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

The 2011 annual financial statements comprise the income statement, balance sheet, cash flow statement and notes, presented below in sections 20.3.2.2 to 20.3.2.5.

The Auditors report on the 2011 annual financial statements is presented in section 20.4.1.3 of this Registration Document.

20.3.2.1 Key financial data, year ended December 31, 2011

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

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

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

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

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

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

For 2011, the taxes were recorded in the financial statements not as an expense but as income. Despite a reduced-rate tax expense higher than the tax credits applicable (especially the research tax credit), the Company posted negative tax income for its earnings taxable at the ordinary rate, thus generating tax income for 2011 as part of the tax consolidation. Moreover, in 2011, the company requested a tax refund for the deficit carry-forward, which also generated a significant tax profit for 2011 earnings.

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

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

20.3.2.2 Income statement, year ended December 31, 2011

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

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

20.3.2.3 Balance sheet at December 31, 2011

ASSETS

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

EQUITY AND LIABILITIES

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

20.3.2.4 Cash flow statement, year ended December 31, 2011

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

(a) Changes in working capital are as follows:

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

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

20.3.2.5 Notes to the 2011 Parent Company Financial Statements

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

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

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

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

SIGNIFICANT EVENTS OF THE YEAR

Commercial revenue

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

Profit sharing premium

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

Financial transactions

Treasury stock transactions

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

Finally, 694,076 shares were delivered from the pool of treasury shares due to the exercise of stock options and following the completion of the performance of the performance share plans of November 26, 2009 and December 18, 2009.

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

Acquisitions

As part of its acquisitions policy, Essilor International continues to strengthen its presence in the Americas, Europe, Asia, and Africa through several transactions:

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

Human resources

At its meeting on November 24, 2011, the Board of Directors decided to allot 1,267,634 performance shares. These shares will be definitively allotted only when the annualized growth rate of the share is greater than or equal to 2% of the reference price of €52.27 after the legal acquisition periods (which may last from two to six years). These new allotments caused a provision to be created.

In addition, all of the commitments of the Company with respect to its employees are recorded in the financial statements (which correspond for the most part to retirement bonuses, retirement pension supplements, and length-of-service awards).

Income tax

For 2011, the taxes were recorded in the financial statements not as an expense but as income. Despite a reduced-rate tax expense higher than the tax credits applicable (especially the research tax credit), the Company posted negative tax income for its earnings taxable at the ordinary rate, thus generating tax income for 2011 as part of the tax consolidation. Moreover, in 2011, the company requested a tax refund for the deficit carry-forward, which also generated a significant tax profit for 2011 earnings.

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

NOTE 1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

The annual financial statements have been prepared in accordance with the French 1999 General Accounting Plan and generally accepted accounting principles.

1.2 INTANGIBLE ASSETS

Intangible assets correspond primarily to purchased goodwill, concessions, patents, licenses and software. They are stated at cost. Book amortization is calculated by the straight-line method over the following estimated useful lives:

Software	1 to 10 years
Patents	Period of legal protection

Qualifying software development costs are capitalized only when it is probable that they will generate future economic benefits. Qualifying costs include the costs of organic analyses, programming, tests and test decks, documentation, parameterization and the preparation of the software for its intended use, that are evidenced by invoices (external developers) or time sheets (internal developers).

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

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

The initial cost of the asset includes related transaction costs. Conversely, the company has not used the option to record borrowing expenses in the initial cost of the intangible assets.

1.3 RESEARCH AND DEVELOPMENT COSTS

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

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

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

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

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

1.4 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Land is not depreciated.

Differences between straight-line depreciation and reducing balance depreciation charged for tax purposes are included in untaxed provisions on the liabilities side of the balance sheet (regulated provisions).

All internal and external costs of producing items of property, plant and equipment are capitalized, with the exception of administrative, start-up and pre-operating costs.

Property, plant and equipment are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

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

The initial cost of the asset includes related transaction costs. Conversely, the company has not used the option to record borrowing expenses in the initial cost of the intangible assets.

1.5 LONG-TERM INVESTMENTS

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

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

Loans and receivables are stated at nominal value. Foreign currency loans and receivables are converted into euros at the year-end at the closing exchange rate or the hedging rate. Provisions are recorded to cover any risk of non-recovery.

Own shares bought back by the Company are recorded under "Other long-term investments" at cost. A provision for impairment is recorded for any shares whose cost is greater than the average Essilor International share price for the month of December, except where the shares have been bought back in order to be cancelled and those shares covered by a provision for risks because they were intended to hedge performance share plans and stock options.

For other investments, a provision for impairment is recorded when their recoverable amount, defined as the higher of its fair value and value in use, is less than their carrying amount.

1.6 INVENTORIES

Raw materials and goods inventories are stated at cost, including incidental expenses, determined by the weighted average cost method. Finished products, semi-finished products and work in progress are stated at actual production cost, which includes the cost of raw materials and direct and indirect production costs.

At each period-end, inventories are written down to net realizable value where applicable. Net realizable value is determined by reference to market prices, sales prospects and the risk of obsolescence, assessed on the basis of objective inventory levels.

1.7 RECEIVABLES AND PAYABLES

Receivables and payables are stated at nominal value. Foreign currency receivables and payables are converted into euros at the year-end exchange rate or the hedging rate. Receivables are written down when their net realizable value, estimated by reference to the risk of non-recovery, is less than their carrying amount.

1.8 MARKETABLE SECURITIES

Marketable securities, consisting primarily of units in Sicav mutual funds and retail certificates of deposit, are stated at cost.

This item also includes Essilor International shares acquired under the Company's liquidity contract.

A provision is recorded if the net asset value of the mutual fund units represents less than their cost.

1.9 FINANCIAL INSTRUMENTS

Derivative financial instruments are used only to hedge risks on commercial transactions and identified foreign currency receivables and payables. They include forward exchange contracts and currency options.

The Company uses derivative financial instruments solely for hedging purposes. All currency transactions are subject to pre-determined position limits designed to optimize the protection afforded by the hedges.

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

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

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

1.10 FOREIGN CURRENCY TRANSACTIONS

Almost all foreign currency transactions are hedged. They are then recognized at the hedge price. Any transactions that are not hedged are converted at the exchange rate on the transaction date.

At the year-end, unhedged foreign currency receivables and payables are converted at the closing exchange rate. The difference arising on conversion is recorded under "Conversion losses" or "Conversion gains" on the assets or liabilities side of the balance sheet.

A provision is booked for conversion losses.

Foreign currency bank balances are converted at the month-end exchange rate.

1.11 PENSION, LENGTH-OF-SERVICE AND OTHER OBLIGATIONS

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

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

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

- The projected benefit obligation, corresponding to the vested rights of active and retired employees, is determined by the projected unit credit method, based on estimated final salaries, actuarial assumptions concerning inflation, staff turnover rates and the rate of future salary increases, and an appropriate discount rate.
- The discount rate corresponds to the prime interest rate in the country concerned for periods corresponding to the estimated average duration of the benefit obligation.
- In cases where all or part of the obligation is funded under an external plan, a provision is recorded for the difference between the projected benefit obligation and the fair value of the plan assets.
- Actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in profit by the corridor method. This method consists of amortizing over the expected average remaining service lives of plan participants only the portion of the net cumulative gain or loss that exceeds the greater of 10% of either the projected benefit obligation or the fair value of the plan assets.
- When a company introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan and rights under the new or modified plan are unvested, the related change in the company's obligation is recognized in profit on a straight-line basis over the expected average remaining service lives of the plan participants. When rights under the new or modified plan vest immediately, the resulting change in the Company's obligation is recognized in profit immediately.
- Provisions recorded in the balance sheet correspond to the projected benefit obligation less the fair value of any plan assets, the value of unrealized actuarial gains and losses and unrecognized past service cost.

1.12 FOREIGN CURRENCY TRANSLATION

The Essilor Industries financial statements are prepared in US dollars.

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

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

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

- reserves, which are translated at the historical rate;
- net profit, which is translated at the hedging rate.

The difference arising on translation is recorded in equity under "Translation reserve."

1.13 CORPORATE INCOME TAX (GROUP RELIEF)

Essilor International files a consolidated tax return with BBGR, OPTIM, INVOPTIC, VARILUX UNIVERSITY, NOVISIA, ESSIDEV, OSE, TIKAI VISION, BNL EUROLENS, DELAMARE SOVRA and OMI and pays the corporate income tax due by the tax group.

Each company in the tax group records the income tax charge that would apply if it were not a member of the tax group. This has no impact on the parent company accounts.

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

1.14 RECOGNITION AND MEASUREMENT OF PROVISIONS

Untaxed provisions

These mainly comprise provisions for excess tax depreciation.

Provisions for contingencies and charges

A provision is recognized when the Company has an obligation towards a third party and it is probable or certain that an outflow of resources generating economic benefits will be necessary to settle the obligation without any benefit of at least equivalent value being expected in return.

Contingent liabilities are not recognized in the balance sheet but are disclosed in the notes to the financial statements unless the probability of an outflow of resources generating economic benefits is remote.

Provisions for customer warranties

The provision is calculated:

- by multiplying revenue for the warranty period by a percentage corresponding to the ratio of average annual warranty costs to annual revenue, or
- when the estimated product return period is shorter, by multiplying revenue for the estimated return period by a percentage corresponding to the ratio of average annual warranty costs to annual revenue.

Provisions for treasury shares

- Shares held under stock option plans: Parent company shares held for stock option plans granted to Group employees are carried at cost under "Other long-term investments." They are recognized at acquisition cost. Where applicable, a provision is recorded to cover the difference between the option exercise price and the weighted average price of the corresponding shares held at the year-end.
- Performance shares: A provision is recorded for the cost of performance shares, corresponding to the estimated number of shares that are expected to vest multiplied by the weighted average price of the Essilor International shares held in treasury at the year-end. The estimate takes into account staff turnover rates and share price assumptions.

Effective from 2008, this provision is recognized over the performance share vesting period in accordance with standard CRC 2008-15 issued on December 4, 2008, as one of the vesting conditions is the grantee's continued employment by the Company.

Since the granting of stock options and performance shares constitute a remuneration item, these provisions are recognized as personnel expenses.

Provisions for losses from subsidiaries and affiliates

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

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

1.15 LOAN ISSUANCE CHARGES

Loan issuance charges may be:

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

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

NOTE 2. REVENUE

2.1 NET REVENUE BY BUSINESS SEGMENT

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

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

2.2 BREAKDOWN BETWEEN INTERCOMPANY AND EXTERNAL SALES, FRANCE AND EXPORT

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

NOTE 3. NET INTEREST INCOME

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

NOTE 4. NON-OPERATING ITEMS

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

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

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

NOTE 5. INCOME TAX EXPENSE

5.1 PROFIT EXCLUDING OVERRIDING TAX ASSESSMENTS

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

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

5.2 ANALYSIS OF INCOME TAX EXPENSE

Income tax expense breaks down as follows between operating and non-operating items:

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

€ thousands	**Before tax**	**Tax**	**After tax**
2010			
Profit before non-operating items and ta:	270,404	(2,111)	268,292
Non-operating income (expenses), net	66,466	7,189	73,654
NET PROFIT			**341,947**

(a) of which €243,348 thousand in dividends subject to the parent company-subsidiary treatment and €129,177 thousand in royalties taxed at the reduced rate of 15%. The option for the tax loss carry-backs exercised in 2011 for 2009 and 2010 generated tax income of €15,387 thousand.

5.3 UNRECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

ASSETS

No deferred tax assets are recognized in the balance sheet.

€ thousands	**2011**	**2010**
Pension plan	32,535	29,157
Provisions for vacation pay[a]	11,814	11,385
Impairment of investments in subsidiaries and affiliates	74,966	85,628
Others	10,970	12,891
TOTAL	**130,285**	**139,060**
Tax loss carryforwards[b]	**154,048**	**103,286**
Unrecognized deferred tax asset (34.43% tax rate for 2010)	102,644	83,440

(a) The Company has elected to apply the provisions of Article 8 of the 1987 French Finance Act, allowing the deduction of vacation pay on a cash basis. The provision is therefore not deductible, giving rise to a future tax saving.

(b) This cumulative tax loss carry-forward corresponds to the tax loss carry-forward of the tax group. The tax savings related to the tax losses in the subsidiaries included in the tax integration group, which could be restored to them by ESSILOR, are recognized as a liability through the recording of a debt in the balance sheet. The amount of this tax loss is €3,276 thousand at December 31, 2011. The Company believes it will be able to use its tax loss carryforwards.

EQUITY AND LIABILITIES

No deferred tax liabilities are recognized in the balance sheet. Recognition of deferred taxes on timing differences would have the effect of increasing income tax expense by €11,186 thousand as follows:

€ thousands	At the end of 2009	Increase 2010	Decrease 2010	At the end of 2010	Increase 2011	Decrease 2011	At the end of 2011
Provisions for:							
- Excess tax depreciation	28,190	7,205	7,265	28,129	7,871	5,138	30,863
- Other	128		6	122	2		124
TOTAL	**28,318**	**7,205**	**7,271**	**28,251**	**7,873**	**5,138**	**30,987**
Unrecognized deferred tax liability (34.43% tax rate, then 36.10% for	9,750			9,727			11,186

NOTE 6. INTANGIBLE ASSETS

€ thousands	At the beginning of the year	Acquisitions	Disposals	Other movements	Amortization and impairment losses for the year	Reversals of amortization and impairment losses	At the end of the year
2011							
Development costs	3,551						3,551
Patents, trademarks and licenses	94,146	1,992	44	3,497			99,591
Purchased goodwill	434						434
Other intangible assets	17,663	6,730	40	(3,480)			20,873
GROSS AMOUNT	**115,794**	**8,722**	**85**	**17**			**124,449**
Amortization and provisions	66,773				8,600	963	74,410
CARRYING AMOUNT	**49,021**						**50,039**
2010							
Development costs	2,580	250		721			3,551
Patents, trademarks and licenses	91,423	3,024	5,954	5,653			94,146
Purchased goodwill	434						434
Other intangible assets	19,237	5,912	1,152	(6,334)			17,663
GROSS AMOUNT	**113,675**	**9,186**	**7,106**	**39**			**115,794**
Amortization and provisions	63,603				8,607	5,437	66,773
CARRYING AMOUNT	**50,072**						**49,021**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

€ thousands	At the beginning of the year	Acquisitions	Disposals	Other movements	Depreciation and impairment losses for the year	Reversals of depreciation and impairment losses	At the end of the year
2011							
Land	13,859	18	1	5			13,881
Buildings	117,093	1,005	1,673	1,555			117,980
Plant and equipment	129,062	5,568	3,607	4,904			135,927
Other	44,110	1,174	1,060	223			44,447
Assets under construction	10,062	9,660	66	(5,796)			13,860
Advance payments to suppliers	382	9		(382)			9
GROSS AMOUNT	**314,569**	**17,434**	**6,409**	**509**			**326,103**
Depreciation and provisions	204,122				19,492	4,975	218,639
CARRYING AMOUNT	**110,447**						**107,464**
2010							
Land	13,786	93	236	216			13,859
Buildings	117,578	1,209	4,783	3,090			117,093
Plant and equipment	123,553	5,355	4,035	4,189			129,062
Other	45,692	931	2,915	402			44,110
Assets under construction	8,178	7,890	89	(5,918)			10,062
Advance payments to suppliers	265	298		(181)			382
GROSS AMOUNT	**309,052**	**15,776**	**12,058**	**1,798**			**314,569**
Depreciation and provisions	193,256				19,798	8,932	204,122
CARRYING AMOUNT	**115,796**						**110,447**

NOTE 8. INVESTMENTS AND OTHER NON-CURRENT ASSETS

8.1 ANALYSIS

€ thousands	At the beginning of the year	Acquisitions	Disposals	Other movements	Impairment losses of the year	Reversals of impairment losses	At the end of the year
2011							
Shares in subsidiaries and affiliates[(a)]	1,579,557	211,949	21,188	1,043			1,771,360
Loans to subsidiaries and affiliates[(b)] (advances on share issues)	394,722	964,958	893,809	0			465,870
Other long-term investments (Essilor International shares)	136,192	163,017	32,226	0			266,983
Other loans	44	0	0	0			44
Other non-current assets[(c)]	4,983	3,577	3,142	(1,043)			4,375
GROSS AMOUNT	**2,115,497**	**1,343,500**	**950,366**	**0**			**2,508,631**
Provisions	85,830				16,859	27,723	74,966
CARRYING AMOUNT	**2,029,666**						**2,433,665**

(a) Increases:

- Capital increases for BBGR (€32 million), China Holding Co (€25.9 million), E India Pvt Ltd (€14.7 million), Oftalmica GALILEO Italia SPA (€6 million), Essilor Laboratory Polska Sp zoo (€2.5 million), Danyang ILT (€1.3 million), Varilux University (€1 million).
- Acquisition of FGX Holding (100%), Armgol Holding (20%), Rhein Vision BV (33%), LN optic (51%), EIH (100%), and Optiben (65%) for a total of €112.5 million.
- Acquisition of 30% of WLC for ownership of 100% of capital, and 25% of NIKA for ownership of 100% of capital, for a total amount of €12.9 million.

Decreases:

- Liquidation of Alpino Holding, Milroy Optical, Neuro Vision, Tec optic for a value of €20.8 million.

Transfers:

- Long-term assets of various acquisition fees (€1 million)

(b) Increases and decreases are for the most part connected to renewals of loans to subsidiaries and a dividend of €12.3 million to be received from Satisloh Holding AG.

(c) Total payment of fixed-term bank deposit (escrow): EIH.

€ thousands	At the beginning of the year	Acquisitions	Disposals	Other movements	Impairment losses for the year	Reversals of impairment losses	At the end of the year
2010							
Shares in subsidiaries and affiliates	1,390,414	234,814	49,521	3,849			1,579,557
Loans to subsidiaries and affiliates [(a)] (advances on share issues)	104,705	3,514,720	3,223,212	(1,491)			394,722
Other long-term investments (Essilor International shares)	177,474	617,319	658,601	0			136,192
Other loans	44	0	0	0			44
Other non-current assets[(b)]	10,557	5,657	8,873	(2,358)			4,983
GROSS	**1,683,193**	**4,372,510**	**3,940,206**	**0**			**2,115,497**
Provisions	72,545				34,941	21,656	85,830
CARRYING AMOUNT	**1,610,648**						**2,029,666**

(a) Increases and decreases correspond mainly to the rollover of loans to subsidiaries.
(b) Partial payment of the interest-bearing escrow deposit: Satisloh.

8.2 SUBSIDIARIES AND AFFILIATES

Investments with a gross amount representing: *€ thousands*	Share capital	Reserves	Book value Gross	Book value Net	Loans and advances made by the Company	Guarantees given by the Company	Last published net revenue	Last published profit	Dividends received during the year
MORE THAN 1% OF THE COMPANY'S CAPITAL									
French companies	121,801	157,144	253,136	235,806	24,028	1,435	382,296	16,752	46,197
International companies	502,972	1,328,213	1,517,222	1,459,842	223,212	313,382	4,823,116	493,113	209,092
LESS THAN 1% OF THE COMPANY'S CAPITAL									
French companies	0	0	0	0	0	0	0	0	0
International companies	9,660	14,391	1,002	746	8,382	0	64,118	301	631

8.3 ANALYSIS OF LONG-TERM LOANS AND RECEIVABLES BY MATURITY

€ thousands	**2011**	**2010**
More than one year	198,911	3,808
Less than one year	271,378	395,941
TOTAL	**470,289**	**399,748**

NOTE 9. CURRENT ASSETS

9.1 INVENTORIES

€ thousands	**2011**	**2010**
Raw materials and other suppliers	42,629	41,743
Goods for resale	6,549	6,759
Finished and semi-finished products and work in progress	28,935	31,291
Sub-total	78,113	79,792
Provisions:		
Raw materials and other suppliers	(12,083)	(11,954)
Goods for resale	(1,915)	(2,098)
Finished and semi-finished products and work in progress	(3,916)	(3,645)
Sub-total	(17,914)	(17,697)
TOTAL	**60,198**	**62,095**

9.2 ANALYSIS OF OPERATING RECEIVABLES BY MATURITY

€ thousands	**2011**
More than one year	**8,653**
Trade receivables	8,555
Other receivables [(b)]	98
Less than one year	**334,222**
Prepayments to suppliers	2,289
Trade receivables [(a)]	198,597
Other receivables [(b)]	133,336
TOTAL	**342,875**

(a) The portion related to commercial paper accounts for €4.7 million.

(b) The "Other receivables" line primarily includes current accounts with regard to subsidiaries of €85.3 million and a carry-back receivable of €15.4 million.

9.3 MARKETABLE SECURITIES

	2011		**2010**	
€ thousands	Brut	Net	Brut	Net
Money market funds[(a)]	50,641	50,641	128,213	128,213
Own shares[(b)]	0	0	2,939	2,939
Currency options	805	805	922	922
TOTAL	**51,446**	**51,446**	**132,074**	**132,074**
Retail certificates of deposit	82,000	82,000	0	0
TOTAL MARKETABLE SECURITIES	**133,446**	**133,446**	**132,074**	**132,074**

(a) SICAVs held at closing are comprised solely of money market funds of three months and less than three months.

(b) Held under a liquidity contract.

Marketable securities are subject to a policy that encourages safe, liquid return. Available cash is invested only in short-term funds, which limit the risk of capital loss and are immediately available. At December 31, 2011, counterparties for investment and capital markets transactions carried out by the Group Treasury department were all rated at least A-1 (short-term) and A+ (long-term) by Standard & Poor's.

9.4 ACCRUALS

€ thousands	**2011**	**2010**
Prepaid expenses:		
Operating income	3,890	3,177
Financial income	0	11
TOTAL	**3,890**	**3,188**

€ thousands	**2011**	**2010**
VALUE AT JANUARY 1	**0**	**14**
Amortizations	0	14
VALUE AT DECEMBER 31	**0**	**0**

9.5 ACCRUED INCOME

€ thousands	**2011**	**2010**
Investments and other non-current assets		
Loans to subsidiaries and affiliates [(a)]	14,234	1,765
Receivables		
Trade receivables	26,496	14,074
Other receivables	3,072	733
TOTAL	**43,802**	**16,572**

(a) The change in loans to subsidiaries and affiliates can be explained by the dividend to be received from Satisloh Holding AG for an amount of €12.3 million.

NOTE 10. EQUITY

10.1 SHARE CAPITAL

	Number of shares					
Number of shares, except for per share data	At the beginning of the year	Issued	Cancelled	Exchanged	At end of the year	Par value *in €*
Ordinary shares	211,655,342	2,382,954			214,038,296	0.18
Preferred, non-voting shares	0				0	
TOTAL	**211,655,342**	**2,382,954**	**0**	**0**	**214,038,296**	**0.18**

Of which own shares:

Number of shares	At the beginning of the year	Bought	Canceled	Exercised stock options	OCEANE bonds conversion	Performance shares
Treasury stock	2,833,112	3,226,655	0	(111,295)	(585,346)	5,363,126
Shares held in the liquidity account[(a)]	61,000	(61,000)				0
TOTAL	**2,894,112**	**3,165,655**	**0**	**(111,295)**	**(585,346)**	**5,363,126**

(a) Essilor acquired 1,390,606 and sold 1,451,606 shares from January 1 to December 31, 2011 under the liquidity contract.

10.2 STATEMENT OF CHANGES IN EQUITY

€ thousands	Share capital	Additional paid-in capital	Reserves and retained earnings	Net profit for the period	Untaxed provisions	Government grants	Translation difference	Total equity
EQUITY AT JANUARY 1, 2011	**38,098**	**224,697**	**1,176,997**	**341,947**	**28,129**	**122**	**(1,949)**	**1,808,042**
Share issues								
- Employee rights issue	94	21,708						21,801
- Exercise of stock options	335	60,996						61,331
- OCEANE bond conversions								0
Capital reduction								0
Other movements for the period					2,733	2	520	3,255
Appropriation of profit			341,947	(341,947)				0
Dividends paid			(171,541)					(171,541)
Net profit for the period				273,061				273,061
EQUITY AT DECEMBER 31, 2011	**38,527**	**307,401**	**1,347,403**	**273,061**	**30,863**	**124**	**(1,429)**	**1,995,950**

2011

Capital totaled €38,527 thousand, corresponding to an increase of 2,382,954 ordinary shares following:

- subscriptions to Essilor Group FCP mutual funds (521,316 shares);
- stock options (1,861,638 shares);

New shares were entitled to dividends starting January 1, 2011.

2010

Capital totaled €38,098 thousand, corresponding to a decrease of 3,854,630 ordinary shares following:

- a reduction of capital via cancellation of treasury shares (-6,312,636 shares);
- subscriptions to Essilor Group FCP mutual funds (541,767 shares);
- stock options (1,912,549 shares);
- conversion of OCEANE bonds with issue of shares (3,690 shares).

New shares were entitled to dividends starting January 1, 2010.

10.3 STOCK SUBSCRIPTION AND PURCHASE OPTIONS, PERFORMANCE SHARES AND EMPLOYEE SHARE ISSUES

Stock subscription and purchase options

The exercise price of stock subscription or purchase options corresponds to the average of the share prices quoted over the 20 trading days preceding the date of the Board meeting at which the grants are decided. Gains on options granted since 2004 (corresponding to the difference between the share price on the option exercise date and the exercise price) are capped at 100% of the exercise price.

Stock subscription options granted in 2006, 2007 and January 2008 are subject to vesting conditions based on the share performance over a period of 2 to 4 years, as well as to the 100% cap on gains. The November 2008, November 2009, November 2010 and November 2011 stock subscription options are subject to vesting conditions based on the share performance over a period of 2 to 6 years, as well as to the 100% cap on gains.

Performance shares

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

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

Employee share issues

The main features of the employee share issues are:

In €	December 2011	December 2010
Share subscription price	41,34	38,41
Amount of total discount	10,34	9,43
Number of shares subscribed	521,316	202,285

NOTE 11. PROVISIONS

11.1 PROVISIONS FOR CONTINGENCIES AND CHARGES

€ thousands	At the beginning of the year	Charges	Utilizations	Releases (surplus provisions)	At end of the year
2011					
Provisions for pensions and other post-employment benefits	29,157	7,087	3,513	197	32,535
Provisions for losses in subsidiaries and affiliates	300	0	0	0	300
Provision for losses on treasury shares and for performance share costs	16,316	23,568	26,318	0	13,566
Provisions for restructuring	0	0	0	0	0
Other provisions for contingencies and charges[a]	28,710	11,436	4,672	1,406	34,068
TOTAL	**74,484**	**42,090**	**34,503**	**1,603**	**80,469**

(a) Other provisions for contingencies and charges are comprised primarily of the provision for tax audits, which totaled €24.7 million at year-end 2010.

€ thousands	At the beginning of the year	Charges	Utilizations	Releases (surplus provisions)	At end of the year
2010					
Provisions for pensions and other post-employment benefits	26,242	7,034	4,038	81	29,157
Provisions for losses in subsidiaries and affiliates	1,126	0	0	826	300
Provision for losses on treasury shares and for performance share costs	27,040	13,466	24,190	0	16,316
Provisions for restructuring	113	0	113	0	0
Other provisions for contingencies and charges[a]	32,349	5,149	3,345	5,442	28,710
TOTAL	**86,870**	**25,649**	**31,686**	**6,349**	**74,484**

(a) Other provisions for contingencies and charges are comprised primarily of the provision for tax audits, which totaled €22.1 million at year-end 2010.

11.2 PROVISIONS FOR IMPAIRMENT

€ thousands	At the beginning of the year	Charges	Releases	At the end of the year
2011				
PROVISIONS FOR IMPAIRMENT	**106,441**	**53,696**	**47,560**	**112,577**
Inventories	17,697	17,914	17,697	17,914
Receivables	2,906	18,923	2,140	19,689
Shares in subsidiaries and affiliates	85,750	16,859	27,643	74,966
Other long-term investments	81	0	81	0
Other	8			8
2010				
PROVISIONS FOR IMPAIRMENT	**92,367**	**54,778**	**40,703**	**106,441**
Inventories	17,157	17,697	17,157	17,697
Receivables	2,657	2,140	1,891	2,906
Shares in subsidiaries and affiliates	72,360	34,941	21,551	85,750
Other long-term investments	185	0	104	81
Other	8			8

NOTE 12. LIABILITIES

12.1 MATURITIES OF LIABILITIES

Analysis of total liabilities by maturity and by category

€ thousands	**2011**	**2010**
DUE WITHIN ONE YEAR	**1,035,652**	**797,462**
Borrowings	586,238	391,933
Operating liabilities[b]	274,727	256,486
Other liabilities[a][b]	174,687	149,043
DUE IN ONE TO FIVE YEARS	**3,292**	**4,038**
Borrowings		
Operating liabilities		
Other liabilities	3,292	4,038
DUE BEYOND FIVE YEARS	**0**	**0**
Borrowings		
Operating liabilities		
Other liabilities		
TOTAL	**1,038,944**	**801,500**

(a)"Other liabilities" consist mainly of current account advances from subsidiaries for €168.7 million.

(b) The portion related to commercial paper represents €5.7 million.

Analysis by maturity (total liabilities)

€ thousands	**2011**	**2010**
2011		797,462
2012	1,035,652	2,439
2013	1,641	
2014		
2015	1,651	1,599
TOTAL	**1,038,944**	**801,500**

Analysis by currency (borrowings)

€ thousands	**2011**	**2010**
EUR	191,689	94,685
USD	386,558	288,197
GBP	4,196	
CAD	3,794	9,051
TOTAL	**586,238**	**391,933**

12.2 ACCRUED CHARGES

€ thousands	**2011**	**2010**
Accrued interest	948	597
Trade payables (goods and services received but not yet invoiced)	39,090	38,416
Accrued taxes and personnel expenses		
- vacation pay	31,701	30,113
- discretionary profit-sharing	4,474	4,154
- other	20,956	18,009
Other accrued charges		
- Accrued customer discounts and rebates	69,998	66,828
- Amounts due to customers	7,177	5,673
- Credit notes to be issued	2,785	1,840
- Affiliates, dividends to be paid	2	0
Liabilities on fixed assets and related not yet invoiced)	2,540	1,647
TOTAL	**179,671**	**167,277**

12.3 RELATED PARTY TRANSACTIONS

Related parties are companies that are fully consolidated in the Group's consolidated financial statements. Businesses with which the company has capital ties correspond to other group companies.

BALANCE SHEET	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Other	Total on balance sheet
Equity stakes	1,613,430	82,964	0	1,696,394
Receivables from companies in which an equity interest is held	461,311	1,133	3,426	465,870
TOTAL FIXED FINANCIAL ASSETS (NET)	**2,074,741**	**84,097**	**3,426**	**2,162,264**
Clients and related accounts	117,449	5,603	81,353	204,405
Other receivables	70,307	288	45,898	116,493
TOTAL CIRCULATING ASSETS (NET)	**187,755**	**5,891**	**127,251**	**320,897**
TOTAL ASSETS	**2,262,496**	**89,988**	**130,677**	**2,483,161**
Trade payables	54,654	3,660	58,644	116,958
Other operating liabilities	8,115	0	149,655	157,769
Other liabilities	173,911	654	3,414	177,979
TOTAL LIABILITIES	**236,680**	**4,314**	**211,712**	**452,706**

INCOME STATEMENT	Net amounts concerning			
€ thousands	Related parties	Other companies with which Essilor has capital ties	Other	Total
Interest expense[(a)]	42,903	245	88,982	132,130
Interest income[(b)]	206,001	72,142	91,374	369,517

(a) Financial expense breaks down as follows:

Financial expense reported under "Related parties" corresponds mainly to impairment losses on shares in subsidiaries, interest on advances from the cash pool and interest on borrowings.

Financial expense reported under "Other companies with which Essilor has capital ties" corresponds mainly to impairment losses on shares in affiliates.

Financial expenses reported under "Others" mainly concern conversions of transactions at the end-of-month rate, interest on borrowings, discounts granted.

(b) Financial income breaks down as follows:

Financial income reported under "Related parties" corresponds mainly to dividend income, reversals of impairment losses on shares in subsidiaries, and interest on loans.

Financial income reported under "Capital ties" mainly concern deposited dividends.

Financial income reported under "Others" mainly concern conversions of transactions at the end-of-month rate, capital gains on investments (sicav, certificates of deposit), interest on borrowings and provisions for risks "exchange rate losses".

NOTE 13. OFF-BALANCE SHEET COMMITMENTS

13.1 FINANCIAL COMMITMENTS

Commitments given and received

€ thousands	**2011**	**2010**
COMMITMENTS GIVEN		
Guarantees and endorsements [(a)]	333,349	531,272
COMMITMENTS RECEIVED		
Guarantees, endorsements and sureties	141	186

(a) Mainly guarantees given by Essilor International to financial institutions in favour of affiliates.

Forward foreign exchange contracts

As at December 31, 2011, forward foreign exchange transactions (excluding cross-currency swaps) were as follows:

€ thousands	Contractual amounts (initial price)	Fair value at December 31, 2011
Foreign currency sell position	144,771	(3,652)
Foreign currency buy position	76,057	71
TOTAL		**(3,581)**

The Company is a net seller of GBP, SGD, AUD, CAD, and CHF for the most part and is a net buyer of USD.

Currency options

At December 31, 2010, currency options were as follows:

€ thousands	Nominal amount (valuation at exercise price)	Premiums paid/received at inception	Mark-to-market gains/(losses) since inception at December 31, 2011[b]
Purchases of puts			
Sales of puts[a]			
Purchases of calls	2,595	(92)	183
Sales of calls[a]			
TOTAL		**92**	**183**

(a) All written options are hedged by purchased options (collars or cancellations of purchased options).
(b) Simulated premiums receivable (payable) on options held in the portfolio based on market prices at December 31.

Foreign exchange and interest rate swap

In 2007, the company implemented a financing transaction for its subsidiary Essilor of America for €250 million. This transaction was hedged by internal and external cross-currency swaps, which obtained the classification of hedges of existing assets or liabilities.

In 2010, the Company conducted a reversal of existing interest rate swaps and concluded new ones at lower interest rates for an amount of $100 million.

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

€ thousands	Notional amount (USD)	Notional amount (EUR)	Fair value at December 31, 2011
External cross-currency swaps	328,375	250,000	11,779
Internal cross-currency swaps	328,375	250,000	(11,758)
Interest rate swaps	300,000		(7,426)
EUR interest rate caps		50,000	309
USD interest rate caps	50,000		199
TOTAL			**(6,897)**

13.2 FINANCE LEASE COMMITMENTS

The Company has not had any commitments under finance leases since 2006.

13.3 COMMITMENTS UNDER NON-CANCELABLE OPERATING LEASES AND OTHER CONTRACTS

Contractual obligations at December 31, 2010	**Future minimum payments**			
€ thousands	**1 year**	**to 5 years**	**5 years**	**Total**
Software licenses	818			818
Non-cancelable operating leases	3,100	6,200		9,300
TOTAL	**3,918**	**6,200**	**0**	**10,118**

13.4 COMMITMENT RELATING TO THE SALE OF PUT OPTIONS ON MINORITY INTERESTS

Essilor granted put options to the minority shareholders of various controlled subsidiaries. As at December 31, 2011, the valuation of all of these put options if they were fully exercised totaled €96,591 thousand.

NOTE 14. EMPLOYEE DATA

14.1 PENSION, LENGTH-OF-SERVICE AND OTHER OBLIGATIONS

Supplementary pensions

The commitment to executive and similar employees with regard to supplementary pensions was updated in 2011, according to a retrospective method. The actuarial assumptions used for 2011 are as follows: inflation rate (2%), employee turnover rate, salary increase rate (3 %, which is above inflation) and discount rate (4.3%).

On this basis, the total obligation at December 31, 201 stood at €37,956 thousand, including €9,219 thousand funded under insured plans at that date.

€ thousands	**2011**	**2010**
Projected benefit obligation	37,956	33,357
Fair value of plan assets	(9,219)	(10,215)
Deferred items[(a)]	(17,897)	(15,296)
PROVISION RECOGNIZED IN THE BALANCE SHEET	**10,840**	**7,846**

(a) Deferred items correspond to actuarial losses or gains and costs for past services.

Length-of-service awards

The Company's obligation for the payment of length-of-service awards in application of French labor laws, collective bargaining agreements and trade union agreements was estimated at €2,268 thousand at December 31, 2011 based on a discount rate of 4.3%.

€ thousands	**2011**	**2010**
Projected benefit obligation	2,268	2,253
Fair value of plan assets	0	0
PROVISION RECOGNIZED IN THE BALANCE SHEET	**2,268**	**2,253**

Retirement benefits

The Company's obligation for the payment of retirement benefits for all types of retirement was estimated, according to a retrospective method, at €33,427 thousand at December 31, 2011 based on a discount rate of 4.3%.

€ thousands	**2011**	**2010**
Projected benefit obligation	33,427	31,599
Fair value of plan assets	0	0
Deferred items[(a)]	(16,636)	(16,490)
PROVISION RECOGNIZED IN THE BALANCE SHEET	**16,791**	**15,109**

(a) Deferred items correspond to actuarial losses or gains and costs for past services.

Expenses for the year

€ thousands	**2011**	**2010**
Cost of services rendered over the period	(3,124)	(2,773)
Interest charge on update	(2,921)	(2,647)
Services paid for	3,367	3,429
Expected return from plan assets	376	816
Actuarial losses (gains)	(2,086)	(1,069)
Costs of past servicces	(302)	(465)
Expenses for the year	**(4,690)**	**(2,709)**

14.2 AVERAGE NUMBER OF EMPLOYEES

Analysis of average number of employees	**2011**	**2010**
Management	1,254	1,232
Supervisory and administrative	1,324	1,360
Production	886	936
TOTAL	**3,464**	**3,528**

14.3 MANAGEMENT COMPENSATION

	2011		**2010**	
€ thousands	Executive bodies	Administrative bodies	Executive bodies	Administrative bodies
Overall compensation	2,281	397	2,956	435

Note: Members of executive and administrative bodies benefited equally during 2011 from stock option plans and performance share award plans.

14.4 OTHER EMPLOYEE INFORMATION

"DIF" individual training entitlement

The cumulative number of hours training available to employees under the "DIF" scheme was 318,687 at December 31, 2010.

The cumulative number of hours for which no training request had been received at the balance sheet date was 303,894.

NOTE 15. FEES PAID TO THE AUDITORS AND MEMBERS OF THEIR NETWORKS

	PricewaterhouseCoopers				**Mazars**			
	Amount		In %		Amount		In %	
€ thousands, except for percentages	2011	2010	2011	2010	2011	2010	2011	2010
AUDIT SERVICES								
Statutory and contractual audit services	462	455			281	274		
Audit-related services	281	430			138	371		
Subtotal	**743**	**885**	**100%**	**100%**	**419**	**645**	**100%**	**100%**
OTHER SERVICES								
Legal and tax advice								
Other								
Subtotal	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**743**	**885**	**100%**	**100%**	**419**	**645**	**100%**	**100%**

NOTE 16. EVENTS AFTER THE BALANCE-SHEET DATE

Acquisitions made in early 2012

In China, Essilor purchased a majority stake in Jiangsu Seeworld Optical Co Ltd, an ophthalmic lens producer located in the City of Danyang with revenues of around €7 million. Youli Optics employs over 300 people and has a lens manufacturing plant for the domestic and export market.

Acquisitions in progress in 2012

In Tunisia, the company signed an agreement to gain a majority stake in the SIVO laboratory and its commercial subsidiary SICOM, which are located in Sfax. SIVO is number one in the Tunisian market and also operates on other markets in North and West Africa thanks to subsidiaries established in Algeria, Morocco, Côte d'Ivoire, Togo and Cameroon. This group has achieved revenues of around €7 million in 2011.

The finalization of the transaction, which requires the approval of various regulatory authorities, should take place in the first half of 2012.

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

Share buyback

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

Recent financing

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

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

NOTE 17. FIVE-YEAR FINANCIAL SUMMARY

€ thousands	2011	2010	2009	2008	2007
CAPITAL AT YEAR-END					
Share capital	38,527	38,098	38,792	37,984	38,030
Number of ordinary shares outstanding[(a)]	214,038,296	211,655,342	215,509,972	211,019,922	211,279,315
o/w treasury stock[(a)]	5,363,126	2,894,112	4,630,653	4,006,005	2,659,810
Number of preferred, non-voting shares outstanding	0	0	0	0	0

(a) In July 2007, the Company carried out a two-for-one stock-split in line with the decision of the Annual Shareholders' Meeting of May 11, 2007. The operation was carried out by increasing the shares' par value form €0.35 to €0.36 and then reducing it to €0.18. The number of outstanding shares has been adjusted to reflect the effects of the stock-split.

€ thousands	2011	2010	2009	2008	2007
RESULTS OF OPERATIONS					
Net revenue	678,430	680,533	670,474	714,306	719,551
Profit before tax, depreciation, amortization and provisions	300,219	362,900	246,094	277,208	265,449
Income tax expense	(14,408)	(5,077)	(14,111)	(8,274)	3,496
Employee profit-sharing					
Net profit	273,061	341,947	214,753	239,156	205,079
Total dividends	177,374	173,272	147,616	136,629	129,344

in €	2011	2010	2009	2008	2007
PER SHARE DATA					
Earnings per share after tax and employee profit sharing, before depreciation, amortization and provisions, excluding treasury stock	1.51	1.76	1.23	1.38	1.26
Earnings per share, excluding treasury stock	1.31	1.64	1.02	1.16	0.98
Net dividend per ordinary share	0.85[(a)]	0.83	0.70	0.66	0.62
Net dividend per preferred, non-voting share					

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

€ thousands, except for the average number of employee	2011	2010	2009	2008	2007
EMPLOYEE DATA					
Average number of employees	3,464	3,528	3,584	3,714	3,517
Total payroll	161,028	157,673	151,855	150,856	139,305
Total benefits	81,492	79,270	76,982	74,561	69,770