (thousands) <sup>(1)</sup>		99,833	105,087	104,478

(1) Earnings per share and the number of shares have been calculated after the 10-for-1 stock-split carried out in 2001.

# Consolidated statement of cash flows

year ended December 31, 2001

(EUR thousand)

	2001	2000	1999
<b>Net income</b>	<b>142,796</b>	<b>136,108</b>	<b>122,672</b>
Income from companies accounted for by the equity method, net of dividends received	-2,367	-3,498	760
Depreciation, amortization and provisions	146,007	140,801	117,446
<b>Cash flow</b>	<b>286,436</b>	<b>273,411</b>	<b>240,878</b>
Change in deferred taxes	-3,787	-13,376	-15,004
Change in provisions for contingencies and charges	4,450	8,629	199
Gains and losses on asset disposals	16,131	1,393	1,072
Investment grants written back to income	-72	-92	-235
Decrease/increase in inventories	2,887	-25,084	-41,713
Decrease/increase in receivables and deferred charges	-38,961	-50,530	-56,039
Increase/decrease in payables and deferred income	15,356	76,949	21,142
Increase/decrease in accrued interest	-664	2,495	-2,111
<b>Net cash provided by operations</b>	<b>281,776</b>	<b>273,795</b>	<b>148,189</b>
Capital expenditures	-127,456	-181,758	-153,777
Disposals of assets	45,107	11,619	5,222
Acquisitions of shareholdings and new loans extended	-37,112	-326,818	-52,290
Repayments of loans	1,034	2,356	1,964
<b>Net cash used by investment activities</b>	<b>-118,427</b>	<b>-494,601</b>	<b>-198,881</b>
Issuance of shares	25,988	10,428	45,548
Dividends paid to:			
- Essilor SA shareholders	-41,153	-35,958	-32,744
- Minority shareholders in subsidiaries		-1,107	-1,491
New borrowings raised/repayment of borrowings	-135,991	243,841	4,338
Impact of changes in scope of consolidation	-12,184	7,361	-10,714
<b>Net cash provided by/for financing activities</b>	<b>-163,340</b>	<b>224,565</b>	<b>4,937</b>
<b>Change in cash and cash equivalents</b>	<b>9</b>	<b>3,759</b>	<b>-45,755</b>
Cash and cash equivalents at beginning of year	55,988	63,346	78,876
Impact of exchange rate changes on cash and cash equivalents	470	-11,117	30,225
<b>Cash and cash equivalents at end of year</b>	<b>56,467</b>	<b>55,988</b>	<b>63,346</b>
Marketable securities	22,131	53,720	20,259
Cash	73,987	58,115	89,542
Short-term bank loans and overdrafts	-39,651	-55,847	-46,455

## Consolidated financial statements

# Consolidated balance sheet

year ended December 31, 2001

### Assets (EUR thousand)

	Note	2001	2000	1999
Intangible assets	7	132,389	120,829	100,163
Goodwill	8	356,767	399,447	332,318
Property, plant and equipment	9	572,026	572,185	485,714
<b>Fixed assets, net</b>		<b>1,061,182</b>	<b>1,092,461</b>	<b>918,195</b>
Investments in companies accounted for by the equity method		77,315	67,207	61,721
Other long-term investments	11	60,328	44,624	33,680
<b>Other non-current assets</b>		<b>137,643</b>	<b>111,831</b>	<b>95,401</b>
Inventories and work in progress	12	348,386	351,273	326,189
Advance payments to suppliers		10,135	7,551	4,493
Operating receivables	12	399,795	374,760	322,854
Deferred tax assets	6	54,893	51,106	37,730
Other receivables		27,204	10,406	18,483
Capital subscribed, called, unpaid		0	2,225	914
Marketable securities	14	22,131	53,720	20,259
Cash		73,987	58,115	89,542
Prepayments and other assets		11,377	14,607	10,142
<b>Current assets</b>		<b>947,908</b>	<b>923,763</b>	<b>830,606</b>
Deferred charges	13	2,665	2,827	1,558
<b>Total assets</b>		<b>2,149,398</b>	<b>2,130,881</b>	<b>1,845,760</b>
Commitments received	19	18,894	2,921	2,939

**Liabilities and shareholders' equity** (EUR thousand)

	Note	2001	2000	1999
Capital stock		35,377	32,399	32,251
Additional paid-in capital		149,888	308,119	297,838
Reserves		795,895	703,078	622,731
Treasury stock		-27,498	-204,961	
Cumulative translation adjustment		111,127	72,763	73,264
Net income		142,576	135,441	120,839
<b>Shareholders' equity</b>	15	<b>1,207,365</b>	<b>1,046,839</b>	<b>1,146,923</b>
Minority interests	16	1,724	773	8,646
Minority interests in income		220	666	1,833
<b>Total shareholders' equity and minority interests</b>		<b>1,209,309</b>	<b>1,048,278</b>	<b>1,157,402</b>
Provisions for pensions and other post-retirement benefits		49,190	45,338	40,472
Provisions for contingencies and charges		30,195	31,219	22,987
<b>Total provisions</b>	17	<b>79,385</b>	<b>76,557</b>	<b>63,459</b>
Borrowings	18	417,421	578,114	273,922
Advances and deposits received from customers		3,484	4,016	2,800
Operating liabilities		395,344	357,610	290,789
Miscellaneous liabilities		42,245	64,182	53,264
Deferred income		2,210	2,124	4,124
<b>Total liabilities</b>		<b>860,704</b>	<b>1,006,046</b>	<b>624,899</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,149,398</b>	<b>2,130,881</b>	<b>1,845,760</b>
Commitments given	19	130,486	109,096	101,047

# Notes to the consolidated financial statements

for the year ended December 31, 2001

In comparison with the notes approved by the Board of Directors, the following notes include additional information disclosed at the request of the *Commission des Opérations de Bourse*.

## Note 1: accounting policies

### GENERAL

The consolidated financial statements have been prepared in accordance with French generally accepted accounting principles.

The consolidated financial statements of Essilor International do not comply with the following accounting standards formulated by the International Accounting Standards Committee (I.A.S.C.) and are therefore not in compliance with IAS 1 (revised) "Presentation of Financial Statements":

- Intangible assets: intangible assets include trade marks and market shares corresponding to fair value adjustments recorded in consolidation to the net assets of companies acquired in prior years (after January 1, 1995). These assets are not amortized. If IAS 38 "Intangible assets" and IAS 22 (revised) "Business Combinations" had been applied, these trade marks and market shares would have been recorded under "Goodwill" and amortized, as they do not meet the criteria contained in IAS 38 concerning identifiable assets.

- Presentation of the financial statements: the company's share of the start-up losses of VisionWeb was recorded under "Non-operating expenses". VisionWeb was fully consolidated (100%) from January 1 to August 31, 2000 and proportionally consolidated (66.18%) up to December 31, 2000 following the sale of 33.82% of this company's capital to outside investors. In 2001, VisionWeb was proportionally consolidated based on 66.18% in January, 64.59% from February 1 to July 31 and 61.65% from August 1 to December 31. If IAS 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" and IAS 31 "Financial Reporting of Interests in Joint Ventures" had been applied, the company's share in the various components of operating income and expense would have been recorded line by line (see note 5).

- Financial instruments (IAS 39): Currency and interest rate hedges are not accounted for in accordance with the recommendations of IAS 39 which requires the recognition in income of gains and losses on fair value hedges and the recognition in shareholders' equity of the portion of hedges of forecasted transactions.

The principles applied by the company to account for hedging transactions are described in Note 1.

- The other standards and interpretations issued by the IASC that are applicable as of December 31, 2001 have been applied by the company.

**Figures in the tables are in thousands of euro, unless stated otherwise.**

### CONSOLIDATION METHODS

Significant companies over which Essilor International has direct or indirect exclusive control have been fully consolidated.

Companies controlled with others have been consolidated by the proportional method.

Companies in which Essilor International holds between 40% and 50% of the capital have been accounted for by the equity method in cases where another shareholder's percent interest is greater than that held by the company.

Companies in which Essilor International holds more than 20% of the voting rights and exercises significant influence, directly or indirectly, have been accounted for by the equity method.

The consolidation criteria are described in Note 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 income is calculated by applying:

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

If Essilor International 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 company's equity in net assets is recorded under non-operating income.

All intercompany profits and transactions are eliminated in consolidation.

## CONSOLIDATED STATEMENT OF CASH FLOWS

In the statement of cash flows:

- Cash flow is defined as the sum of net income of fully consolidated companies, depreciation, amortization and provision expenses (other than provisions against current assets) and dividends received from companies accounted for by the equity method;
- The impact of changes in exchange rates on cash and cash equivalents corresponds to the impact of changes between opening and closing exchange rates.

## FOREIGN CURRENCY TRANSLATION

### Financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries have been translated at year-end rates in the balance sheet and at average annual rates in the income statement.

The financial statements of branches have been translated at year-end in the balance sheet and at hedging rates in the income statement.

## Main exchange rates (against the Euro)

	Year-end rate			Average rate		
	2001	2000	1999	2001	2000	1999
CAD	1.41	1.40	1.46	1.38	1.37	1.57
GBP	0.61	0.62	0.62	0.62	0.61	0.66
JPY	115.34	106.84	102.65	108.81	99.21	118.83
USD	0.88	0.93	1.01	0.89	0.92	1.06

The differences between shareholders' equity translated at year-end rates and shareholders' equity based on historical cost, and differences arising from the use of average annual rates to translate subsidiaries' income or loss, have been recorded under "Cumulative translation adjustments" in consolidated shareholders' equity. When a foreign subsidiary is sold or liquidated, the corresponding cumulative translation adjustment is written off to the income statement.

In the case of companies doing business in highly inflationary economies, non-monetary assets have been translated at historical rates of exchange and monetary assets at year-end exchange rates. Income or loss has been translated at the average annual exchange rate, except for non-monetary items which have been translated at the historical rate. Translation differences are recorded in the income statement.

## GOODWILL

Consolidation goodwill corresponds to the excess of the cost of acquisition of investments in consolidated companies over Essilor International's share in the fair value of net assets at the date of acquisition. This goodwill is amortized on a straight line basis from the date of acquisition over the estimated period of benefit, not to exceed twenty years.

As allowed under generally accepted accounting principles, fair value adjustments to the net assets acquired are finalized during the year following the date of acquisition.

# Consolidated financial statements

## NEGATIVE EQUITY

If a consolidated company has a negative shareholders' equity at the end of the year, minority interests in the cumulated losses are treated as being attributable to Essilor International unless the minority shareholders are liable for their share of the losses.

## RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development costs are also expensed in cases where they do not fulfill all of the capitalization criteria specified in IAS 38. In 2001, research and development costs, including engineering costs, totaled EUR 80 million.

## NET INTEREST EXPENSE

Interest income and expense are recognized in the period in which they are earned or incurred.

## FOREIGN CURRENCY RECEIVABLES AND PAYABLES

Foreign currency receivables and payables are converted at year-end exchange rates or hedging rates. Conversion gains and losses are included in the income statement.

## FINANCIAL INSTRUMENTS

Financial instruments are used only to hedge risks on commercial transactions and identified foreign currency receivables and payables. They include forward sales of foreign currencies (or forward purchases of Euros by foreign subsidiaries) and currency options. The company also uses interest rate options in certain circumstances.

The company uses financial instruments solely for hedging purposes.

Gains and losses on financial instruments used as hedges are determined and accounted for on a symmetrical basis with the loss or gain on the hedged item.

## CORPORATE INCOME TAX

In accordance with IAS 12 (revised), deferred taxes are recorded by the liability method on temporary differences between the book value of assets and liabilities and their tax basis.

Deferred tax assets are recognized only if their recovery is considered probable.

Provisions for deferred taxes recorded by Essilor's French companies have been calculated at a 2001 tax rate of 35.43% (2000: 36.43%).

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost.

Assets acquired under finance leases are recorded as an asset and depreciated by the method described below. A debt of the same amount is recorded as a liability.

### Depreciation

Property, plant and equipment are depreciated by the straight-line method over their estimated useful lives.

The main useful lives are as follows:

Buildings	20 to 33 years
Building improvements	7 to 10 years
Industrial machinery, equipment and tools	3 to 10 years
Other tangible assets	3 to 10 years

## **INTANGIBLE ASSETS**

Intangible assets correspond primarily to purchased goodwill, trade marks, concessions, patents and licenses.

Purchased goodwill and trade marks correspond primarily to the allocation of part of the excess of the cost of acquisition over the company's share in net assets acquired. They are not amortized.

The value of purchased goodwill and trade marks is reviewed annually, based on the projections made at the time of acquisition, and provision is made in the case of any impairment in value.

Other intangible assets are stated at cost and are amortized by the straight-line method over 3 to 5 years.

## **INVENTORIES AND WORK IN PROGRESS**

Inventories are valued at weighted average cost.

Provisions are recorded against inventories, taking into account market prices, sales prospects and the risk of obsolescence.

## **PROVISIONS FOR IMPAIRMENT IN VALUE OF RECEIVABLES**

Statistical provisions are recorded in addition to specific provisions based on the age of the receivables. The write-down rate is gradually increased so that receivables that are more than 12 months past-due are written down in full.

## **PENSIONS AND OTHER POST-RETIREMENT BENEFITS**

Depending on regulations and practices that may be applicable in each country, the obligations of Essilor companies for pensions, early-retirement benefits and retirement indemnities under defined benefit plans are provided for on an actuarial basis.

The amount of these obligations, corresponding to the vested rights of active and retired employees, is determined by the projected unit credit method, based on estimated end-of-career salary levels. 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.

In cases where all or part of the obligation is funded under an external plan, the provision recorded corresponds to the difference between the projected benefit obligation and the fair value of the plan assets.

In certain circumstances, in the case of a change in actuarial assumptions or a plan amendment or the establishment of a new plan, the gain or loss is amortized on a straight-line basis over the remaining service period of the employees concerned.

# Consolidated financial statements

## Note 2: changes in scope of consolidation

The consolidated financial statements include the financial statements of all subsidiaries with annual sales of over EUR 3 million (FRF 20 million) or tangible assets in excess of EUR 9 million (FRF 60 million), as well as all holding and portfolio management companies

### Newly-consolidated companies

Company	Country	Consolidated from	% interest	
Novisia	France	January 1, 2001	100.00	Consolidation criteria met for first time
Holland Optical Inst. BV	Netherlands	January 1, 2001	74.00	Consolidation criteria met for first time <sup>(1)</sup>
Essilor SRF	India	January 1, 2001	88.18	Consolidation criteria met for first time <sup>(1)</sup>
Essilor Optika Kft	Hungary	January 1, 2001	100.00	Consolidation criteria met for first time
BBGR United Kingdom	United Kingdom	July 1, 2001	100.00	Acquisition

(1) Companies acquired in prior years which met the criteria for consolidation for the first time in 2001.

### Deconsolidated companies

• At the end of January 2001, Essilor International sold its entire contact lens business (contact lenses and cleaning products) to US-based Ocular Sciences Inc. The companies concerned are as follows:

Company	Country	% interest prior divestment
Lunelle Gmbh	Germany	100.00
Lunelle Scandinavia	Denmark	100.00
Lunelle SA	Switzerland	100.00
Lunelle BV	Netherlands	100.00
Lunelle Ltd	United Kingdom	100.00
MJS	United Kingdom	100.00
Sunsoft	United States	100.00

• In October 2001, Essilor sold its entire interest in Logo SA, which was previously accounted for by the equity method.

**Note 3: information by geographic area**

<b>Sales</b> (EUR million)	<b>2001</b>	2000	1999
<b>By geographic area</b>			
Europe	896	866	796
North America	980	924	751
Rest of world	194	188	115
<b>Total</b>	<b>2,070</b>	<b>1,978</b>	<b>1,662</b>
<b>By activity</b>			
Corrective lenses	1,899	1,793	1,498
Other	171	185	164
<b>Total</b>	<b>2,070</b>	<b>1,978</b>	<b>1,662</b>

<b>Contribution to net income</b> (EUR million)	<b>2001</b>	2000	1999
<b>By geographic area</b>			
Europe	87	98	93
North America	16	23	18
Rest of world	40	15	12
<b>Total</b>	<b>143</b>	<b>136</b>	<b>123</b>

<b>Acquisitions of intangible assets and property, plant and equipment</b> (EUR million)	<b>2001</b>	2000	1999
<b>By geographic area</b>			
Europe	65	56	61
North America	38	61	58
Rest of world	23	62	34
<b>Total</b>	<b>126</b>	<b>179</b>	<b>153</b>

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<b>Amortization and depreciation of intangible assets and property, plant and equipment</b> (EUR million)	<b>2001</b>	2000	1999
<b>By geographic area</b>			
Europe	446	427	393
North America	294	263	204
Rest of world	111	96	49
<b>Total</b>	<b>851</b>	<b>786</b>	<b>646</b>

<b>Fixed assets and total assets</b> (EUR million)	<b>2001</b>		2000		1999	
	Fixed assets <sup>(1)</sup>	Total assets	Fixed assets <sup>(1)</sup>	Total assets	Fixed assets <sup>(1)</sup>	Total assets
<b>By geographic area</b>						
Europe	244	842	237	795	231	735
North America	663	989	698	1,029	588	868
Rest of world	154	319	157	306	100	243
<b>Total</b>	<b>1,061</b>	<b>2,149</b>	<b>1,092</b>	<b>2,130</b>	<b>919</b>	<b>1,846</b>

(1) Excluding investments and other non-current assets.

<b>Provisions for contingencies and charges and current liabilities</b> (EUR million)	<b>2001</b>		2000		1999	
	Provisions for contingencies and charges	Borrowings and operating liabilities	Provisions for contingencies and charges	Borrowings and operating liabilities	Provisions for contingencies and charges	Borrowings and operating liabilities
<b>By geographic area</b>						
Europe	51	648	51	774	44	412
North America	24	132	22	144	18	141
Rest of world	4	81	4	88	2	50
<b>Total</b>	<b>79</b>	<b>861</b>	<b>77</b>	<b>1,006</b>	<b>64</b>	<b>603</b>

**Note 4: net interest expense**

	2001	2000	1999
Interest expense	-35,681	-33,251	-22,702
Interest income	7,784	10,181	6,658
Net cash discounts	-17,000	-17,292	-15,140
Provisions for losses on non-consolidated subsidiaries	-530	-122	-1,715
Exchange gains and losses	-3,176	-648	2,823
Other	305	-164	489
<b>Total</b>	<b>-48,298</b>	<b>-41,296</b>	<b>-29,587</b>

**Note 5: non-operating income and expense**

Income/expense	2001	2000	1999
Restructuring costs and provisions	-6,850	-3,948	-2,329
Provisions for contingencies and charges	-824	-1,431	-3,431
Income and losses related to prior years	86	-305	-89
Gains/losses on asset disposals, net	-15,915	748	-453
Other income/expense, net	-5,504	-4,553	317
	<b>-29,007</b>	<b>-9,489</b>	<b>-5,985</b>

Non-operating expense related to VisionWeb includes:

- Essilor's share of the company's start-up losses for EUR 9.9 million (2000: EUR 14.7 million);
- capital gains and dilution gains resulting from the sale of shares to outside investors, for EUR 1.9 million (2000: EUR 15.1 million).

The net charge to provisions for contingencies and charges (excluding restructuring costs) includes the following items:

Reversals/charges	2001	2000	1999
Provisions for pensions and other post-retirement benefits	-275	855	-2,769
Other provisions for contingencies and charges	-549	-2,286	-662
	<b>-824</b>	<b>-1,431</b>	<b>-3,431</b>

**Note 6: corporate income tax**

Tax charge/benefit for the period	2001	2000	1999
Current taxes	73,414	72,878	58,698
Deferred taxes	-4,196	-10,414	-8,504
	<b>69,218</b>	<b>62,464</b>	<b>50,194</b>

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<b>Analysis of current taxes</b> (as % of pre-tax earnings)	<b>2001</b>	2000	1999
Theoretical rate of taxation	36.4	37.8	40.0
Impact of differentials in tax rates applicable to foreign subsidiaries	-5.9	-9.4	-12.2
Impact of items taxed at reduced rates and of permanent differences between income calculated for financial reporting and tax purposes	-0.8	-0.4	-2.0
<b>Effective tax rate</b>	<b>29.7</b>	<b>28.0</b>	<b>25.8</b>

### Change in deferred taxes recorded in the balance sheet

The change in deferred taxes (assets) recorded in the balance sheet breaks down as follows:

	<b>2001</b>	2000	1999
At January 1	51,106	37,730	25,690
Additions	-6,825	-3,835	-1,483
Reversals	11,155	14,075	10,251
Changes in scope of consolidation, other movements and translation adjustment	-543	3,136	3,272
<b>At December 31</b>	<b>54,893</b>	<b>51,106</b>	<b>37,730</b>

<b>Components of deferred taxes</b>	<b>2001</b>	2000	1999
Elimination of intercompany profits included in inventory	18,424	18,133	15,959
Effect of differences in depreciation and amortization periods	-9,121	-8,965	-9,831
Temporarily non-deductible provisions	16,728	14,899	13,762
Other	28,862	27,039	17,840
<b>Total</b>	<b>54,893</b>	<b>51,106</b>	<b>37,730</b>

Other deferred taxes include various timing differences corresponding to other income or expenses that are temporarily non-deductible or taxable, various adjustments to the local statutory accounts to comply with company policies (capitalization of assets under finance leases, elimination of untaxed provisions, etc.), as well as deferred tax assets corresponding to tax loss carryforwards (mainly at the level of the tax group).

### Tax consolidation

Essilor, BBGR, Optim, Vip (not consolidated), Invoptic, Novisia, Varilux University (not consolidated) and Essidev file a consolidated tax return. The tax is paid by the parent company of the tax group. In 2001, the tax losses of companies in the tax group generated a tax benefit of EUR 0.3 million (2000: EUR 1.1 million).

## Note 7: intangible assets

	At January 1	Changes in scope and other	Acquisitions	Disposals	Translation adjustment	Amortization and provisions	At December 31
<b>2001</b>							
Purchased goodwill	72,486			24	3,861		76,323
Other intangibles*	89,956	6,578	12,839	5,216	572		104,729
<b>At cost</b>	<b>162,442</b>	<b>6,578</b>	<b>12,839</b>	<b>5,240</b>	<b>4,433</b>	<b>0</b>	<b>181,052</b>
Amortization	41,613	-241		5,011	656	11,646	48,663
<b>Net</b>	<b>120,829</b>	<b>6,819</b>	<b>12,839</b>	<b>229</b>	<b>3,777</b>	<b>-11,646</b>	<b>132,389</b>

\*Including concessions, patents and licenses in the amount of EUR 84,231 thousand at December 31, 2001.

<b>2000</b>							
Purchased goodwill	67,520	0	0	119	5,085	0	72,486
Other intangibles	63,291	3,302	25,920	4,068	1,511	0	89,956
<b>At cost</b>	<b>130,811</b>	<b>3,302</b>	<b>25,920</b>	<b>4,187</b>	<b>6,596</b>	<b>0</b>	<b>162,442</b>
Amortization	30,648	2,734	0	3,453	793	10,891	41,613
<b>Net</b>	<b>100,163</b>	<b>568</b>	<b>25,920</b>	<b>734</b>	<b>5,803</b>	<b>-10,891</b>	<b>120,829</b>

<b>1999</b>							
Purchased goodwill	57,031	0	1,390	0	9,099	0	67,520
Other intangibles	33,863	11,832	16,745	1,200	2,051	0	63,291
<b>At cost</b>	<b>90,894</b>	<b>11,832</b>	<b>18,135</b>	<b>1,200</b>	<b>11,150</b>	<b>0</b>	<b>130,811</b>
Amortization	18,688	5,863	0	532	867	5,762	30,648
<b>Net</b>	<b>72,206</b>	<b>5,969</b>	<b>18,135</b>	<b>668</b>	<b>10,283</b>	<b>-5,762</b>	<b>100,163</b>

Purchased goodwill corresponds mainly to the values attributed to the trade marks and market shares of two American companies, Omega (renamed Essilor Laboratories of America, Inc., Florida) and Gentex Optical, Inc.

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## Note 8: goodwill

	At January 1	Changes in scope and acquisitions	Disposals	Translation adjustment	Amortization and provisions	At December 31
<b>2001</b>						
<b>Gross value</b>	<b>515,337</b>	<b>2,610</b>	<b>-48,319</b>	<b>18,762</b>		<b>488,390</b>
Amortization and provisions	115,890		-10,749	2,667	23,815	131,623
<b>Net</b>	<b>399,447</b>	<b>2,610</b>	<b>-37,570</b>	<b>16,095</b>	<b>-23,815</b>	<b>356,767</b>

<b>2000</b>						
<b>Gross value</b>	<b>415,973</b>	<b>75,570</b>	<b>0</b>	<b>23,794</b>	<b>0</b>	<b>515,337</b>
Amortization and provisions	83,655	0	0	4,082	28,153	115,890
<b>Net</b>	<b>332,318</b>	<b>75,570</b>	<b>0</b>	<b>19,712</b>	<b>-28,153</b>	<b>399,447</b>

<b>1999</b>						
<b>Gross value</b>	<b>340,485</b>	<b>35,930</b>	<b>0</b>	<b>39,558</b>	<b>0</b>	<b>415,973</b>
Amortization and provisions	57,805	0	0	5,120	20,730	83,655
<b>Net</b>	<b>282,680</b>	<b>35,930</b>	<b>0</b>	<b>34,438</b>	<b>-20,730</b>	<b>332,318</b>

Goodwill written off on disposals in 2001 primarily concerns the contact lens business. Goodwill recognized on acquisitions in 2001 mainly concerns the acquisition of additional shares in Bacou-Daloz.

Net goodwill breaks down as follows by geographic area:

	<b>2001</b>	2000	1999
<b>By geographic area</b>			
Europe	18,649	21,892	27,205
North America	322,895	360,340	292,517
Rest of world	15,223	17,215	12,596
	<b>356,767</b>	<b>399,447</b>	<b>332,318</b>

## Note 9: property, plant and equipment

	At January 1	Changes in scope and other	Acquisitions	Disposals	Translation adjustment	Depreciation and provisions	At December 31
<b>2001</b>							
Land	28,040		249	4	183		28,468
Buildings	304,811	12,191	21,124	3,731	3,884		338,279
Industrial machinery and equipment	721,981	18,849	49,818	36,933	15,155		768,870
Other	261,844	-57,308	42,318	12,402	4,112		238,564
<b>Gross value</b>	<b>1,316,676</b>	<b>-26,268</b>	<b>113,509</b>	<b>53,070</b>	<b>23,334</b>	<b>0</b>	<b>1,374,181</b>
Depreciation	744,491	-16,126		42,617	9,845	106,562	802,155
<b>Net</b>	<b>572,185</b>	<b>-10,142</b>	<b>113,509</b>	<b>10,453</b>	<b>13,489</b>	<b>-106,562</b>	<b>572,026</b>
<b>2000</b>							
Land	23,241	4,911	1,097	1,856	647	0	28,040
Buildings	257,667	32,587	12,853	4,520	6,224	0	304,811
Industrial machinery and equipment	602,178	55,915	70,778	25,084	18,194	0	721,981
Other	218,237	-14,655	68,519	12,623	2,366	0	261,844
<b>Gross value</b>	<b>1,101,323</b>	<b>78,758</b>	<b>153,247</b>	<b>44,083</b>	<b>27,431</b>	<b>0</b>	<b>1,316,676</b>
Depreciation	615,609	49,479	0	34,239	13,473	100,169	744,491
<b>Net</b>	<b>485,714</b>	<b>29,279</b>	<b>153,247</b>	<b>9,844</b>	<b>13,958</b>	<b>-100,169</b>	<b>572,185</b>
<b>1999</b>							
Land	19,991	143	1,208	29	1,928	0	23,241
Buildings	212,170	17,152	18,344	2,900	12,901	0	257,667
Industrial machinery and equipment	491,580	10,305	78,659	16,740	38,374	0	602,178
Other	207,212	-30,100	36,092	8,075	13,108	0	218,237
<b>Gross value</b>	<b>930,953</b>	<b>-2,500</b>	<b>134,303</b>	<b>27,744</b>	<b>66,311</b>	<b>0</b>	<b>1,101,323</b>
Depreciation	521,929	-7,334	0	21,465	30,087	92,392	615,609
<b>Net</b>	<b>409,024</b>	<b>4,834</b>	<b>134,303</b>	<b>6,279</b>	<b>36,224</b>	<b>-92,392</b>	<b>485,714</b>

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## Note 10: property plant and equipment: assets acquired under finance leases

	At January 1	Changes in scope and other	Acquisitions	Disposals	Translation adjustment	Depreciation and provisions	At December 31
<b>2001</b>							
Land	850						850
Buildings	17,711	-1,252	11,976				28,435
Other	9,007	-62	93		-532		8,506
<b>Gross value</b>	<b>27,568</b>	<b>-1,314</b>	<b>12,069</b>	<b>0</b>	<b>-532</b>	<b>0</b>	<b>37,791</b>
Depreciation	17,419	-2,195			-43	4,806	19,987
<b>Net</b>	<b>10,149</b>	<b>881</b>	<b>12,069</b>	<b>0</b>	<b>-489</b>	<b>-4,806</b>	<b>17,804</b>
<b>2000</b>							
Land	850	0	0	0	0	0	850
Buildings	17,711	0	0	0	0	0	17,711
Other	1,971	2,732	4,516	204	-8	0	9,007
<b>Gross value</b>	<b>20,532</b>	<b>2,732</b>	<b>4,516</b>	<b>204</b>	<b>-8</b>	<b>0</b>	<b>27,568</b>
Depreciation	13,322	1,466	2,790	153	-6	0	17,419
<b>Net</b>	<b>7,210</b>	<b>1,266</b>	<b>1,726</b>	<b>51</b>	<b>-2</b>	<b>0</b>	<b>10,149</b>
<b>1999</b>							
Land	850	0	0	0	0	0	850
Buildings	17,711	0	0	0	0	0	17,711
Other	2,196	-12	62	400	125	0	1,971
<b>Gross value</b>	<b>20,757</b>	<b>-12</b>	<b>62</b>	<b>400</b>	<b>125</b>	<b>0</b>	<b>20,532</b>
Depreciation	12,734	0	0	390	106	872	13,322
<b>Net</b>	<b>8,023</b>	<b>-12</b>	<b>62</b>	<b>10</b>	<b>19</b>	<b>-872</b>	<b>7,210</b>

## Note 11: other non-current assets

	At January 1	Changes in scope and other	Acquisitions	Disposals	Translation adjustment	Depreciation and provisions	At December 31
<b>2001</b>							
Investments in non-consolidated companies	41,834	36,204	31,045	56,532	-81		52,470
Loans to non-consolidated companies	2,755	-364	5,569	1,034	-59		6,867
Other long-term investments and loans	12,168	-5	1,544	1,215	187		12,679
<b>Gross value</b>	<b>56,757</b>	<b>35,835</b>	<b>38,158</b>	<b>58,781</b>	<b>47</b>		<b>72,016</b>
Provisions	12,133	-800		1,384		1,739	11,688
<b>Net</b>	<b>44,624</b>	<b>36,635</b>	<b>38,158</b>	<b>57,397</b>	<b>47</b>	<b>-1,739</b>	<b>60,328</b>
<b>2000</b>							
Investments in non-consolidated companies	32,014	-313,472	323,390	228	130	0	41,834
Loans to non-consolidated companies	4,485	-885	184	1,087	58	0	2,755
Other long-term investments and loans	10,419	-164	4,778	3,065	200	0	12,168
<b>Gross value</b>	<b>46,918</b>	<b>-314,521</b>	<b>328,352</b>	<b>4,380</b>	<b>388</b>		<b>56,757</b>
Provisions	13,238	-1,492	0	324	104	607	12,133
<b>Net</b>	<b>33,680</b>	<b>-313,029</b>	<b>328,352</b>	<b>4,056</b>	<b>284</b>	<b>-607</b>	<b>44,624</b>
<b>1999</b>							
Investments in non-consolidated companies	26,239	-46,727	55,583	4,431	1,350	0	32,014
Loans to non-consolidated companies	11,048	6,202	2,625	15,444	54	0	4,485
Other long-term investments and loans	9,510	-12	7,332	6,973	562	0	10,419
<b>Gross value</b>	<b>46,797</b>	<b>-40,537</b>	<b>65,540</b>	<b>26,848</b>	<b>1,966</b>		<b>46,918</b>
Provisions	11,801	-533	0	980	258	2,692	13,238
<b>Net</b>	<b>34,996</b>	<b>-40,004</b>	<b>65,540</b>	<b>25,868</b>	<b>1,708</b>	<b>-2,692</b>	<b>33,680</b>

Acquisitions of investments in non-consolidated companies include acquisitions of shares in consolidated and non-consolidated companies and purchases of treasury stock. Negative changes in scope and other movements correspond to the impact of consolidating companies whose shares are recorded in the "Acquisitions" column (and subsidiaries that were consolidated for the first time in 2001), as well as the elimination of treasury stock.

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<b>Analysis of other non-current assets by maturity</b>	<b>2001</b>	2000	1999
More than one year	60,763	50,320	42,147
Less than one year	11,253	6,437	4,771
	<b>72,016</b>	<b>56,757</b>	<b>46,918</b>

### Note 12: current assets

<b>Inventories</b>	<b>2001</b>	2000	1999
Raw materials and other supplies	157,542	141,158	132,714
Goods for resale	52,151	56,904	58,141
Finished and semi-finished products	207,999	208,349	185,184
<b>Gross value</b>	<b>417,692</b>	<b>406,411</b>	<b>376,039</b>
Provisions	69,306	55,138	49,850
<b>Net</b>	<b>348,386</b>	<b>351,273</b>	<b>326,189</b>

<b>Receivables</b>	<b>2001</b>	2000	1999
<b>Trade receivables</b>			
<b>Gross value</b>	<b>396,046</b>	<b>368,749</b>	<b>319,532</b>
Provisions	-31,657	-27,806	-24,498
<b>Net</b>	<b>364,389</b>	<b>340,943</b>	<b>295,034</b>
<b>Other receivables</b>			
<b>Gross value</b>	<b>35,406</b>	<b>33,975</b>	<b>27,970</b>
Provisions	0	-158	-150
<b>Net</b>	<b>35,406</b>	<b>33,817</b>	<b>27,820</b>
<b>Total receivables, net</b>	<b>399,795</b>	<b>374,760</b>	<b>322,854</b>

**Note 13: deferred charges and deferred income**

	2001	2000	1999
<b>Deferred charges</b>			
<b>Net at January 1</b>	<b>2,827</b>	<b>1,559</b>	<b>802</b>
Increases	1,309	2,629	1,339
Amortization	-1,602	-1,346	-669
Translation adjustment	21	-15	87
Changes in scope	110	0	0
<b>Net at December 31</b>	<b>2,665</b>	<b>2,827</b>	<b>1,559</b>

**Note 14: marketable securities**

	2001	2000	1999
Net book value at December 31	22,131	53,720	20,259
Market value	22,131	53,770	20,268
<b>Unrealized gains</b>	<b>0</b>	<b>50</b>	<b>9</b>
<b>Breakdown at December 31</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<i>Sicav</i> mutual funds	17,592	39,189	10,816
<i>FCP</i> mutual funds and money market securities	155	155	4,811
Currency options	0	0	451
Other	4,384	14,376	4,181
<b>Total</b>	<b>22,131</b>	<b>53,720</b>	<b>20,259</b>

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## Note 15: changes in shareholders' equity

	Capital stock	Additional paid-in capital	Reserves	Cumulative translation adjustment	Treasury stock	Net income	Total
<b>At January 1, 2001</b>	<b>32,399</b>	<b>308,119</b>	<b>703,078</b>	<b>72,763</b>	<b>-204,961</b>	<b>135,441</b>	<b>1,046,839</b>
Issuance of shares	463	25,525					25,988
To Corporate Mutual Funds	159	11,457					11,616
On conversion of bonds							
On exercise of stock options	305	14,067					14,372
Capitalization of additional paid-in capital	4,522	-4,522					
Purchases of treasury stock (preferred stock)					-5,040		-5,040
Cancellations and redemptions of treasury stock	-2,007	-179,234	-1,262		182,503		0
Net income appropriation			135,441			-135,441	
Net income for the year						142,576	142,576
Paid dividends (including equalization tax)			-41,277				-41,277
Operating subsidies			-85				-85
Translation adjustment and other movements				38,364			38,364
<b>At December 31, 2001</b>	<b>35,377</b>	<b>149,888</b>	<b>795,895</b>	<b>111,127</b>	<b>-27,498</b>	<b>142,576</b>	<b>1,207,365</b>
<b>At January 1, 2000</b>	<b>32,251</b>	<b>297,838</b>	<b>622,731</b>	<b>73,264</b>		<b>120,839</b>	<b>1,146,923</b>
Issuance of shares	148	10,281					10,429
To Corporate Mutual Funds	148	10,281					10,429
On conversion of bonds							
On exercise of stock options							
Other movements							
Purchases of treasury stock					-204,961		-204,961
Net income appropriation			120,839			-120,839	
Net income for the year						135,441	135,441
Paid dividends (including equalization tax)			-40,434				-40,434
Operating subsidies			-58				-58
Translation adjustment and other movements				-501			-501
<b>At December 31, 2000</b>	<b>32,399</b>	<b>308,119</b>	<b>703,078</b>	<b>72,763</b>	<b>-204,961</b>	<b>135,441</b>	<b>1,046,839</b>
<b>At January 1, 1999</b>	<b>31,179</b>	<b>253,515</b>	<b>539,110</b>	<b>-14,667</b>		<b>119,636</b>	<b>928,773</b>
Issuance of shares	1,072	44,323					45,395
To Corporate Mutual Funds	122	10,355					10,477
On conversion of bonds	846	30,994					31,840
On exercise of stock options	104	2,974					3,078
Other movements							
Net income appropriation			119,636			-119,636	
Net income for the year						120,839	120,839
Paid dividends			-32,744				-32,744
Provisions for long-service awards			-3,189				-3,189
Operating subsidies			-82				-82
Translation adjustment and other movements				87,931			87,931
<b>At December 31, 1999</b>	<b>32,251</b>	<b>297,838</b>	<b>622,731</b>	<b>73,264</b>		<b>120,839</b>	<b>1,146,923</b>

Translation adjustments in 2001 mainly result from the stronger US dollar.

## Change in number of shares outstanding

In accordance with the decisions of the General Shareholders' Meetings of January 18, 2001 and May 3, 2001, during the year:

- 638,001 common shares and 3,026 preferred non-voting shares held in treasury stock were cancelled;
- The capital was converted into euros and the par value of the shares was raised from FRF 20 to EUR 3.50. The resulting capital increase of EUR 4,522 thousand was paid up by capitalizing reserves;
- A simplified public exchange offer was made in July-August 2001, for the 53,392 preferred non-voting shares outstanding, on the basis of one common share for one

preferred share. At the close of the offer period, 38,118 preferred non-voting shares were exchanged for the same number of common shares. The remaining 15,274 preferred non-voting shares were redeemed at a price of EUR 330 per share;

- A ten-for-one stock-split was carried out in September 2001, resulting in the par value of the shares being reduced to EUR 0.35.

The numbers of shares shown below for 2001, 2000 and 1999 have been adjusted to take account of the ten-for-one stock split.

	2001	2000	1999
<b>Number of common shares, excluding treasury stock, at January 1</b>	<b>98,316,800</b>	<b>105,213,290</b>	<b>101,694,710</b>
Number of treasury shares eliminated	7,380,010	0	0
Exercise of stock options <sup>(1)</sup>	925,051	0	341,330
Shares issued to the Essilor Group Corporate Mutual Fund	452,860	483,520	402,300
Conversion of bonds	0	0	2,774,950
Purchases of treasury stock		-7,380,010	
Exchange of preferred, non-voting stock	381,180		
<b>Number of common shares, excluding treasury stock, at December 31</b>	<b>100,075,891</b>	<b>98,316,800</b>	<b>105,213,290</b>
Number of treasury shares eliminated	1,000,000	7,380,010	0
<b>Preferred, non-voting shares excluding treasury stock, at January 1</b>	<b>533,920</b>	<b>564,180</b>	<b>564,180</b>
Number of treasury shares eliminated	30,260	0	0
Exchanged for common stock	-381,180		
Redemptions	-152,740		
Purchases of treasury stock		-30,260	
<b>Number of preferred, non-voting shares, excluding treasury stock, at December 31</b>	<b>0</b>	<b>533,920</b>	<b>564,180</b>
Number of treasury shares eliminated	0	30,260	0

(1) Including 416,810 shares issued on exercise of stock options at the end of 2000, recorded in capital in 2001.

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### Note 16: change in minority interests

	2001	2000	1999
<b>Minority interests at January 1</b>	<b>1,439</b>	<b>10,479</b>	<b>9,320</b>
Income for the year	220	666	1,833
Dividends paid by consolidated subsidiaries	-75	-1,107	-1,491
Effect of changes in scope of consolidation	487	-9,570	-754
Translation adjustment and other	-127	971	1,571
<b>Minority interests at December 31</b>	<b>1,944</b>	<b>1,439</b>	<b>10,479</b>

The decrease in minority interests in 2000 primarily stems from the increase in the company's interest in Sunsoft (United States) from 50% to 100%.

**Note 17: provisions for contingencies and charges**

(EUR thousand)	At January 1	Increases	Releases	Other movements and translation adjustment <sup>(2)</sup>	At December 31
<b>2001</b>					
<b>Provisions for pensions and other post-retirement benefits</b>	<b>45,338</b>	<b>5,896</b>	<b>-2,563</b>	<b>519</b>	<b>49,190</b>
<b>Provisions for contingencies and charges</b>	<b>31,219</b>	<b>15,098</b>	<b>-14,513</b>	<b>-1,609</b>	<b>30,195</b>
Provisions for losses in subsidiaries and affiliates	6,242		-5,739		503
Provisions for restructuring	5,636	3,683	-3,590	-286	5,443
Other <sup>(1)</sup>	19,341	11,415	-5,184	-1,323	24,249
<b>Total provisions for contingencies and charges</b>	<b>76,557</b>	<b>20,994</b>	<b>-17,076</b>	<b>-1,090</b>	<b>79,385</b>
<b>2000</b>					
<b>Provisions for pensions and other post-retirement benefits</b>	<b>40,472</b>	<b>5,938</b>	<b>-3,246</b>	<b>2,174</b>	<b>45,338</b>
<b>Provisions for contingencies and charges</b>	<b>22,987</b>	<b>13,919</b>	<b>-8,172</b>	<b>2,485</b>	<b>31,219</b>
Provisions for losses in subsidiaries and affiliates	3,452	2,790			6,242
Provisions for restructuring	3,709	4,288	-2,438	77	5,636
Other <sup>(1)</sup>	15,826	6,841	-5,734	2,408	19,341
<b>Total provisions for contingencies and charges</b>	<b>63,459</b>	<b>19,857</b>	<b>-11,418</b>	<b>4,659</b>	<b>76,557</b>
<b>1999</b>					
<b>Provisions for pensions and other post-retirement benefits</b>	<b>29,502</b>	<b>9,447</b>	<b>-3,898</b>	<b>5,421</b>	<b>40,472</b>
<b>Provisions for contingencies and charges</b>	<b>28,584</b>	<b>9,808</b>	<b>-16,637</b>	<b>1,232</b>	<b>22,987</b>
Provisions for the euro and year 2000-compliance program costs	2,859		-2,859		
Provisions for losses in subsidiaries and affiliates	3,452				3,452
Provisions for restructuring	4,036	2,735	-3,198	136	3,709
Other <sup>(1)</sup>	18,237	7,073	-10,580	1,096	15,826
<b>Total provisions for contingencies and charges</b>	<b>58,086</b>	<b>19,255</b>	<b>-20,535</b>	<b>6,653</b>	<b>63,459</b>

(1) These provisions primarily concern product warranties and miscellaneous contingencies.

(2) Other movements include the effect of changes in the scope of consolidation.

In 2001, unused provisions for other contingencies and charges in the amount of EUR 3.4 million were released to the income statement.

# Consolidated financial statements

## PROVISIONS FOR PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Provisions for pensions and other post-retirement benefits mainly concern the commitments of Essilor International, BBGR, the German subsidiaries and Essilor of America.

In 1999, Essilor International set up, for the first time, a EUR 4.9 million provision for long-service awards payable in France and by international subsidiaries. In accordance with IAS 19 (revised), the provision, net of taxes, was charged against opening shareholders' equity.

	2001	2000	1999
Projected benefit obligation	90,841	88,972	91,515
Plan assets at fair value	-27,998	-26,922	-33,467
Unamortized gains and losses	-13,653	-16,712	-17,575
<b>Provision recorded in the balance sheet</b>	<b>49,190</b>	<b>45,338</b>	<b>40,473</b>

At December 31, 2001, provisions for pensions broke down as follows by type of plan:

	Projected benefit obligation	Plan Assets	Deferred gains and losses	Provision
Supplementary pensions	71,659	-19,916	-13,318	38,425
Retirement indemnities	14,313	-8,082	-335	5,896
Other	4,869	0	0	4,869
	<b>90,841</b>	<b>-27,998</b>	<b>-13,653</b>	<b>49,190</b>

## Note 18: borrowings

### BORROWINGS

At December 31, 2001, consolidated net debt amounted to EUR 321 million (2000: EUR 466 million; 1999: EUR 164 million).

Borrowings break down as follows by maturity:

(EUR million)	2001	2000	1999
Due within one year	65	231	92
Due in 1 to 5 years	76	69	60
Due beyond 5 years	276	278	122
	<b>417</b>	<b>578</b>	<b>274</b>
Including: Obligations under finance leases	15	7	4

Borrowings break down as follows by currency:

(EUR million)	2001	2000	1999
US dollars	132	144	221
Euros	221	374	0
Yens	5	17	0
Canadian dollars	1	2	1
Other currencies	58	41	52
<b>Total</b>	<b>417</b>	<b>578</b>	<b>274</b>

## MANAGEMENT OF INTEREST RATE AND CURRENCY RISKS

### Management of interest rate risks

The company's interest rate risk 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.

The nominal value of interest rate hedging instruments at December 31, 2001 was as follows:

Interest rate swaps (fixed rate paid by Essilor): EUR 182 million (2000: EUR 122 million; 1999: EUR 122 million).

Interest rate swaps (fixed rate received by Essilor) EUR 0 : (2000: EUR 0; 1999: EUR 0).

All company borrowings are at floating rates. Out of the total amount, 44% (2000: 21%; 1999: 45%) has been converted into fixed rate debt through the use of hedging instruments.

The weighted average rate of interest on total borrowings, including the effect of hedging instruments, was 5.16% at December 31, 2001 (2000: 5.63%; 1999: 6.38%).

### Management of currency risks

The company's currency risk management policy consists of systematically hedging these risks using appropriate market instruments, including spot and forward purchases and sales of foreign currencies and

currency options. Imports and exports are billed in local currency; substantially all of the currency risk is therefore borne by Essilor SA, and subsidiaries have very limited exposure.

Currency transactions are designed solely to hedge currency risks arising on business transactions. Essilor International does not trade in foreign currencies.

All currency transactions are subject to pre-determined position limits which are designed to optimize the protection afforded by the hedges. At December 31, 2001, residual open positions were not material.

At December 31, 2001, currency positions excluding options totaled EUR 488 million (2000: EUR 579 million; 1999: EUR 578 million). No currency options were outstanding at December 31, 2001.

### Management of credit and liquidity risks

Credit risks on financial instruments used as hedges of interest rate and currency risks are not material.

The liquidity risk managed by Essilor is very limited.

# Consolidated financial statements

## Note 19: off-balance sheet commitments

<b>Financial commitments</b>	<b>2001</b>	2000	1999
<b>Commitments given</b>			
Guarantees	130,128	101,915	94,788
Collateral for debts			
Debts	20	6,887	3,415
Net book value of collateral	358	7,181	6,259
<b>Commitments received</b>			
Guarantees	18,894	2,921	2,939

  

	<b>2001</b>	2000	1999
<b>Forward exchange contracts</b>			
Sales	441,907	516,308	481,308
Purchases	46,275	62,682	97,051
<b>Currency options: hedges of business transactions</b>			
Purchases of put options	0	9,422	24,926
Sales of call options	0	0	0
Purchases of call options	0	2,096	2,475
Sales of put options	0	0	0

Essilor did not hold any interest rate options in 2001, 2000 or 1999.

### Forward contracts and options by currency at December 31, 2001

		Forward purchases	Forward sales
US dollars	USD	30,560	353,497
Euros	EUR	7,164	0
Australian dollars	AUD	93	691
Canadian dollars	CAD	139	20,759
Norwegian kroner	NOK	0	5,279
Yens	JPY	8,160	341
Pounds sterling	GBP	159	44,496
Swiss francs	CHF	0	6,763
Swedish kronor	SEK	0	2,409
Other currencies		0	7,672
<b>Total</b>		<b>46,275</b>	<b>441,907</b>

## Note 20: average number of employees and payroll costs

	2001	2000	1999
Management	1,794	1,729	1,616
Supervisory and administrative	5,877	6,057	5,835
Production	13,260	13,689	12,575
<b>Total</b>	<b>20,931</b>	<b>21,475</b>	<b>20,026</b>
(EUR thousand)			
Payroll costs (wages and salaries and payroll taxes)	723,213	698,199	591,370
Number of employees at December 31 including employees of proportionally consolidated companies (100%)	22,309 1,686	22,186 1,707	20,899 1,090

## Note 21: management remuneration

	2001	2000	1999
Total remuneration and benefits paid to the Executive Committee <sup>(1)</sup>	3,690	3,285	2,886
Attendance fees paid to the Executive Committee	6	6	6
<b>Total management remuneration</b>	<b>3,696</b>	<b>3,291</b>	<b>2,892</b>

(1) Gross amount before payroll and other taxes.

## Note 22: environment

Essilor is not exposed to any material environmental risks.

## Note 23: claims and litigation

There are no claims or litigation outstanding or pending that are likely to have a material impact on the company's consolidated financial position.

## Note 24: subsequent events

No events occurred after the year-end that would be likely to have a material impact on the company's consolidated financial position.

# Consolidated financial statements

## Note 25: fully consolidated companies

Company	Country	% voting rights	% interest
<b>France</b>			
BBGR	France	99.99	99.99
Essidev	France	100.00	100.00
Groupe Invoptic	France	99.99	99.99
Optim	France	99.99	99.99
Novisia	France	100.00	100.00
<b>Europe</b>			
Essilor GmbH	Germany	100.00	100.00
Essilor Austria GmbH	Austria	100.00	100.00
Essilor Belgium S.A.	Belgium	100.00	100.00
Essilor Danmark A/S	Denmark	100.00	100.00
Essilor España S.A.	Spain	100.00	100.00
Essilor OY	Finland	100.00	100.00
BBGR United Kingdom	United Kingdom	100.00	100.00
Essilor Ltd	United Kingdom	100.00	100.00
Essilor Optika Kft	Hungary	100.00	100.00
Ireland (Sales) Ltd	Ireland	100.00	100.00
Essilor Ireland (branch)	Ireland	100.00	100.00
Organic Lens Manufacturing (branch)	Ireland	100.00	100.00
Essilor Italia S.p.A	Italy	100.00	100.00
Essilor Norge A.S.	Norway	100.00	100.00
Essilor Nederland BV	Netherlands	100.00	100.00
Essilor Nederland Holding BV	Netherlands	100.00	100.00
Holland Optical Instruments BV	Netherlands	74.00	74.00
Essilor Polonia	Poland	100.00	100.00
Essilor Portugal	Portugal	100.00	100.00
Essilor AB	Sweden	100.00	100.00
Essilor (Suisse) S.A.	Switzerland	100.00	100.00
Vaco Holding S.A.	Switzerland	100.00	100.00
Essilor Optik Sanayi Ticaret A.S.	Turkey	100.00	100.00
<b>North and Central America</b>			
BBGR Optique Canada, Inc.	Canada	99.99	99.99
Canoptec, Inc.	Canada	100.00	100.00
Eastern Optical Laboratories, Ltd	Canada	100.00	100.00
Essilor Canada, Ltd	Canada	100.00	100.00
OK Lenscraft Laboratories, Ltd	Canada	100.00	100.00
K & W Optical, Ltd	Canada	100.00	100.00
Pro Optic Canada, Inc.	Canada	99.99	99.99
R & R Optical Laboratory, Ltd	Canada	100.00	100.00
Essilor of America Holding Co, Inc.	United States	100.00	100.00
Essilor of America, Inc.	United States	100.00	100.00
Essilor Laboratories of America Holding Co, Inc.	United States	100.00	100.00

## Consolidated financial statements

Company	Country	% voting rights	% interest
<b>North and Central America (continued)</b>			
Essilor Laboratories of America, Inc. (including US laboratories)	United States	100.00	100.00
Essilor Laboratories of America Corporation	United States	100.00	100.00
Omega Optical Holdings, Inc.	United States	100.00	100.00
Omega Optical General, Inc.	United States	100.00	100.00
Essilor Laboratories of America, LP (including Avisia, Omega, Duffens)	United States	100.00	100.00
Gentex Optics, Inc.	United States	100.00	100.00
Arlens S.A. de C.V.	Mexico	100.00	100.00
Vision Center S.A. de C.V.	Mexico	100.00	100.00
<b>Rest of the world</b>			
Essilor South Africa (Pty) Ltd	South Africa	100.00	100.00
Essilor Argentine S.A.	Argentina	100.00	100.00
Perkins Optical	Australia	100.00	100.00
Essilor Australia Pty Ltd	Australia	100.00	100.00
Essilor Lens Australia Pty Ltd	Australia	100.00	100.00
Hobart Optical	Australia	51.00	51.00
Optilabs Pty Ltd	Australia	100.00	100.00
Brasilor Participacoes Sc Ltda	Brazil	100.00	100.00
Essilor Da Amazonia Industria e Comercio Ltda	Brazil	100.00	100.00
Multi Optica Distribuidora Ltda	Brazil	100.00	100.00
Sudop Industria Optica Ltda	Brazil	100.00	100.00
Shanghai Essilor Optical Co Ltd	China	97.16	97.16
Essilor Hongkong	Hong Kong	100.00	100.00
Essilor SRF Optics Ltd	India	88.18	88.18
OHL Lenses Ltd	New Zealand	75.00	75.00
Direct Optical Supplies New Zealand Ltd	New Zealand	100.00	100.00
Essilor New Zealand	New Zealand	100.00	100.00
Xtra Vision	New Zealand	100.00	100.00
Essilor Manufacturing Philippines, Inc.	Philippines	100.00	100.00
Optodev	Philippines	99.99	99.99
Optical Supplies of Asia Optics Intern.	Singapore	100.00	100.00
Essilor Manufacturing (Thailand) Co Ltd	Thailand	100.00	100.00

### Note 26: proportionally consolidated companies

Nikon Essilor Co Ltd. (50%) Japan	Transitions Optical Limited (49%) Ireland
Nikon Optical United Kingdom (50%)	Transitions Optical, Inc. (49%) United States
Nikon Optical Canada, Inc. (50%)	Transitions Optical Do Brazil Limitada (49%) Brazil
Aichi Nikon Company (50%) Japan	Transitions Optical Holdings BV (49%) Netherlands
Nasu Nikon Company (50%) Japan	Transitions Optical Pty Ltd (49%) Australia
VisionWeb (61.65%) United States	Transitions Optical Philippines, Inc. (49%)

The companies in the Transitions Group, which are all 49%-owned, are consolidated by the proportional method. No information is given regarding these companies due to confidentiality agreements signed with partners.

# Consolidated financial statements

## Note 27: companies accounted for by the equity method

The following companies are accounted for by the equity method:

	%
Bacou Dalloz Group	18.61

## Note 28: non-consolidated companies

Company	Country	% interest
<b>France</b>		
Distrilens	France	100.00
Varilux University	France	99.90
VIP	France	100.00
<b>Europe</b>		
Essilor Logistik GmbH	Germany	100.00
Lunelle Kontaklinsen GmbH	Germany	100.00
Novisia Austria GmbH	Austria	100.00
Essilor Optika D.o.o	Croatia	100.00
Lunelle Scandinavia A/S	Denmark	100.00
Novisia Iberica	Spain	100.00
Lunelle Ltd	United Kingdom	100.00
M.J.S. Scientific Ltd	United Kingdom	100.00
Biolent s.r.l.	Italy	95.00
Oftalma s.r.l.	Italy	100.00
Opto 3	Italy	50.00
Lunelle BV	Netherlands	100.00
Essilor Laboratories Polska Sp Zoo	Poland	100.00
Essilor Optika Spol.sr.o	Czech Republic	100.00
Essilor Slovakia s.r.o.	Slovakia	100.00
Essilor D.o.o.	Slovenia	100.00
Lunelle S.A.	Switzerland	100.00
<b>North America</b>		
Pioneer Optical Ltd	Canada	100.00
Perspectics Lab & Optical Supplies Ltd	Canada	100.00
Essilor Transfer Corporation	United States	100.00
Micro Optical	United States	20.00

## Consolidated financial statements

<b>Rest of the world</b>	Country	% interest
AG Thomson & Co Pty Ltd	Australia	61.00
Lead Brésil Ltda	Brazil	100.00
Optikot S.A.	Brazil	50.36
Transitions Optical India	India	49.00
Indian Ophthalmic Lenses Manufacturing Co Pvt Ltd – Olmil	India	90.00
P.T. Essilor Indonesia	Indonesia	94.36
Essilor Japan K.K.	Japan	100.00
Nikon Corporation	Japan	0.16
Transitions Optical Japan	Japan	49.00
Essilor (Malaysia) Sdn Bhd	Malaysia	100.00
Optical Laboratories NZ Limited	New Zealand	20.00
VisionWeb NZ	New Zealand	100.00
Essilab Philippines, Inc.	Philippines	40.00
Eyeland	Philippines	49.00
Optoland	Philippines	100.00
Central Essilor Co Ltd	Thailand	35.00
BOD (Paris Lunettes Corporation Siam Co Ltd)	Thailand	48.99

Companies in which the parent company's interest is less than 20%, and those in which its interest exceeds 20% but which do not fulfill the minimum criteria—sales of EUR 3 million (FRF 20 million) or tangible assets of EUR 9 million (FRF 60 million)—are not consolidated.

Where necessary, a provision is recorded at year-end to write down the value of investments to their fair value, based on estimated future cash flows.

Key data for the main non-consolidated companies are presented below:

	Shareholders' equity	Sales	Net income/loss	Book value	
				Cost	Net
<b>Total non-consolidated companies</b>	<b>35,625</b>	<b>35,591</b>	<b>- 2,370</b>	<b>52,470</b>	<b>41,913</b>

Note: as allowed under paragraph 11 of article 24 of decree No. 83.1020 of November 29, 1983, detailed information by subsidiary is not provided as its disclosure would be prejudicial to the company's interests.

# Consolidated financial statements

## Report of the Auditors

**YEAR ENDED DECEMBER 31, 2001**

To the shareholders,

In accordance with the terms of our appointment at the General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Essilor International and its subsidiaries for the year ended December 31, 2001, presented in euros.

These financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with French generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of

the financial statements, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated results of operations for the year ended December 31, 2001 and the consolidated assets and liabilities and financial position of Essilor International and its subsidiaries at that date in accordance with the accounting principles and policies described in note 1.

We have also examined the information about the company given in the Management Review. We have no comments to make about the fairness of this information or its consistency with the consolidated financial statements.

Paris, March 14, 2002

### **The Statutory Auditors**

**Befec-Price Waterhouse**

**Cabinet Dauge et Associés**

**Member of PricewaterhouseCoopers**

**L. Tellier**

**G. Dauge Ph. Tissier**

**Members of Compagnie Régionale de Paris**