20.3 2011 consolidated financial statements and notes. 2011 annual financial statements and notes

20.3.1 2011 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

The Auditors' report on the 2011 consolidated financial statements is presented in Section 20.4.1.1 of this Registration Document.

20.3.1.1 Consolidated income statement

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

STATEMENT OF INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY

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

20.3.1.2 Consolidated balance sheet

ASSETS

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

EQUITY AND LIABILITIES

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

20.3.1.3 Statement of changes in consolidated equity

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

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

20.3.1.4 Consolidated cash flow statement

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

(a) Units in money market funds not qualified as cash equivalents under IAS 7.
(i) See income statement.
(ii) See statement of changes in consolidated equity.

20.3.1.5 Notes to the consolidated financial statements

NOTE 1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

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

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

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

The financial statements are prepared on a going concern basis.

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

1.2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with European Council regulation 1606/2002/EC of July 19, 2002, effective from January 1, 2005 the Essilor Group has adopted as its primary basis of accounting the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and related interpretations adopted by the European Union and applicable at December 31, 2011. These standards and interpretations are available for consultation on the European Commission's website[1].

1.3 CHANGE IN ACCOUNTING METHODS AND PRESENTATION

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

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

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

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

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

The Group is not affected by these interpretations.

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

The Group has decided not to early-adopt the following standards, amendments or interpretations, applicable from January 1, 2012 or later:

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

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

1.6 USE OF ESTIMATES

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

1.7 BASIS OF CONSOLIDATION

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

Jointly-controlled companies are consolidated by the proportionate method.

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

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

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

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

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

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

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

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

All intragroup profits and transactions are eliminated in consolidation.

1.8 INFORMATION BY OPERATING SEGMENT

Since the adoption of IFRS 8 with effect from January 1, 2009, the Group's segment information is presented in accordance with the information provided internally to management for the purpose of managing operations, making decisions and analyzing operational performance.

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

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

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

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

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

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

The Readers business segment comprises the production, distribution and sale of non-prescription reading glasses. The end customers for this segment are retailers that sell non-prescription reading glasses to consumers.

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

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

1.9 CONSOLIDATED CASH FLOW STATEMENT

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

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

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

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

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

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

Cash corresponds to cash and marketable securities qualifying as cash equivalents less short-term bank loans and overdrafts.

- Marketable securities, consisting mainly of units in money market funds, are qualified as cash equivalents when the fund's management objectives fulfill the criteria specified in IAS 7.

- Marketable securities that do not fulfill these criteria are not classified as cash equivalents. Purchases and sales of these securities are treated as cash flows from financing activities.

1.10 FOREIGN CURRENCY TRANSLATION

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

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

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

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

1.11 REVENUE

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

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

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

1.12 COST OF SALES

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

1.13 CONTRIBUTION FROM OPERATIONS AND OPERATING PROFIT

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

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

1.14 SHARE-BASED PAYMENTS

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

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

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

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

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

For the November 2010 and November 2011 performance share plans, a lock-up discount was applied to the portion of shares that will be granted after the plan's performance conditions have been fulfilled. This portion will be unavailable to grantees for an estimated five years.

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

- share price volatility is determined by reference to historical volatilities;
- the risk-free interest rate corresponds to the government bond rate;
- the impact of dividends is taken into account in the model by applying a yield assumption determined by reference to the dividend paid in the previous year;
- the options' expected life is determined based on the vesting period and the exercise period;
- in line with CNC guidelines dated December 21, 2004, the lock-up discount applied to the November 2010 and November 2011 performance share plans was determined based on the cost for the employee of a two-step strategy consisting of selling the shares forward for delivery at the end of the lock-up period and purchasing the same number of shares for immediate delivery, with the purchase financed by a loan.

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

Employee share issues

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

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

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

1.15 FINANCIAL INCOME

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

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

Cost of gross debt consists of interest on financing, realized gains or accrued interest on interest rate derivatives, and non-utilization fees on credit facilities.

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

1.16 FOREIGN CURRENCY TRANSACTIONS

On initial recognition of foreign currency transactions, the receivable or payable is translated into the entity's functional currency at the exchange rate on the transaction date. At the period-end, they are re-translated at the closing rate. The resulting gains and losses are recognized in "Other financial income and expenses."

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

1.17 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS

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

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

- Cash flow hedges: the effective portion of the gain or loss from remeasurement at fair value is recognized directly in equity under "Hedging reserves" until the effective completion of the scheduled transaction. When the scheduled transaction is completed, the amount recognized in equity is reclassified to profit: the income or expense is adjusted for the effective portion of the gain or loss from remeasurement at fair value of the hedging instrument. The ineffective portion of the gain or loss is recognized in "Other financial income and expenses."
- Hedge of the net investment in a foreign operation: the effective portion of the gain or loss from remeasurement at fair value is recognized directly in equity under "Hedging reserves" and transferred to the "Translation difference" when the hedging instrument expires. The amount transferred to the "Translation difference" is reclassified to profit when the investment in the foreign operation is sold or the entity is wound up. The ineffective portion of the gain or loss is recognized in "Other financial income and expenses."
- Fair value hedges: the gain or loss from remeasurement at fair value is recognized in profit on a symmetrical basis with the gain or loss from remeasurement at fair value of the hedged asset or liability.
- Financial instruments that do not form part of a hedging relationship: Certain derivatives and certain types of transactions that in substance represent hedges do not qualify for hedge accounting under IAS 39. Gains and losses from the fair value measurement of these derivative instruments are recognized directly in financial income and expenses, in accordance with the criteria of IAS39.

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

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

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

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

1.18 INCOME TAX EXPENSE

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

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

Adjustments to deferred taxes resulting from changes in tax rates are recognized in profit. However, when the deferred tax relates to items recognized in equity, the adjustment is also recognized in equity.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred taxes are charged or credited directly to equity when the tax relates to items that are recognized directly in equity, such as gains and losses on cash flow hedges and hedges of certain financial assets, actuarial gains and losses on defined benefit plan obligations and the value of convertible bond conversion options.

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

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

The Group is subject to taxation on earnings in several countries under various tax regulations. Calculation of taxes on a global scale requires the use of estimates and assumptions developed based on the information available at the balance sheet date.

1.19 EARNINGS PER SHARE

Basic earnings per share

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

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

Diluted earnings per share

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

- Stock subscription and purchase options: The dilution arising from stock subscription and purchase options is calculated based on the weighted average number of shares plus the number of shares that would be issued or sold if the options were issued at market price instead of at the adjusted exercise price. The adjusted exercise price corresponds to the exercise price as adjusted for the cost to be recognized in future periods for options that have not yet vested at the period-end.

- Convertible or exchangeable bonds: net profit is adjusted for the expense, net of taxes, recorded over the period for the convertible bond. The average number of shares is increased by the number of shares to be created (or delivered) upon conversion (or exchange);
- Performance-base allotment of bonus shares: the number of shares used for the calculation is determined based on the number of shares that would have been granted if the performance criterion had been applied at the balance sheet date.

1.20 RESEARCH AND DEVELOPMENT COSTS

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

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

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

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

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

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

1.21 GOODWILL

Recognition of acquisitions made after January 1, 2010

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

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

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

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

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

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

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

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

Recognition of acquisitions made before January 1, 2010

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

Goodwill is the excess of:

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

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

In certain cases, the fair values used for the assets and liabilities of acquisitions for the period may be temporary and changed at a later date, after a final expert assessment or additional analyses. Any discrepancies resulting from the final valuation shall be recognized as a retrospective adjustment to goodwill if they take place within twelve months from the acquisition date. Any adjustments made more than twelve months after the acquisition date will be recognized directly in profit, unless they correspond to corrections of errors.

Goodwill arising on acquisition of associates is included in the carrying amount of the investment.

When put options have been granted to minority shareholders of subsidiaries, their interest in the equity of the subsidiaries concerned is reclassified from "Minority interests" to "Other non-current liabilities" or "Other current liabilities" in the consolidated balance sheet.

The amount recognized in liabilities is measured at the present value of the option exercise price. Discounting adjustments to reflect the passage of time are recorded in the financial income statement.

With regard to the accounting treatment in the consolidated balance sheet of the difference between the present value of the option exercise price and minority interests in the equity of the subsidiaries concerned, Essilor has elected to record this difference in "Goodwill." Future changes in the recognized liability will be reported as an adjustment to goodwill.

Impairment of goodwill

Goodwill subject to impairment tests is grouped into cash-generating units (CGUs) that correspond to the analytical focus of senior management.

The Group has defined 13 CGUs that correspond to like-for-like asset groups and generate identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is based on forecast cash flows less a pretax discount rate.

Plants that conduct manufacturing operations for several CGUs are grouped in a separate CGU whose cash flows are reallocated to the other CGUs based on unit sales. In line with this principle, the Asian plants are considered as a shared resource allocated to the other CGUs for impairment testing purposes.

Future cash flows are estimated as follows:

- the last fiscal year for the reference year (Y);
- annual budget for the year Y+1;
- cash flows for the years Y+2 to Y+5 are estimated by applying to Y+1 data growth rates that are consistent with the Company's projections and with the budgeted Y+1 growth rate.

The discount rate applied in all cases is the Company's weighted average cost of capital (WACC). A risk premium is added to the WACC for some CGUs, to reflect local conditions and the CGU's specific risk exposures. Note 11 summarizes the assumptions used.

Impairment tests are routinely performed on each CGU once a year at the time of the interim closing at the end of June. However, all sensitive items are tested again at the year end and any impairment losses are increased if necessary.

1.22 OTHER INTANGIBLE ASSETS

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

Other intangible assets are recognized at cost or fair value at the date of the business combination, net of accumulated amortization and impairment losses.

They are amortized on a straight-line basis over the assets' useful lives, as follows:

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

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

- it can be demonstrated, based on an analysis of the life of the underlying products, the market and the competition, that there is no foreseeable limit to the period over which the products sold under the trademark are expected to generate net cash inflows;
- the Group has the intention and ability to support the trademark.

Intangible assets with a finite life are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

Trademarks with an indefinite life are tested for impairment annually, along with goodwill (see Note 1.21).

When the test shows that an asset's recoverable amount is less than its carrying amount, a provision for impairment is recorded. Recoverable amount is defined as the higher of fair value less costs to sell and value in use.

The directly attributable costs of producing identifiable and separable intangible assets are recognized as an intangible asset when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year. They are reported under "Intangible assets in progress" until the asset is completed.

1.23 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Finance leases, defined as leases that transfer to the Group substantially all of the risks and rewards of ownership of the asset, are recognized in assets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The leased assets are depreciated by the methods described below. The finance lease liability is included in debt.

Lease payments under operating leases, defined as leases where substantially all of the risks and rewards of ownership of the asset are retained by the lessor, are recognized as an expense on a straight-line basis over the lease term.

The directly attributable costs of producing identifiable and separable items of property, plant and equipment are recognized as property, plant and equipment when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year.

Depreciation

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

The main useful lives are as follows:

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

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

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

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

1.24 OTHER LONG-TERM FINANCIAL INVESTMENTS

Available-for-sale financial assets

In accordance with IAS 39, investments in non-consolidated companies and other long-term financial investments qualifying as "available-for-sale financial assets" under IAS 39 are measured at fair value, with changes in fair value recognized directly in equity.

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

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

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

Other assets measured using the cost model.

Loans and receivables are measured at amortized cost.

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

1.25 NON-CURRENT ASSETS HELD FOR SALE

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

1.26 INVENTORIES

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

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

1.27 TRADE RECEIVABLES

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

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

1.28 CASH AND CASH EQUIVALENTS

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

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

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

1.29 EQUITY

Additional paid-in capital

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

Treasury stock

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

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

Hedging and revaluation reserves

Hedging and revaluation reserves comprise:

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

Dividends

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

Negative equity

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

Minority interests

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

When minority shareholders of consolidated companies acquired before or after January 1, 2010 have been granted put options, their amount is valued at the fair value of the put option. That amount is reclassified in the consolidated balance sheet from "Minority interests" to "Other non-current liabilities" based on their expiration date.

1.30 BORROWINGS

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

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

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

1.31 PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Essilor Group companies may have obligations for the payment of pensions, early-retirement benefits, length-of-service awards, jubilees and other post-employment benefits under the laws and practices applicable in their host country.

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

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

- The projected benefit obligation, corresponding to the vested rights of active and retired employees, is determined by the projected unit credit method, based on estimated final salaries. The actuarial assumptions used differ depending on the country (discount rate, inflation rate) and the company (staff turnover rates, rate of future salary increases);
- The discount rate corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation. Discounting adjustments are recognized in operating expense;
- In cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets;
- Actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in equity, under "Hedging and revaluation reserves";
- When a company introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan and rights under the new or modified plan are unvested, the related change in the company's obligation ("past service cost") is recognized in profit on a straight-line basis over the expected average remaining service lives of the plan participants. When rights under the new or modified plan vest immediately, the resulting change in the Company's obligation is recognized in profit immediately;
- Provisions recorded in the balance sheet correspond to the projected benefit obligation less the fair value of any plan assets and unrecognized past service cost.

1.32 PROVISIONS

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

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

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

Restructuring provisions are recognized when the Group has a detailed formal plan for the restructuring and has announced its main features to those affected by it.

No provision is recognized for future operating losses.

Provisions for warranty costs are recognized when the products are sold. The corresponding charge is recognized in cost of sales.

1.33 OTHER NON-CURRENT AND CURRENT LIABILITIES

When put options have been granted to minority shareholders of subsidiaries, their interest in the equity of the subsidiaries concerned is reclassified from "Minority interests" to other liabilities in the consolidated balance sheet. Depending on maturity, the liabilities are divided between "Other current liabilities" and "Other non-current liabilities."

The amount recognized in liabilities is measured at the present value of the option exercise price. Discounting adjustments to reflect the passage of time are recorded in the financial income statement.

The accounting treatment in the consolidated balance sheet of the difference between the present value of the option exercise price and minority interests in the equity of the subsidiaries concerned is presented in "Goodwill." Future changes in the recognized liability are reported in goodwill for companies acquired before January 1, 2010.

Following the application of the revised IFRS 3, future changes in the recognized liability are recorded through equity for companies acquired after January 1, 2010.

Contingent consideration must be recognized at its acquisition-date fair value as part of the consideration transferred in exchange for the acquiree, whether or not its payment is considered probable. For companies acquired before January 1, 2010, future changes in the additional price are recognized in goodwill. Following the application of the revised IFRS 3, future changes in the additional price are recorded in income and other expenses from operations for companies acquired after January 1, 2010.

NOTE 2. EXCHANGE RATES AND SCOPE OF CONSOLIDATION

2.1 EXCHANGE RATES OF THE MAIN FUNCTIONAL CURRENCIES

	Closing rate		Average rate	
For €1	**2011**	**2010**	**2011**	**2010**
Canadian dollar	1.32	1.33	1.38	1.37
Pound sterling	0.84	0.86	0.87	0.86
Yuan renminbi	8.16	8.81	9.00	8.92
Yen	100.20	108.65	110.99	115.26
Indian rupee	68.71	59.76	64.87	60.26
Real	2.42	2.22	2.33	2.32
Swiss franc	1.22	1.25	1.23	1.37
US dollar	1.29	1.34	1.39	1.32

2.2 CHANGES IN THE SCOPE OF CONSOLIDATION

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

- annual revenue in excess of €3 million, or
- tangible assets in excess of €9 million.

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

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

Newly-consolidated companies

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

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

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

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

The 2010 income statement also includes the contribution over the full year of the following companies that were consolidated for the first time in 2009:

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

Other movements

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

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

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

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

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

The following companies were liquidated during 2011:

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

2.3 IMPACT OF CHANGES IN EXCHANGE RATES AND SCOPE OF CONSOLIDATION

Impact of changes in exchange rates and scope of consolidation on the consolidated balance sheet

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

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

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

Impact of changes in scope of consolidation and exchange rates on the consolidated income statement

The methods for determining the impact of changes in scope of consolidation and exchange rates on the income statement are explained below.

Changes in performance indicators (revenues, contribution from operations, and operating profit) are apparent when broken down by their impact on the Group's acquisitions (scope of consolidation impact), on currency changes (foreign exchange impact) and on intrinsic operations, or growth on a like-for-like basis.

Impact of changes in scope of consolidation:

- Impact of changes in the scope of consolidation arising from acquisitions during the year is recorded in the subsidiaries' income statements, from their consolidation date, until 31 December of the current fiscal year.
- Impacts of changes in scope arising from acquisitions during the previous year are recorded in the subsidiaries' income statements for the year, from January 1 of the current fiscal year through the anniversary of their consolidation.
- Divested companies do not impact the change in scope of consolidation since no subsidiaries consolidated in full consolidation or proportionate consolidation were sold by the Group.
- Major strategic acquisitions, i.e., those that represent highly significant amounts or correspond to a new area of business, are distinguished from "organic" acquisitions related to lower-value acquisitions within the Group's core businesses (prescription laboratories or factories).

Impact of changes in exchange rates:

- These are determined on a per-subsidiary basis by applying the average conversion rate from the previous year to the income statement for the current year for non-euro subsidiaries, restated for scope of consolidation impacts as above, and by calculating the change in this value relative to the income statement of the previous year for each subsidiary.

  As a result, the effects on the financial statements of subsidiaries stem from the currency conversion, rather than the currency itself.

Like-for-like growth is determined as the residual difference in apparent growth, less the impact of changes in the scope of consolidation and changes in exchange rates. Organic growth is thus growth on a like-for-like consolidation and exchange rate basis.

The overall effect of changes in scope of consolidation and exchange rates on 2010 revenue, contribution from operations and operating profit was as follows:

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

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

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

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

NOTE 3. INFORMATION BY OPERATING SEGMENT

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

€ millions	Lenses Europe	Lenses North America	Lenses Rest of World	Equip-ment	Readers	Eliminations	GROUP TOTAL
2010							
External revenue	1,402	1,516	644	143	187		**3,892**
Intra-segment revenue	83	62	228	29		(402)	**0**
TOTAL REVENUE	**1,485**	**1,578**	**872**	**172**	**187**	**(402)**	**3,892**
Operating profit	154	208	197	17	43		**618**
Depreciation, amortization and other non-cash items	(22)	0	0	0	0		**(22)**
Interest income	2	2	5	0	0		**9**
Interest expense	1	(13)	(4)	0	0		**(15)**
Income tax expense	(48)	(57)	(41)	(5)	(17)		**(167)**
Share of profit of associates	12	13	7	0	0		**32**
Depreciation and amortization of intangible and tangible assets	(63)	(71)	(44)	(8)	(9)		**(195)**
Purchases of property, plant and equipment and intangible assets	44	32	54	4	6		**140**
Non-current assets	615	951	515	333	487		**2,900**
Total assets	1,575	1,421	1,218	432	568		**5,213**
Provisions	231	36	14	19	8		**307**
Borrowings and payables	903	505	285	51	118		**1,862**

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

No single customer accounts for more than 10% of the Group's revenue.

NOTE 4. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

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

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

NOTE 5. OTHER INCOME (EXPENSES), NET

5.1 RESTRUCTURING COSTS AND OTHER INCOME AND EXPENSES FROM OPERATIONS

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

Net restructuring costs for 2010, in the amount of €37.9 million, concerned rationalization costs for plants and research and development in the United States, and plants in Europe, and were accounted for either as charges to provisions for contingencies or as impairment losses.

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

In 2010, other income and operating expenses, representing a net expense of €52.7 million, included an additional contingency provision of €41.5 million relating to the dispute with the German competition authorities, Bundeskartellamt, and the costs of strategic acquisitions for €6.5 million. Other charges concerned provisions or charges related to litigation.

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

In 2010, the income from assets disposals was mainly related to the sale of Essilor's long-standing interest in the Sperian Protection group, a sale that generated a consolidated capital gain of €27.1 million. Without that sale, income from assets disposals would have showed a loss of €1 million.

5.2 SHARE-BASED PAYMENTS

Compensation costs on share-based payments are measured by the method described in Note 1.14. They break down as follows:

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

(a) Including the 10% employer contribution.

Stock subscription and purchase options

The exercise price of stock subscription or purchase options corresponds to the average of the prices over the 20 trading days preceding the date of the Board meeting at which the grants are decided.

Gains on options granted since 2004 (corresponding to the difference between the share price on the option exercise date and the exercise price) are capped at 100% of the exercise price.

Stock subscription options granted in 2006, 2007 and January 2008 are subject to vesting conditions based on the share performance over a period of 2 to 4 years, as well as to the 100% cap on gains.

The November 2008, November 2009, November 2010 and November 2011 stock subscription options are subject to vesting conditions based on the share performance over a period of 2 to 6 years, as well as to the 100% cap on gains.

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

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

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

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

	Number of options	Weighted average exercise price *(in €)*
STOCK SUBSCRIPTION AND PURCHASE OPTIONS AT JANUARY 1, 2011	**7,483,640**	**36.56**
Options exercised	(1,972,933)	31.97
Options canceled and forfeited	(123,241)	38.83
Options granted	85,620	52.27
STOCK SUBSCRIPTION AND PURCHASE OPTIONS AT DECEMBER 31, 2011	**5,473,086**	**38.41**
Stock subscription and purchase options at January 1, 2010	**8,978,079**	**34.17**
Options exercised	(1,965,881)	29.18
Options cancelled and forfeited	(163,318)	38.30
Options granted	634,760	48.01
Stock subscription and purchase options at December 31, 2010	**7,483,640**	**36.56**

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

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

Performance shares

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

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

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

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

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

	Quantity
PERFORMANCE SHARES AT JANUARY 1, 2011	**1,558,466**
Performance shares vested	(585,346)
Performance shares cancelled	(37,307)
Performance shares granted	1,267,634
PERFORMANCE SHARES AT DECEMBER 31, 2011	**2,203,447**
Performance shares at January 1, 2010	**2,350,123**
Performance shares vested	(1,084,992)
Performance shares cancelled	(674,478)
Performance shares granted	967,813
Performance shares at December 31, 2010	**1,558,466**

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

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

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

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

Employee share issues

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

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

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

NOTE 6. FOREIGN EXCHANGE INCOME

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

NOTE 7. OTHER FINANCIAL INCOME AND EXPENSES

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

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

NOTE 8. INCOME TAX EXPENSE

Income tax expense (benefit) for the period

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

Tax proof

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

Change in deferred taxes recognized in the balance sheet

The change in net deferred taxes (assets – liabilities) recognized in the balance sheet can be analyzed as follows:

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

Unrecognized deferred tax assets

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

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

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

Deferred taxes by type

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

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

Deferred taxes on share-based payments

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

The deferred tax asset recognized as from 2008 is limited to the tax saving that the Company expects to realize on current share grant plans.

Accounting treatment of the "Contribution Economique Territoriale" (CET) tax

On January 14, 2010, the French accounting authorities (Conseil National de la Comptabilité) issued a press release on the accounting treatment in IFRS financial statements of the new "Contribution Economique Territoriale" (CET), which replaces France's "Taxe Professionnelle" local business tax effective from 2010.

The press release provides guidance on the accounting treatment of the two components of the CET:

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

In the 2010 and 2011 consolidated financial statements, the Essilor Group has considered that the CVAE represents an operating expense and not an income tax.

Tax consolidation

In France, Essilor, Tikai Vision (formerly Barbara), BBGR, BNL, Delamare, Essidev, Invoptic, Novisia, OMI, Optim, OSE (not consolidated) and Varilux University (not consolidated) file a consolidated tax return. The tax is paid by the parent company of the tax group.

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

Provision for tax risks

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

NOTE 9. CHANGE IN NUMBER OF SHARES

The shares have a par value of €0.18.

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

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

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

NOTE 10. DILUTED EARNINGS PER SHARE

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

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

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

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

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

NOTE 11. GOODWILL

€ thousands	At the beginning of the year	First consolidation	Other changes in consolidation scope and other movements	Translation difference	Impairment losses recognized in the period	At the end of the year
2011						
Gross amount	1,535,140	312,984	25,949	23,220	0	1,897,293
Impairment losses	13,189	0	866	(296)	203	13,962
CARRYING AMOUNT	**1,521,951**	**312,984**	**25,083**	**23,516**	**(203)**	**1,883,331**
2010						
Gross amount	1,072,121	408,944	(10,252)	64,327	0	1,535,140
Impairment losses	12,180	0	8	836	165	13,189
CARRYING AMOUNT	**1,059,941**	**408,944**	**(10,260)**	**63,491**	**(165)**	**1,521,951**

The main increases in goodwill resulted from:

- In 2011, acquisitions of Shamir and Stylemark, and of various laboratories worldwide (primarily in the United States and Latin America) and lens producers in China (Zunlong);
- Acquisitions of FGX and Signet in 2010, as well as laboratories around the world (primarily in the United States), distribution companies, suppliers of consumables for laboratory equipment (DAC group) and lens producers in China (Danyang ILT, Wanxin).

Goodwill for companies acquired during the year is based on the provisional accounting for the business combination and may be adjusted during the 12-month period from the acquisition date.

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

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

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

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

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

Goodwill was tested for impairment at June 30, 2011 and the results were reviewed at December 31, 2011, in line with the policies and methods described in Note 1.21.

The weighted average cost of capital used for impairment tests was 7% in 2011 (2010: 7%). Taking into account the risk premiums determined for each item of goodwill, the actual discount rates applied to the thirteen Cash Generating Units were as follows:

In percentage	2011	2010
Europe	7	7
North America	7	7
South America [a]	16	10
Asian countries	7	6
Japan	5	5
South Korea	9	9
India	12	12
China	8	7
Australia and New Zealand	10	10
Africa and the Middle East	10	11
Laboratory equipment	7	7
Readers	7	7
Plants	8	8

(a) Primarily Brazil

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

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

Changes that must be made to parameters of revenue growth and the Group's weighted average cost of capital (WACC) in order to compare the assets' recoverable amount with their carrying amount do not correspond to the definition of reasonable change within the meaning of IAS 36.

A 0.5% increase in the benchmark discount rate would not generate any impairment loss on the net carrying amount of goodwill as of December 31, 2011.

A 0.5% decrease in the growth rate at infinity would not generate any impairment loss on in the carrying amount of goodwill as of December 31, 2011.

NOTE 12. OTHER INTANGIBLE ASSETS

€ thousands	At the beginning of the year	Changes in scope of consolidation, other movements	Acquisitions	Disposals	Translation difference	Depreciation and impairment losses for the period	At the end of the year
2011							
Trademarks	220,381	7,518	3		7,899		235,801
Patents and licenses	242,329	7,409	12,297	1,790	4,989		265,234
Contractual customer relationships	192,121	28,923	289		5,918		227,251
Other intangible assets	61,781	37,607	15,701	1,177	5,295		119,207
GROSS AMOUNT	**716,612**	**81,457**	**28,290**	**2,967**	**24,101**	**0**	**847,493**
Accumulated depreciation	215,212	4,088		3,357	5,081	44,688	265,712
CARRYING AMOUNT	**501,400**	**77,369**	**28,290**	**(390)**	**19,020**	**(44,688)**	**581,781**
2010							
Trademarks	50,691	163,164	322	0	6,204	0	220,381
Patents and licenses	209,188	22,173	9,364	7,550	9,154	0	242,329
Contractual customer relationships	77,326	109,298	0	0	5,497	0	192,121
Other intangible assets	53,276	(4,619)	11,816	1,303	2,611	0	61,781
GROSS AMOUNT	**390,481**	**290,016**	**21,502**	**8,853**	**23,466**	**0**	**716,612**
Accumulated depreciation	168,793	6,393	0	7,135	7,588	39,573	215,212
CARRYING AMOUNT	**221,688**	**283,623**	**21,502**	**1,718**	**15,878**	**(39,573)**	**501,400**

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

Trademarks with an indefinite useful life are mainly:

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

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

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

€ thousands	At the beginning of the year	Changes in scope of consolidation and other movements	Acquisitions	Disposals	Translation difference	Depreciaton and impairment losses for the period	At the end of the year
2011							
Land	41,927	32	50	306	669		42,372
Buildings	510,865	24,029	18,885	10,248	5,601		549,132
Plant and equipment	1,353,840	123,546	78,834	73,341	14,117		1,496,996
Other	368,949	(10,521)	78,549	19,901	3,052		420,128
GROSS AMOUNT	**2,275,581**	**137,086**	**176,318**	**103,796**	**23,439**	**0**	**2,508,628**
Accumulated depreciation cumulés	1,399,354	75,016		86,068	15,354	149,692	1,553,348
CARRYING AMOUNT	**876,227**	**62,070**	**176,318**	**17,728**	**8,085**	**(149,692)**	**955,280**
2010							
Land	38,525	1,192	147	393	2,456	0	41,927
Buildings	468,968	10,531	9,147	7,552	29,771	0	510,865
Plant and equipment	1,196,458	62,050	63,479	57,707	89,560	0	1,353,840
Other	309,802	10,212	45,821	15,589	18,703	0	368,949
GROSS AMOUNT	**2,013,753**	**83,985**	**118,594**	**81,241**	**140,490**	**0**	**2,275,581**
Accumulated depreciation cumulés	1,210,731	19,338		66,670	80,161	155,794	1,399,354
CARRYING AMOUNT	**803,022**	**64,647**	**118,594**	**14,571**	**60,329**	**(155,794)**	**876,227**

The amounts presented include fixed assets under finance leases.

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

NOTE 14. PROPERTY, PLANT AND EQUIPMENT: FINANCE LEASES

€ thousands	At the beginning of the year	Changes in scope of consolidation, other movements	Acquisitions	Disposals	Translation difference	Depreciation and impairment losses for the period	At the end of they year
2011							
Land	850						850
Buildings	13,739		81		22		13,842
Other	20,335	87	823	292	98		21,051
GROSS AMOUNT	**34,924**	**87**	**904**	**292**	**120**	**0**	**35,743**
Accumulated depreciation	21,624	257		246	71	2,073	23,779
CARRYING AMOUI	**13,300**	**(170)**	**904**	**46**	**49**	**(2,073)**	**11,964**
2010							
Land	850	0	0	0	0	0	850
Buildings	13,614	74	13	0	38	0	13,739
Other	20,415	(70)	0	329	319	0	20,335
GROSS AMOUNT	**34,879**	**4**	**13**	**329**	**357**	**0**	**34,924**
Accumulated depreciation	19,881	(181)	0	288	171	2,041	21,624
CARRYING AMOUI	**14,998**	**185**	**13**	**41**	**186**	**(2,041)**	**13,300**

NOTE 15. INVESTMENTS IN ASSOCIATES

Details of associates are as follows:

		2011		**2010**	
Company	**Country**	**% interest**	**% voting rights**	**% interest**	**% voting rights**
Transitions Group	(a)	49	49	49	49
Shamir Optispeed	South Africa	25	25	0	0
Shamir Emerald	South Africa	28	28	0	0
VisionWeb	United States	44	44	44	44

(a) See Note 34 for more details.

Essilor's share of these companies' equity – corresponding to the carrying amount of its investment – and of their after-tax profits is as follows:

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

(a) In addition to its original investment, the Company holds long-term interests that form an integral part of its net investment in VisionWeb.

In accordance with IAS 28, paragraphs 29 and 30, if the Company's share of losses of an associate equals or exceeds its interest in the associate, it discontinues recognizing its share of further losses. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Disposal of the interest in Sperian Protection

On August 9, 2010, Essilor sold its long-standing 15% interest in the Sperian Protection group to the Honeywell group.

The Essilor Group's share of Sperian Protection's profits up until August 9, 2010 was recorded under "Share of profit of associates" in the 2010 consolidated income statement.

Essilor International's share of the combined balance sheet of associates

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

Since the disposal of Sperian Protection during fiscal 2010, there has been no further net goodwill on associates.

NOTE 16. OTHER LONG-TERM FINANCIAL INVESTMENTS

Long-term financial investments fulfill the criteria for classification as "available-for-sale financial assets" under IAS 39 (see Note 1.24).

€ thousands	At the beginning of the year	Changes in scope of consolidation, other movements	Additions, new loans	Disposals repayments	Translation difference	Fair value adjust-ments	Impair-ment losses recognized in the period, net	At the end of the year
2011								
Long-term financial investmens at fair value	**22,247**	**(2,151)**	**15,134**	**13,126**	**4**	**(1,184)**	**11,359**	**32,283**
- Investments in non-consolidated companies	19,560	(2,149)	15,117	13,035	(41)	(1,313)	11,439	29,578
- Other available-for-sale financial assets	2,687	(2)	17	91	45	129	(80)	2,705
Long-term financial investments at amortized cost	**43,241**	**(1,415)**	**20,779**	**4,038**	**1,843**	**0**	**50**	**60,460**
- Loans, including accrued interest	43,595	(1,418)	20,779	4,038	1,843	0	(12)	60,749
- Impairment	354	(3)	0	0	0	0	(62)	289
Other long-term financial investments	**65,488**	**(3,566)**	**35,913**	**17,164**	**1,847**	**(1,184)**	**11,409**	**92,743**
2010								
Long-term financial investmens at fair value	**33,448**	**(19,415)**	**7,749**	**139**	**1,707**	**(194)**	**(909)**	**22,247**
- Investments in non-consolidated companies	30,914	(19,484)	7,726	75	1,615	(223)	(913)	19,560
- Other available-for-sale financial assets	2,534	69	23	64	92	29	4	2,687
Long-term financial investments at amortized cost	**35,372**	**2,838**	**8,837**	**3,154**	**(563)**	**0**	**(89)**	**43,241**
- Loans, including accrued interest	36,645	1,830	8,837	3,154	(563)	0	0	43,595
- Impairment	1,273	(1,008)	0	0	0	0	89	354
Other long-term financial investments	**68,820**	**(16,577)**	**16,586**	**3,293**	**1,144**	**(194)**	**(998)**	**65,488**

NOTE 17. INVENTORIES

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

NOTE 18. SHORT-TERM RECEIVABLES AND PAYABLES

Short-term receivables break down as follows:

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

Short-term payables break down as follows:

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

NOTE 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents break down as follows:

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

NOTE 20. PENSION AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

The Company's pension and other post-retirement benefit obligations mainly concern:

- Supplementary pension plans in France, Germany, the United Kingdom and the United States;
- Retirement benefits granted to employees in France and other European countries;
- Other long-term benefits, consisting mainly of length-of-service awards granted in France and other countries.

In Sweden, Essilor participates in a multi-employer defined benefit plan. Since the insurer responsible for managing this plan is not in a position to determine Essilor's share in it, the obligation is treated as a defined contribution plan in accordance with IAS 19.

Analysis of changes in net recognized projected benefit obligation

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

€ thousands	Projected benefit obligation	Fair value of plan assets	Cost of past benefits	Other	Net recognized obligation
At December 31, 2009	**206,251**	**(72,846)**	**(2,943)**	**0**	**130,462**
Service cost	7,853	0	0	0	7,853
Interest cost	9,225	0	0	0	9,225
Expected return on plan assets	0	(3,635)	0	0	(3,635)
Amortization of past service cost	0	0	1,022	0	1,022
Employee contributions	831	(831)	0	0	0
Contributions to plan assets	0	(9,077)	0	(25)	(9,102)
Paid benefits	(17,743)	17,717	0	26	0
Actuarial gains and losses	22,052	(594)	0	(13)	21,445
Other movements	7,436	0	(7,479)	(26)	(69)
Changes in scope of consolidation	1,428	0	0	0	1,428
Translation adjustment	6,608	(3,592)	0	38	3,054
At December 31, 2010	**243,941**	**(72,858)**	**(9,400)**	**0**	**161,683**
of which cumulative actuarial losses (gains) recorded in equity at the balance sheet date					52,370
Actual returns on plan assets		(4,229)			(4,229)
of which Obligations hedged in whole or in part by a plan assets	151,503				151,503
of which Obligations not hedged by a plan assets	92,437				92,437
of which in provisions for pensions in liabilities					162,897
of which non-current assets (over-hedged plans)					1,214

Actuarial assumptions used to estimate commitments in the principal countries concerned

A major assumption taken into account in the valuation of pensions and similar obligations is the discount rate.

In accordance with IAS 19, the rates were determined by monetary zone by referring to the return on premium private bonds with a maturity equal to the term of the plans, or the return on government bonds when the private market has insufficient liquidity.

The return on plan assets is determined based on the allocation of the assets and the discount rates used.

The principal rates used by the Group are as follows:

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

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

Additionally, had the discount rate been by 25 basis points lower than the rate actually applied, the total obligation of the Group as of December 31, 2011 would have been by €9 million higher.

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

Composition by type of plan assets

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

Analysis of rights

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

€ thousands	Projected benefit obligation	Plan assets	Deferred items	2010 Provision
Pensions (supplementary and guaranteed income plans)	180,864	(70,929)	(2,294)	107,641
Length-of-service awards	44,736	(1,929)	(7,106)	35,701
Other benefits	18,341	0	0	18,341
TOTAL	**243,941**	**(72,858)**	**(9,400)**	**161,683**

Expenses for the year

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

NOTE 21. PROVISIONS

€ thousands	At the beginning of the year	Charges	Utilizations	Reversals of surplus provisions	Translation adjust-ments	Changes in scope of consoli-dation	Other movements	At the end of the year
2011								
Provisions for losses in subsidiaries and affiliates	300	0	0	0	0	0	0	300
Restructuring provisions	19,323	7,370	(13,030)	(2,763)	185	0	(1,876)	9,209
Warranty provisions	22,740	5,279	(1,914)	(2,207)	258	350	(405)	24,101
Other	101,792	9,764	(5,667)	(1,053)	293	557	2,105	107,791
TOTAL	**144,155**	**22,413**	**(20,611)**	**(6,023)**	**736**	**907**	**(176)**	**141,401**
2010								
Provisions for losses in subsidiaries and affiliates	300							300
Restructuring provisions	1,987	19,899	(3,334)		100	2,738	(2,067)	19,323
Warranty provisions	20,307	3,646	(2,678)	(1,088)	1,344	421	788	22,740
Other	46,293	53,277	(7,069)	(1,023)	799	9,648	(134)	101,792
TOTAL	**68,888**	**76,822**	**(13,081)**	**(2,111)**	**2,243**	**12,807**	**(1,412)**	**144,155**

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

NOTE 22. NET DEBT AND BORROWINGS

22.1 NET DEBT

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

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

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

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

At December 31, 2011, the major portion of long-term financial debt was comprised of a bilateral bank loan concluded in 2007 by Essilor of America, which matures in 2014.

On that same date, short-term financial debt is distributed principally between drawdowns of syndicated lines of credit (€386 million) and issues of short-term commercial paper (€174 million).

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

22.2 BORROWINGS

Financial debt by maturity

Borrowings can be analyzed as follows by maturity:

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

Financial debt by currency

Borrowings break down as follows by currency:

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

Fair value of debt

The fair value of borrowings is as follows:

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

Commercial paper

In May 2010, Essilor International launched a commercial paper program whose ceiling is €750 million. The amount outstanding of the issues was €174 million at December 31, 2011 (€80 million at December 31, 2010). The financial presentation outline is available on the Banque de France website under Debt Securities.

This commercial paper is included in the line "Short-term borrowings" on the consolidated balance sheet.

Finance lease liabilities

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

NOTE 23. DERIVATIVE FINANCIAL INSTRUMENTS

23.1 FINANCIAL INSTRUMENTS CARRIED IN THE BALANCE SHEET

Financial instruments carried in the consolidated balance sheet at December 31, 2011 and 2010 fall into the following categories:

2011		**Category of instruments**				
€ thousands	Carrying amount	Fair value through profit or loss	Fair value through equity[(a)]	Loans, receivables	Liabilities at amortized cost	Derivative instruments
Other long-term financial investments	92,743		32,283	60,460		
Non-current trade receivables	3,891			3,891		
Prepayment to suppliers	19,671			19,671		
Current trade receivables	1,121,746			1,121,746		
Tax receivables	48,355			48,355		
Other receivables	30,838			30,838		
Derivative financial assets	15,091					15,091
Other marketable securities	7,450	7,450				
Cash and cash equivalents	390,320	390,320				
FINANCIAL ASSETS	**1,730,105**	**397,770**	**32,283**	**1,284,960**		**15,091**
Long-term borrowings	309,152				309,152	
Other long-term liabilities	138,168				138,168	
Short-term borrowings	606,581				606,581	
Customer prepayments	15,705				15,705	
Current trade payables	913,218				913,218	
Tax payables	62,172				62,172	
Other current liabilities	161,306				161,306	
Derivative financial liabilities	14,953					14,953
FINANCIAL LIABILITIES	**2,221,255**				**2,206,302**	**14,953**

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

2010	**Category of instruments**					
€ thousands	Carrying amount	Fair value through profit or loss	Fair value through equity[(a)]	Loans, receivables	Liabilities at amortized cost	Derivative instruments
Other long-term financial investments	65,488		22,175	43,313		
Non-current trade receivables	7,849			7,849		
Prepayment to suppliers	12,865			12,865		
Current trade receivables	915,868			915,868		
Tax receivables	25,720			25,720		
Other receivables	17,636			17,636		
Derivative financial assets	26,993					26,993
Other marketable securities						
Cash and cash equivalents	371,055	371,055				
FINANCIAL ASSETS	**1,443,474**	**371,055**	**22,175**	**1,023,251**		**26,993**
Long-term borrowings	285,558				285,558	
Other long-term liabilities	117,914				117,914	
Short-term borrowings	402,832				402,832	
Customer prepayments	12,506				12,506	
Current trade payables	759,613				759,613	
Tax payables	38,331				38,331	
Other current liabilities	97,939				97,939	
Derivative financial liabilities	12,644					12,644
FINANCIAL LIABILITIES	**1,727,335**				**1,714,692**	**12,644**

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

23.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Certain derivatives and certain types of transactions that in substance represent hedges do not qualify for hedge accounting under IAS 39. Gains and losses from the fair value measurement of these derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized directly in financial income and expenses.

The market value of Group derivatives is presented below:

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

In 2007, Essilor of America set up a fixed-rate borrowing of €250 million with maturity in 2014. This transaction is covered by an exchange and interest rate hedge via a cross-currency swap, which converted the initial borrowing into US dollars at a variable rate. This transaction is classified as a fair value hedge.

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

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

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

Details of derivative financial instruments are provided below:

€ thousands

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

23.3 IMPACT OF SETTLING CASH FLOW HEDGES

The effects on profit of settling cash flow hedges set up at the end of the prior year are as follows:

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

NOTE 24. OTHER CURRENT AND NON-CURRENT LIABILITIES

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

NOTE 25. OFF-BALANCE SHEET COMMITMENTS

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

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

NOTE 26. MARKET RISKS

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

Liquidity and financing risk

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

Debt of more than one year at the end of 2011 amounted to €309 million. In addition, the Group has two multi-currency syndicated credit facilities with maturities of 2012 and 2014 for a total amount of €1.7 billion. As of December 31, 2011, these facilities were drawn down by €386 million.

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

Generally speaking, the parent company negotiates with its banking partners for the lines necessary for the proper functioning of Group business activity and refinances the great majority of its subsidiaries in the short and medium term through cash pooling and inter-company loans.

Financial assets and liabilities (including operating receivables and payables) at December 31, 2011 break down as follows by contractual maturity:

€ millions	**Within 1 year[(a)]**	**1 to 5 years**	**Beyond 5 years**	**TOTAL**
Financial liabilities other than financial instruments	(1,759)	(411)	(36)	(2,206)
Financial assets other than financial instruments	1,681	34	0	1,715
Net fair value of financial instruments	0	0	0	0
NET POSITION	**(78)**	**(377)**	**(36)**	**(491)**

(a) Including financial assets with no fixed maturity.

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

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

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

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

Currency risk

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

The billing of import and export companies in the local currency makes it possible to focus the major portion of foreign exchange risk on a restricted number of entities. Those entities that are exposed to significant foreign exchange risk are hedged with the support of the Group Treasury department. The risk incurred by the other subsidiaries, even though it is reduced, is still centrally monitored.

All foreign exchange transactions are processed within pre-determined management limits with the purpose of optimizing exchange rate risk hedging.

Commercial transactions, the payment of dividends, of royalties, and management fees from the subsidiaries, are consistently hedged, within a range of 80 to 100 % of the identified risk position.

Currency risks on financial transactions, such as business acquisitions and disposals and capital increases, are managed on a case-by-case basis according to the probability that the transaction will take place, using the most appropriate financial instruments.

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

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

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

(assets and liabilities denominated in a currency other than the functional currency of the entity concerned)

€ millions	**Balance sheet amount before hedging**[a]	**Fair value hedges**[b]	**Net exposure after hedging**[c]	**Cash flow hedges**[d]
Exposed currency				
CAD	0	(1)	(1)	(4)
EUR	(6)	(1)	(7)	2
JPY	0	2	2	7
USD	74	36	110	(65)
GBP	0	(4)	(4)	(47)
Others	(2)	6	4	(13)
TOTAL	**66**	**38**	**104**	**(120)**

(a) Positive amounts: assets to be hedged. Negative amounts: liabilities to be hedged.
(b) Positive amounts: net purchases of foreign currencies. Negative amounts: net sales of foreign currencies.
(c) Positive amounts: unhedged assets. Negative amounts: unhedged liabilities.
(d) Positive amounts: hedges of future purchases of foreign currencies. Negative amounts: hedges of future sales of foreign currencies.

Sensitivity of equity and profit to changes in the fair value of operational currency derivatives at December 31, 2011

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

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

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

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

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

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

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

Since the great majority of group financing is concentrated on the parent company, exchange rate risk management is also centralized there.

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

(a) including cross currency swap

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

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

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

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

Counterparty risk

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

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

At December 31, 2011, counterparties for investment and capital markets transactions carried out by the Group Treasury department were all rated at least A-1 (short-term) and A (long-term) by Standard & Poor's.

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

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

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

Credit risk

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

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

Information relating to the twenty largest Group clients is presented in Note 3, Information by business segment.

NOTE 27. ENVIRONMENTAL RISKS

The Company is not exposed to any material environmental risks.

NOTE 28. LITIGATION

The principal accounting for provisions for contingencies is presented in chapter 20.3.1.5 in Note 1.32 of the accounting principles in the notes to the consolidated financial statements. Moreover, Note 5.1 to these consolidated financial statements as at December 31, 2011 presents the details of the other operating income and expenses and Note 21 presents activity in provisions.

Germany

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

On June 10, 2010, following the investigation, the BKA notified the major ophthalmic optic companies in Germany that it intended levying fines on them. Accordingly, our two subsidiaries were officially notified of violations representing an aggregate amount of around €50 million.

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

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

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

United States and Canada

Following the settlement of charges brought by the Federal Trade Commission after an investigation into Transitions Optical Inc's business practices, since late March 2010, around twenty motions for authorization to bring class actions have been filed since late March 2010 against Transitions Optical Inc, Essilor International, Essilor of America and Essilor Laboratories of America before US and Canadian courts. The plaintiffs in these motions are alleging that the companies concerned endeavored to jointly monopolize the market for the development, manufacture and sale of photochromic lenses between 1999 and March 2010.

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

Other litigation

To the knowledge of the Company, there is no other dispute, governmental or legal proceedings, or arbitration that may have or recently had significant impacts on the financial position, earnings, profitability, business activity, and assets of the Company or the Group.

NOTE 29. AVERAGE NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS EXPENSE

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

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

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

NOTE 30. RELATED PARTY TRANSACTIONS

Senior management compensation

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

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

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

Post-employment benefits for Executive Committee members

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

These obligations are payable under group plans set up by Essilor International for all employees or for certain employee categories. The obligations are funded under insured plans, with any unfunded portion covered by provisions. In addition, these obligations are fully hedged by retirement provisions recorded in the Group financial statements.

Stock options and performance shares granted to Executive Committee members

The cost of these plans shown below reflects the recognition over the acquisition period of the fair value of stock options and performance shares at the grant date (see Note 1.14 for more details).

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

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

Related party transactions

Related parties include the following:

Proportionately consolidated companies

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

Companies accounted for by the equity method

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

Related party balances and transactions:

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

NOTE 31. EVENTS AFTER THE BALANCE-SHEET DATE

New financing

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

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

New acquisitions

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

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

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

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

Change of consolidation method

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

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

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

NOTE 32. LIST OF FULLY-CONSOLIDATED COMPANIES

Company	Country	% rights	% interest
FRANCE			
BBGR	France	100	100
BNL Eurolens	France	100	100
Dac Vision SAS	France	60	60
Delamare Sovra	France	100	100
Domlens	France	65	65
Essidev	France	100	100
Essor	France	65	65
FGX Holding SASU	France	100	100
Invoptic	France	100	100
Mega Optic Design	France	75	75
Mont-Royal	France	64	64
Novacel Ophtalmique	France	75	75
Novisia	France	100	100
OMI	France	100	100
Optim	France	100	100
Satisloh SAS	France	100	100
Shamir France SARL	France	50	50
Tikai Vision (formerly Barbara)	France	100	100
EUROPE			
BBGR GmbH	Germany	100	100
Essilor GmbH	Germany	100	100
Infield Safety GmbH	Germany	100	100
Neckarsee Gmbh	Germany	100	100
Nika Optics	Germany	100	100
Rupp & Hubrach Optik Gmbh	Germany	100	100
Satisloh Gmbh	Germany	100	100
Shamir Optic Gmbh	Germany	50	50
Signet Armorlite Germany Holding GmbH	Germany	100	100
Signet Armorlite Optic	Germany	100	100
Essilor Austria Gmbh	Austria	100	100
De Ceynunck & Co. NV	Belgium	100	100
Essilor Belgium S.A.	Belgium	100	100
Essilor Optika doo	Croatia	100	100
Essilor Danmark A.S.	Denmark	100	100
BBGR Lens Iberia S.A.	Spain	100	100
Essilor Espana S.A.	Spain	100	100
Satisloh Iberica	Spain	100	100
Signet Armorlite Iberica	Spain	100	100
Shamir Optical Espana, SL	Spain	50	50
Essilor OY	Spain	100	100
BBGR United Kingdom	United Kingdom	100	100
Crossbows Optical Ltd	United Kingdom	100	100
Essilor Ltd	United Kingdom	100	100
Essilor European Shared Service Center Ltd.	United Kingdom	100	100
FGX Europe Limited	United Kingdom	100	100
FGX UK	United Kingdom	100	100
Framed vision	United Kingdom	100	100

Company	Country	% rights	% interest
Horizon Optical Company Ltd	United Kingdom	95	95
Infield safety UK, Ltd.	United Kingdom	100	100
Satisloh Ltd	United Kingdom	100	100
Shamir UK Limited	United Kingdom	50	50
Sinclair Optical Laboratories	United Kingdom	100	100
Signet Armorlite Europe Ltd	United Kingdom	100	100
United Optical Laboratories	United Kingdom	80	80
Wholesale Lens Corporation Limited	United Kingdom	100	100
Essilor Optika Kft	Hungary	100	100
Athlone	Ireland	80	80
Essilor Ireland (Sales) Ltd	Ireland	100	100
Organic Lens Manufacturing (subsidiary)	Ireland	100	100
Essilor Italia S.p.A.	Italy	100	100
Infield Safety Italia, SRL	Italy	100	100
LTL S.p.A.	Italy	100	100
Oftalmika Galileo Spa	Italy	100	100
Optilens Italia s.r.l.	Italy	100	100
Polinelli SRL	Italy	100	100
Satisloh Italy Spa	Italy	100	100
Shamir RX Italia SRL	Italy	50	50
Essilor Amico Kuwait	Kuwait	50	50
Essilor Norge A.S.	Norway	100	100
Sentralslip	Norway	100	100
Essilor Nederland BV	Netherlands	100	100
Essilor Nederland Holding BV	Netherlands	100	100
Holland Optical Corp. BV	Netherlands	100	100
Holland Optical Instruments BV	Netherlands	100	100
Omax	Netherlands	75	75
Signet Armorlite (Holland) BV	Netherlands	100	100
Shamir Nederland B.V	Netherlands	50	50
Essilor Optical laboratory Polska Sp. Z.o.o.	Poland	100	100
Essilor Polonia	Poland	100	100
JZO	Poland	98	98
Shamir Polska Sp. zo.o	Poland	43	43
Essilor Portugal	Portugal	100	100
Shamir Portugal, LDA	Portugal	50	50
Signet Armorlite Portugal Unipessoal, LDA	Portugal	100	100
Essilor Romania SRL	Romania	100	100
Essilor Slovakia	Slovakia	100	100
Omega Optix S.R.O. (Slovakia)	Slovakia	100	100
Essilor D.O.O Slovenia	Slovenia	100	100
Essilor AB	Sweden	100	100
BBGR Skandinaviska	Sweden	100	100
Essilor (Switzerland) S.A.	Switzerland	100	100
Satisloh Holding AG	Switzerland	100	100
Satisloh AG	Switzerland	100	100

Company	Country	% rights	% interest
Satisloh Photonics AG	Switzerland	100	100
Vaco Holding S.A.	Switzerland	100	100
Essilor Optika Spol s.r.o.	Czech Republic	100	100
Omega Optix S.R.O. (Czechia)	Czech Republic	100	100
Essilor Optika OOO	Russia	100	100
NORTH AND CENTRAL AMERICA			
Aries Optical Ltd.	Canada	100	100
BBGR Optique Canada Inc.	Canada	100	100
Canoptec Inc.	Canada	100	100
Cascade Optical Ltd	Canada	60	60
Custom Surface Ltd.	Canada	100	100
Eastern Optical Laboratories Ltd.	Canada	100	100
Econo Optics	Canada	60	60
Essilor Canada Ltd.	Canada	100	100
FGX Canada Corp	Canada	100	100
Fundy Vision	Canada	80	80
Groupe Vision Optique	Canada	100	100
K & W Optical Ltd.	Canada	100	100
Metro Optical Ltd.	Canada	100	100
Morrison Optical	Canada	100	100
OPSG Ltd.	Canada	100	100
OMICS Software Inc	Canada	100	100
Optique de l'Estrie Inc.	Canada	100	100
Optique Lison Inc.	Canada	100	100
Optique Cristal	Canada	70	70
Perspectics	Canada	100	100
Pioneer Optical Inc.	Canada	100	100
Pro Optic Canada Inc.	Canada	100	100
R & R Optical Laboratory Ltd.	Canada	100	100
SDL	Canada	90	90
Signet Armorlite Canada, Inc	Canada	100	100
Stylemark Canada	Canada	100	100
Westlab	Canada	100	100
21st Century Optics Inc.	USA	80	80
Accu Rx Inc	USA	80	80
Advance Optical	USA	90	90
AG Opticals Inc	USA	100	100
Apex Optical Company Inc.	USA	100	100
Barnett & Ramel Optical Co. of Nebr.	USA	80	80
Beitler Mc Kee Company	USA	90	90
Bazell	USA	70	70
BSA Industries	USA	100	100
Collard Rose	USA	80	80
Corinne McCormark, Inc	USA	100	100
Custom Optical	USA	100	100
Dac Vision Inc	USA	60	60
Deschutes	USA	80	80
Dibok Aspen Optical	USA	80	80
Dioptics Medical Products	USA	100	100
Dunlaw Optical Laboratories Inc.	USA	80	80
ELOA California Acquisition Corp.	USA	100	100
Empire	USA	85	85

Company	Country	% rights	% interest
Epics Labs Inc	USA	80	80
Essilor Latin America & Caribbean Inc.	USA	100	100
Essilor Laboratories of America Corporation	USA	100	100
Essilor Laboratories of America Holding Co Inc.	USA	100	100
Essilor Laboratories of America, Inc (incl. Laboratoires US)	USA	100	100
Essilor Laboratories of America, LP (includes Avisia, Omega, Duffens)	USA	100	100
Essilor of America Holding Co Inc.	USA	100	100
Essilor of America Inc.	USA	100	100
Eye-Bar, Inc	USA	100	100
Eye Care Express Lab Inc	USA	80	80
FGX International Holdings Ltd	USA	100	100
FGX International II Limited	USA	100	100
FGX International, Inc	USA	100	100
FGX US	USA	100	100
Focus Optical Labs, Inc	USA	80	80
Frames For America	USA	70	70
Future Optics FL Inc	USA	80	80
Future Optics TE Inc	USA	80	80
Gentex Optics Inc.	USA	100	100
Gulfstates Optical Laboratories Inc.	USA	80	80
Hawkins Optical Laboratories Inc	USA	100	100
Homer Optical	USA	100	100
Interstate Optical	USA	80	80
Jorgenson Optical Supply Cy.	USA	80	80
Mc Leodd Optical Company Inc.	USA	80	52
MGM	USA	80	80
MOC Acquisition Corporation	USA	80	80
Nassau Lens Co Inc.	USA	100	100
NEA Optical LLC	USA	80	80
Next generation	USA	100	100
NOA	USA	100	100
Omega Optical General Inc.	USA	100	100
Omega Optical Holdings Inc.	USA	100	100
OOGP	USA	80	80
Opal Lite Inc.	USA	100	100
Optical Dimension	USA	80	80
Optical One	USA	80	80
Optical Suppliers Inc. (Hawaii)	USA	85	85
Optical Venture Inc	USA	80	80
Optics East	USA	80	80
Optifacts Inc.	USA	100	100
Optimatrix	USA	80	80
Optisource International Inc.	USA	80	80
Ozarks Optical Laboratories	USA	80	80
Pech Optical	USA	80	80
Perferx Optical Co Inc	USA	80	80
Personal Eyes	USA	80	80
Peninsula Optical Lab.	USA	80	80

Company	Country	% rights	% interest
Precision Optical Lab. (Tennessee)	USA	80	80
Precision Optical Co. (Connecticut)	USA	80	80
Professional Opthalmic Lab	USA	80	80
Quantum Direct LLC	USA	100	100
Quantum Optics, Inc	USA	100	100
Reliable Optics	USA	100	100
Satisloh North America	USA	100	100
Shamir Insight, Inc.	USA	50	50
Shamir USA	USA	50	50
Signet Armorlite Inc	USA	100	100
Signet Armorlite USA	USA	100	100
Skaggs and Gruber, Ltd d.b.a Trucker Meadows	USA	80	80
Southwest lens	USA	65	65
Specialty Lens Corp.	USA	100	100
Stereo Optical Co. Inc.	USA	100	100
Stylemark	USA	100	100
SunStar Inc.	USA	80	80
Sutherlin Optical Company	USA	85	85
Tri Supreme Optical LLC	USA	100	100
Ultimate Optical Lab	USA	100	100
Vision-Craft Inc.	USA	80	80
Vision Pointe Optical Inc.	USA	80	80
Winchester Optical Company	USA	80	80
Aai Joske's S de RL de CV	Mexico	100	100
Centro Integral Optico S.A de C.V	Mexico	26	26
Essilor Mexico	Mexico	100	100
FGX Mexico	Mexico	100	100
Shalens S.A C.V	Mexico	26	26
Signet Armorlite de Mexico, SA & CV	Mexico	96	96
Sofi de Chihuahua	Mexico	100	100
Rainbow Optical	Puerto Rico	100	100
OTHER			
Essilor South Africa (Pty) Ltd.	South Africa	100	100
GKB South Africa (Pty) Ltd.	South Africa	50	50
Spherical Optics (Pty) Ltd.	South Africa	26	26
Vision & Value	South Africa	51	51
Essilor Argentine S.A.	Argentina	100	100
AR Coating SA	Argentina	95	95
City Optical Pty Ltd.	Australia	100	100
Essilor Australia Pty Ltd.	Australia	100	100
Essilor Laboratory South Australia Pty Ltd.	Australia	100	100
Essilor Lens Australia Pty Ltd.	Australia	100	100
Eyebiz	Australia	70	70
Precision Optics Pty Ltd	Australia	60	60
Prescription Safety Glasses Pty Ltd	Australia	100	51
Essilor Australia (Pty) Ltd.	Australia	33	33
Sunix Computer Consultants Pty Ltd	Australia	100	50
Tasmanian Optical Cy Pty LTD	Australia	100	100
Brasilor Participacoes Sc Ltda.	Brazil	100	100
Canto Mello	Brazil	70	70
Ceditop	Brazil	76	76

Company	Country	% rights	% interest
Comopticos	Brazil	70	70
Embrapol Sul	Brazil	74	74
Essilor Da Amazonia Industria e Commercio Ltda.	Brazil	100	100
Farol	Brazil	70	70
GBO	Brazil	51	51
Grown	Brazil	51	51
Mult Block	Brazil	51	51
Mult Laboptical	Brazil	51	51
Multi Optica Distribuidora Ltda.	Brazil	100	100
Orgalent	Brazil	51	51
Repro	Brazil	70	70
Styll	Brazil	51	51
Sudop Industria Optica Ltda.	Brazil	100	100
Technopark Comercio de Artigos Opticos S.A	Brazil	51	51
Tecnolens	Brazil	70	70
Unilab	Brazil	51	51
YTT Holding	Brazil	51	51
Danyang	China	80	80
Essilor China Holding Co Ltd	China	100	100
FGX International Limited China	China	100	100
Satisloh Zhongshan	China	100	100
Satisloh Shenzen	China	100	100
Shanghai Essilor Optical Co. Ltd.	China	100	100
Wanxin	China	80	50
Zunlong	China	51	51
Signet Armorlite Columbia SA	Colombia	96	96
Essilor Amico LLC	United Arab Emirates	50	50
Essilor Amico Middle East FZCO	United Arab Emirates	50	50
Essilor Middle East Ltd	United Arab Emirates	100	100
Ghanada	United Arab Emirates	100	40
GKB Emirates	United Arab Emirates	50	50
Essilor Hong Kong	Hong Kong	100	100
Foster Grant Hong Kong Limited	Hong Kong	100	100
Polylite Hong Kong	Hong Kong	51	51
Satisloh Asia and Trading Ltd	Hong Kong	100	100
20 20 Optics	India	70	70
Beauty Glass Pvt Ltd.	India	88	88
Delta CNC	India	51	39
Delta Lens Pvt Ltd	India	51	51
Essilor India Pvt Ltd (formerly Esssilor SRF Optics Ltd)	India	100	100
Essilor Manufacturing India Pvt Ltd (formerly Indian Ophtalmic Lenses Manuf.)	India	100	100
GKB HI Tech	India	50	50
GKB Optic Tech Private Ltd	India	51	51
GKB Rx	India	76	76
Sankar	India	70	70
Satisloh India	India	100	100
Vijay Vision Pvt Ltd.	India	88	88
P.T. Essilor Indonesia	Indonesia	100	100
P.T Optical Support of Indonesia	Indonesia	70	70

Company	Country	% rights	% interest
Essilor Israel Holding	Israel	100	100
Shamir Holding Optical	Israel	50	50
Shamir Industry	Israel	50	50
Shamir Special Optical Products Ltd.	Israel	50	50
Shamir Eyal Ltd.	Israel	50	50
Shamir Israel Optical Marketing Ltd.	Israel	50	50
Shamir Or Ltd.	Israel	50	50
Inray Ltd.	Israel	25	25
Essilor Malaysia Sdn Bhd	Malaysia	100	100
Frames and Lenses	Malaysia	80	80
ILT Malaysia	Malaysia	81	81
L'N Optics	Morocco	51	51
Essilor Laboratories New Zealand Ltd. (formerly OHL Lenses Ltd)	New Zealand	100	100
Essilor New Zealand Ltd.	New Zealand	100	100
Optical Laboratories	New Zealand	100	100
Prolab	New Zealand	100	100
Essilor Manufacturing Philippines Inc.	Philippines	100	100
Epodi	Philippines	51	51
Optodev	Philippines	100	100
Essilor Asia Pacific Pte Ltd.	Singapore	100	100
ETC South East Asia Pte Ltd.	Singapore	70	70
ILT To Latin America	Singapore	51	51
Integrated Lens Technology	Singapore	100	100
Lenscom Optics	Singapore	100	100
OSA Investments Holdings Pte Ltd	Singapore	100	100
Polilyte Asia Pacific Pte Ltd	Singapore	51	51
Signet Armorlite Asia (formerly Visitech)	Singapore	100	100
SMJ Holding Pte Ltd	Singapore	70	70
Kaleido Vision Pte Ltd (formerly Unique Ophtalmic)	Singapore	100	100
Trend Optical Singapore	Singapore	70	70
Trend Optical Taiwan Branch	Taiwan	70	70
Polylite Taiwan Optilab	Taiwan	51	51
SMJ Holding Pte Ltd Taiwan Branch	Taiwan	70	70
Essilor Manufacturing (Thailand) Co Ltd.	Thailand	100	100
Essilor Optical Laboratory Thailand	Thailand	100	100
Eyebiz Laboratory Co Ltd	Thailand	70	70
K-T Optic CO., Ltd	Thailand	49	49
ShamirLens Thailand Co., Ltd	Thailand	25	25
Altra Optik Sanayi ve Ticaret A.S	Turkey	50	50

NOTE 33. LIST OF PROPORTIONATELY-CONSOLIDATED COMPANIES

Company	Country	% rights	% interest
Nikon Optical Canada Inc.	Canada	50	50
Tech-Cite Laboratories Co Ltd(a)	Canada	50	50
Chemilens	China	50	50
Beijing Nikon Ophtalmic Products Co Ltd	China	50	50
Chemiglas	South Korea	50	50
Dekovision	South Korea	50	50
Essilor Korea	South Korea	50	50
Nikon Optical US	USA	50	50
Encore Optics LLC	USA	50	40
Pasch	USA	50	40
Aichi Nikon Company	Japan	50	50
Nasu Nikon Company	Japan	50	50
Nikon-Essilor Company Ltd	Japan	50	50
Nikon and Essilor International Joint Research Center Co. Ltd	Japan	50	50
Nikon Optical United Kingdom	United Kingdom	50	50

(a) 50%-owned by Nikon Optical Canada

Combined contribution of proportionately consolidated companies

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

NOTE 34. LIST OF ASSOCIATES

Company	Country	% rights	% interest
TRANSITIONS GROUP			
Transitions Optical Pty Ltd.	Australia	49	49
Transitions Optical Do Brazil Limitada	Brazil	49	49
Transitions Optical Inc.	USA	49	49
Transitions Optical India	India	49	49
Transitions Optical Limited	Ireland	49	49
Transitions Optical Japan	Japan	49	49
Transitions Optical Holdings BV	Netherlands	49	49

Company	Country	% rights	% interest
Transitions Optical Philippines Inc.	Philippines	49	49
Transitions Optical Singapore	Singapore	49	49
Transitions Optical Thailand	Thailand	49	49
OTHER			
Shamir Optispeed	South Africa	25	25
Shamir Emerald	South Africa	28	28
Vision Web	USA	44	44

NOTE 35. LIST OF NON-CONSOLIDATED COMPANIES

Combined financial data for non-consolidated companies

Combined financial data for the main non-consolidated companies held by consolidated companies are as follows:

				Carrying amount of the shares	
€ thousands	Equity	Revenue	Net profit	Gross	Net
Total non-consolidated companies	15,323	60,687	3,788	34,054	28,472

Note: As allowed under Article 24, paragraph 11, of French decree 83.1020 of November 29, 1983, detailed information by subsidiary is not provided as its disclosure would be prejudicial to the Company's interests.

List of non-consolidated companies

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

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