3.3 Consolidated financial statements

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

The Auditors' report on the 2012 consolidated financial statements is presented in Section 3.6 of the Registration Document.

3.3.1 Consolidated income statement

€ thousands, excluding per share data	Note	2012	2011
Revenue	3	4,988,845	4,189,541
Cost of goods sold		(2,205,278)	(1,868,086)
GROSS PROFIT		**2,783,567**	**2,321,455**
Research and development costs		(161,877)	(151,490)
Selling and distribution costs		(1,139,856)	(959,692)
Other operating expenses		(587,688)	(462,094)
CONTRIBUTION FROM OPERATIONS		**894,146**	**748,179**
Restructuring costs, net	5	(25,325)	(22,646)
Impairment goodwill	11		
Compensation costs on share-based payments	5	(28,421)	(23,211)
Other income from operations	5	12,006	3,962
Other expenses from operations	5	(36,319)	(20,722)
Gains and losses on asset disposals	5	15,626	(2,470)
OPERATING PROFIT	**3**	**831,713**	**683,092**
Cost of gross debt		(24,063)	(13,904)
Income from cash and cash equivalents		17,037	10,507
Foreign exchange income	6	(6,779)	(85)
Other financial income and expenses	7	(4,173)	(9,917)
Share of profits of associates	15	23,811	27,883
PROFIT BEFORE TAX		**837,546**	**697,576**
Income tax expense	8	(207,122)	(179,396)
PROFIT FOR THE PERIOD		**630,424**	**518,180**
Attributable to Group equity holders		**584,008**	**505,619**
Attributable to minority interests		46,416	12,562
Basic earnings attributable to Group equity holders per share (€)		2.80	2.44
Weighted average number of shares (thousands)	9	208,264	207,246
Diluted earnings attributable to Group equity holders per share (€)	10	2.77	2.41
Diluted weighted average number of shares (thousands)	10	211,015	209,678

Statement of income and expenses recognized directly in equity

€ thousands	2012 Attributable to Group equity holders	2012 Minority interests	2012 Total	2011 Attributable to Group equity holders	2011 Minority interests	2011 Total
PROFIT FOR THE PERIOD (A)	**584,008**	**46,416**	**630,424**	**505,619**	**12,562**	**518,181**
Increase (decrease) in fair value of financial instruments, net of tax, cash flow hedges, effective portion	**(244)**		**(244)**	**(4,466)**		**(4,466)**
- Tax	(94)		(94)	2,494		2,494
- Net of tax	(338)		(338)	(1,972)		(1,972)
Hedges of net investments in foreign operations, effective portion	**836**		**836**	**1,392**		**1,392**
- Tax	(114)		(114)	(479)		(479)
- Net of tax	722		722	913		913
Transfers to profit for the period, net of tax, cash flow hedges, effective portion	**(1,808)**		**(1,808)**	**4,104**		**4,104**
- Tax	239		239	(1,194)		(1,194)
- Net of tax	(1,569)		(1,569)	2,910		2,910
Hedges of net investments in foreign operations, effective portion	**(246)**		**(246)**	**(199)**		**(199)**
- Tax	11		11	68		68
- Net of tax	(235)		(235)	(131)		(131)
Increase (decrease) in fair value of long-term financial investments	**2,289**		**2,289**	**(1,279)**		**(1,279)**
- Tax	(47)		(47)	(131)		(131)
- Net of tax	2,242		2,242	(1,410)		(1,410)
Actuarial gains and losses on defined benefit obligations	**(31,337)**		**(31,337)**	**(10,535)**		**(10,535)**
- Tax	6,376		6,376	2,632		2,632
- Net of tax	(24,961)		(24,961)	(7,903)		(7,903)
Translation difference related to hedging and revaluation reserves	**62**		**62**	**(978)**		**(978)**
Translation difference and other related to other reserves and profit	**(49,868)**	**(6,036)**	**(55,904)**	**35,738**	**812**	**36,550**
Other (Tax)	**(6,126)**		**(6,126)**			
Total income (expense) for the period recognized directly in equity, net of tax (B)	**(80,071)**	**(6,036)**	**(86,107)**	**27,167**	**812**	**27,979**
TOTAL RECOGNIZED INCOME AND EXPENSE, NET OF TAX (A) + (B)	**503,937**	**40,380**	**544,317**	**532,786**	**13,374**	**546,160**

3.3.2 Consolidated balance sheet

Assets

€ thousands	Note	December 31, 2012	December 31, 2011
Goodwill	11	2,086,933	1,883,331
Other intangible assets	12	621,622	581,781
Property, plant and equipment	13	1,000,558	955,280
INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, NET		**3,709,113**	**3,420,392**
Investments in associates	15	109,838	109,915
Other long-term financial investments	16	119,583	92,743
Deferred tax assets	8	116,789	101,689
Long-term receivables		25,052	3,891
Other non-current assets	20	674	892
Other non-current assets		**371,936**	**309,130**
TOTAL NON-CURRENT ASSETS		**4,081,049**	**3,729,522**
Inventories	17	830,478	753,416
Prepayments to supplier		15,719	19,671
Short-term receivables	18	1,147,525	1,121,746
Current income tax-assets		55,806	48,355
Other receivables		35,645	30,838
Derivative financial instruments	23	33,611	15,091
Prepaid expenses		40,651	41,777
Other marketable securities	22	5,781	7,450
Cash and cash equivalents	19	660,958	390,320
Current assets		**2,826,174**	**2,428,664**
Non-current assets held for sale			
TOTAL ASSETS		**6,907,223**	**6,158,186**

Equity and liabilities

€ thousands	Note	December 31, 2012	December 31, 2011
Share capital		38,650	38,527
Additional paid-in capital		311,622	307,401
Retained earnings		2,940,952	2,629,367
Treasury stock		(239,044)	(264,110)
Revaluation and other reserves		(79,647)	(49,443)
Translation difference		107,628	157,496
Profit attributable to Group equity holders		584,008	505,619
Equity attributable to Group equity holders		**3,664,169**	**3,324,857**
Minority interests		256,571	132,894
TOTAL CONSOLIDATED EQUITY		**3,920,740**	**3,457,751**
Provisions for pensions and other post-employment benefit obligations	20	204,652	177,693
Long-term borrowings	22	526,237	309,152
Deferred tax liabilities	8	148,339	148,755
Other non-current liabilities	24	232,544	138,168
Non-current liabilities		**1,111,772**	**773,768**
Provisions	21	126,954	141,401
Short-term borrowings	22	390,012	606,581
Customer prepayments		16,944	15,705
Short-term payables	18	1,014,675	913,218
Taxes payable		75,627	62,172
Other current liabilities	24	207,605	161,306
Derivative financial instruments	23	30,115	14,953
Deferred income		12,779	11,331
Current liabilities		**1,874,711**	**1,926,667**
TOTAL EQUITY AND LIABILITIES		**6,907,223**	**6,158,186**

3.3.3 Statement of changes in equity

Fiscal year 2012

€ thousands	Share capital	Additional paid-in capital	Revaluation reserves	Reserves	Translation difference	Treasury stock	Profit attributable to Group equity holders	Equity attributable to Group equity holders	Minority interests	Total equity
EQUITY AT JANUARY 1, 2012	**38,527**	**307,401**	**(49,443)**	**2,629,367**	**157,496**	**(264,110)**	**505,619**	**3,324,857**	**132,894**	**3,457,751**
Capital increases										
■ FCP mutual fund	69	21,927						21,996		21,996
■ Stock subscription options	486	95,417						95,903		95,903
■ Capitalization of reserves										
Capital increases subscribed by minority interests										
Cancellation of treasury stock	(432)	(113,123)				113,555				
Share-based payments				23,444				23,444		23,444
Purchases of treasury stock (net of sales)				(23,299)		(88,489)		(111,788)		(111,788)
Allocation of profit				505,619			(505,619)			
Effect of changes in scope of consolidation				(8,103)				(8,103)	108,134	100,031
Dividends paid				(176,619)				(176,619)	(24,837)	(201,456)
TRANSACTIONS WITH SHAREHOLDERS	**123**	**4,221**		**321,042**		**25,066**	**(505,619)**	**(155,167)**	**83,297**	**(71,870)**
Total income (expense) recognized directly in equity			(30,266)					(30,266)		(30,266)
Profit for the period							584,008	584,008	46,416	630,424
Translation differences and other			62	(9,457)	(49,868)			(59,263)	(6,036)	(65,299)
TOTAL RECOGNIZED INCOME AND EXPENSE			**(30,204)**	**(9,457)**	**(49,868)**		**584,008**	**494,479**	**40,380**	**534,859**
EQUITY AT DECEMBER 31, 2012	**38,650**	**311,622**	**(79,647)**	**2,940,952**	**107,628**	**(239,044)**	**584,008**	**3,664,169**	**256,571**	**3,920,740**

Fiscal year 2011

€ thousands	Share capital	Additional paid-in capital	Revaluation reserves	Reserves	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)**	**2,331,494**	**121,865**	**(136,258)**	**461,969**	**3,000,993**	**43,186**	**3,044,179**
Capital increases										
■ FCP mutual fund	94	21,708						21,802		21,802
■ Stock subscription options	335	60,996						61,331		61,331
■ Capitalization of reserves				1,018				1,018		1,018
Capital increases subscribed by minority interests									4,845	4,845
Cancellation of treasury stock										
Share-based payments				21,577				21,577		21,577
Purchases of treasury stock (net of sales)				(19,650)		(127,852)		(147,502)		(147,502)
Allocation of profit				461,969			(461,969)			
Effect of changes in scope of consolidation				3,941	452			4,393	75,272	79,665
Dividends paid				(171,541)				(171,541)	(3,783)	(175,324)
TRANSACTIONS WITH SHAREHOLDERS	**429**	**82,704**		**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			**(8,571)**	**559**	**35,179**		**505,619**	**532,786**	**13,374**	**546,160**
EQUITY AT DECEMBER 31, 2011	**38,527**	**307,401**	**(49,443)**	**2,629,367**	**157,496**	**(264,110)**	**505,619**	**3,324,857**	**132,894**	**3,457,751**

3.3.4 Consolidated cash flow statement

€ thousands		December 31, 2012	December 31, 2011
NET PROFIT	**(i)**	**630,424**	**518,180**
Share of profits of associates, net of dividends received		44,796	34,433
Depreciation, amortization and other non-cash items		229,629	180,693
Profit before non-cash items and share of profits of associates, net of dividends received		**904,849**	**733,306**
Provision charges (reversals)		(24,325)	(2,745)
(Gains) losses on asset disposals, net		(14,733)	2,470
Cash flow after income tax and finance costs, net		**865,791**	**733,031**
Finance costs, net		7,026	8,988
Income tax expense (current and deferred taxes)	(i)	207,122	179,396
Cash flow after income tax and finance costs, net		**1,079,939**	**921,415**
Income taxes paid		(224,264)	(183,717)
Interest (paid) and received, net		(5,586)	(14,293)
Change in working capital		(10,091)	(55,607)
NET CASH FROM OPERATING ACTIVITIES		**839,998**	**667,798**
Purchases of property, plant and equipment and intangible assets		(241,207)	(204,717)
Acquisitions of subsidiaries, net of the cash acquired		(158,224)	(364,428)
Purchases of available-for-sale financial assets		(12,956)	(15,120)
Other long-term financial investments		(16,077)	(16,688)
Proceeds from the sale of subsidiaries, net of the cash sold		1,368	203
Proceeds from the sale of other non-current assets		10,770	14,412
NET CASH USED IN INVESTING ACTIVITIES		**(416,326)**	**(586,338)**
Proceeds from the issue of share capital	(ii)	117,899	83,133
(Purchases) sales of treasury stock, net	(ii)	(111,788)	(147,502)
Dividends paid to:			
▪ Equity holders of Essilor	(ii)	(176,619)	(171,541)
▪ Minority shareholders of subsidiaries	(ii)	(24,837)	(3,783)
Increase/(Decrease) in borrowings other than finance lease liabilities		(54,840)	188,590
Purchases of marketable securities[(a)]	19	1,724	2,066
Repayment of finance lease liabilities		(2,614)	(2,866)
Other movements		(1,266)	(6,855)
NET CASH USED IN FINANCING ACTIVITIES		**(252,341)**	**(58,758)**
NET (DECREASE) INCREASED IN CASH AND CASH EQUIVALENTS		**171,331**	**22,702**
Cash and cash equivalents at January 1	19	363,109	345,888
Effect of changes in method of consolidation		49,335	
Effect of changes in exchange rates		(4,244)	(5,481)
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31		**579,531**	**363,109**
Cash and cash equivalents	19	660,958	390,320
Bank credit facilities	22	(81,427)	(27,211)

(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.

3.4 Notes to the consolidated financial statements

3

NOTE 1. Accounting policies

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 prepared under the responsibility of the Board of Directors and presented to the Shareholders' Meeting for approval.

The 2012 consolidated financial statements were approved by the Board of Directors on February 27, 2013.

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.

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, 2012. These standards and interpretations are available for consultation on the European Commission's website[1].

3. Change in accounting methods and presentation

No changes to the accounting method in the Group consolidated financial statements were made for 2012.

4. IFRS, amendments to IFRS and interpretations applicable from January 1, 2012

- Amendment to IFRS 7 – Disclosures Related to Transfers of Financial Assets

The Group is not affected by this interpretation.

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, 2013 or later:

- IAS 12 – Income Tax – Deferred Taxes: Recovery of Underlying Assets;
- IAS 19 amended – Employee Benefits;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- IAS 27 amended – Separate Financial Statements;
- IAS 28 amended – Investments in Associates and Joint Ventures;
- IFRS 9 – Financial Instruments: Classification and Measurement;
- Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
- Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income;
- Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.

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

6. Use of estimates

The preparation of financial statements requires Management's 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 risks, 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,

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

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.

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.

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 the 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.

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 eye care 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 by operating segment" appended to these financial statements.

The subsidiaries of the Nikon Essilor and Chemiglas 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 the French company Essilor International, has been moved from the Lenses – Europe segment to the Lenses – North America segment.

9. Consolidated cash flow statement

The cash flow statement has been prepared by the indirect method, whereby net 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, 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.

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 "Translations difference," and reclassified to profit when the foreign subsidiary is sold or wound up.

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.

12. Cost of sales

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

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.

14. Share-based payments

Stock subscription options and performance 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 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 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 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 2011 and November 2012 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 2011 and November 2012 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 and loss 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.

15. Net interest 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.

16. Foreign exchange 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.

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 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			

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 at 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, and actuarial gains and losses on defined benefit plan obligations.

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.

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 options: the dilution arising from stock subscription 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;
- performance grant of 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.

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.

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the 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 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.

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 operating expenses.» 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 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 and loss, 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 «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 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.

These data are approved in advance by Management and take account of past experience.

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.

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.

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
Building improvements	7 to 10 years
Machinery, equipment and tooling	3 to 10 years
Other property, plant and equipment	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.

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.

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.

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.

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.

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 "Other 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.

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 the Group 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 Group, 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" or "Other current liabilities" based on their expiration date.

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 and loss over the life of the debt by the effective interest method.

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.

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.

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 accretion of discount are recorded in the 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

1. Exchange rates of the main functional currencies

For €1	Closing rate		Average rate	
	2012	2011	2012	2011
CAD	1.31	1.32	1.28	1.38
GBP	0.82	0.84	0.81	0.87
CNY	8.22	8.16	8.11	9.00
JPY	113.61	100.20	102.49	110.99
INR	72.56	68.71	68.60	64.87
BRL	2.70	2.42	2.51	2.33
CHF	1.21	1.22	1.21	1.23
USD	1.32	1.29	1.28	1.39

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 2012:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Imperial[(a)]	Canada	January 1, 2012	Full	60.00	100.00
Essilor Colombia	Colombia	January 1, 2012	Full	100.00	100.00
Reize[(a)]	Switzerland	January 1, 2012	Full	65.00	100.00
Optiben[(a)]	Morocco	January 1, 2012	Full	65.00	100.00
VST Lab[(a)]	Morocco	January 1, 2012	Full	65.00	100.00
Amico Qatar	Qatar	January 1, 2012	Full	49.00	100.00
Osme	United Arab Emirates	January 1, 2012	Full	100.00	100.00
Opti Express[(a)]	Dominican Republic	January 1, 2012	Full	51.00	100.00
Seeworld Optical Co. Ltd.[(a)]	China	January 1, 2012	Full	51.00	100.00
Essilor Cambodia[(a)]	Cambodia	January 1, 2012	Full	51.00	100.00
Seeworld Holding PTE Ltd.[(a)]	Singapore	January 1, 2012	Full	51.00	100.00
Essilor Philippines Holding[(a)]	Singapore	January 1, 2012	Full	51.00	100.00
Wallace Everett Lens Technology[(a)]	Australia	January 1, 2012	Full	66.00	100.00
Incheon Optics	South Korea	February 22, 2012	Full	40.00	100.00
Blue Optics	United States	February 29, 2012	Full	80.00	100.00
Cristal y Plastico S.A. de CV	Mexico	March 12, 2012	Full	51.00	100.00

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
Central Optical	United States	April 2, 2012	Full	60.00	100.00
Essilor Optica International Holding S.L.	Spain	June 1, 2012	Full	100.00	100.00
Yeda Tora	Turkey	June 1, 2012	Full	70.00	100.00
Ipek	Turkey	June 1, 2012	Full	70.00	100.00
Optovision S.A.	Argentina	July 2, 2012	Full	51.00	100.00
Opak	Turkey	August 1, 2012	Full	51.00	100.00
Shamir Brasil Comercial Ltda.	Brazil	August 1, 2012	Full	50.00	100.00
Riachuelo	Brazil	August 10, 2012	Full	70.00	100.00
Balester Optical	United States	September 1, 2012	Full	100.00	100.00
Carskadden Optical	United States	October 1, 2012	Full	100.00	100.00
Hirsch Optical	United States	October 1, 2012	Full	100.00	100.00
Shamir Russia LLC	Russia	October 1, 2012	Full	50.00	100.00
Essiholding	France	November 1, 2012	Full	100.00	100.00
Essilor – Sivo	Tunisia	November 1, 2012	Full	55.00	100.00
Sicom	Tunisia	November 1, 2012	Full	55.00	100.00
Essilor Distribution Thailand Co. Ltd.	Thailand	November 1, 2012	Full	100.00	100.00
Sivo Togo	Togolese Republic	November 1, 2012	Full	28.00	100.00
Laboratoires Sivo Abidjan	Côte d'Ivoire	November 1, 2012	Full	50.00	100.00
Codi – Sivo	Cameroon	November 1, 2012	Full	28.00	100.00
Sivom	Morocco	November 1, 2012	Full	28.00	100.00
Eye Buy Direct US	United States	November 1, 2012	Full	60.83	100.00
Eye Buy Direct HK	Hong Kong	November 1, 2012	Full	60.83	100.00
Eye Buy Direct China	China	November 1, 2012	Full	60.83	100.00
Eyewear LLC	United States	November 1, 2012	Full	60.83	100.00
Tian Hong	China	November 28, 2012	Full	50.00	100.00
X-Cell	United States	December 7, 2012	Full	80.00	100.00
Interactif Visual System	France	December 21, 2012	Full	68.29	100.00
IVS Technical Center	France	December 21, 2012	Full	68.29	100.00
Activ Screen	France	December 21, 2012	Full	68.29	100.00
Lenstech Optical Lab	United States	December 31, 2012	Full	80.00	100.00

(a) Companies acquired or set up in prior years, consolidated for the first time in 2012.

The 2012 income statement also includes the contribution over the full year of the following companies that were consolidated for the first time in 2011:

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
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
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.	United States	July 1, 2011	Full	50.00	100.00
Shamir USA	United States	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 Optical 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
ShamirLens Thailand Co., Ltd.	Thailand	July 1, 2011	Full	24.50	100.00
Shamir Optispeed	South Africa	July 1, 2011	EM	13.00	25.00
Shamir Emerald	South Africa	July 1, 2011	EM	14.00	28.00
K-T Optic Co., Ltd.	Thailand	July 1, 2011	Full	24.50	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	United States	November 1, 2011	Full	80.00	100.00

Name	Country	Consolidated from	Consolidation method	% interest	% consolidated
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	United States	December 1, 2011	Full	80.00	100.00
Youli Optics Co Ltd.	China	December 1, 2011	Full	51.00	100.00
Stylemark	United States	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

Other movements

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 at 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 February 1, 2012.

The full consolidation of Nikon-Essilor and Essilor Korea added €101.3 million to 2012 revenue.

In addition, the Group's holding in the following companies has been changed:

- Vision Pointe Optical Inc, from 80% to 100% on January 1, 2012;
- United Optical Laboratories Ltd., from 80% to 100% on February 15, 2012;
- Athlone, from 80% to 100% on February 15, 2012;
- MGM, from 80% to 85% on March 1, 2012;
- Laboratoire d'Optique SDL, from 95% to 96% on March 1, 2012;
- Vision & Value Optical Labs, from 51% to 60% on April 23, 2012, then to 80% on December 29, 2012;
- Omax, from 75% to 85% on April 26, 2012;
- OOGP, from 80% to 100% on May 23, 2012;
- Opti-Matrix, from 80% to 100% on May 23, 2012, then from 100% to 80% on December 31, 2012;
- Unilab, from 51% to 63.33% on May 31, 2012, then to 71.33% on December 27, 2012;
- Sutherlin, from 85% to 100% on June 26, 2012;
- Optisource, from 80% to 90% on July 3, 2012;
- Personal Eyes, from 80% to 100% on July 31, 2012;
- Encore LLC, from 39.83% to 49.83% on October 1, 2012;
- 21st Century Road, from 80% to 100% on October 17, 2012;
- Frames For America, from 70% to 43% on November 1, 2012;
- Inray, from 25% to 50% on November 7, 2012;
- MOC Acquisition Corp, from 80% to 84% on December 15, 2012;
- Collard Rose, from 80% to 95% on December 26, 2012;
- Vision Craft, from 80% to 100% on December 26, 2012;
- Tecnolens, from 70% to 71% on December 27, 2012;
- Dibok-Aspen, from 80% to 100% on December 28, 2012;
- Pech Optical, from 80% to 90% on December 28, 2012;

Tech-Cite Laboratories Co Ltd. was absorbed by par Nikon Optical Canada Inc on January 1, 2012.

Vision Pointe was merged into Deschutes on August 10, 2012.

Optique Lison Inc (Canada) was liquidated on August 1, 2012.

3. Impact of changes in scope of consolidation and exchange rates

Balance sheet

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

€ thousands	Newly consolidated companies 2012
Intangible assets	15,574
Property, plant and equipment	21,776
Investments in associates	0
Non-current financial assets	92,405
Other non-current assets	373
Current assets	67,534
Cash and cash equivalents	30,257
TOTAL ASSETS ACQUIRED AT FAIR VALUE	**227,919**
Minority interests in equity	11,094
Long-term borrowings	5,658
Other non-current liabilities	8,810
Short-term borrowings	3,942
Other current liabilities	53,187
TOTAL LIABILITIES ASSUMED AT FAIR VALUE	**82,691**
NET ASSETS ACQUIRED[(a)]	**145,228**
Acquisition cost	252,449
Fair value of net assets acquired[(a)]	145,228
Liabilities arising from put options granted to minority shareholders	(90,802)
Post-acquisition retained earnings	0
Recognized goodwill	**198,023**

(a) Or consolidated during the period.

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

The fair value used for the assets and liabilities of acquisitions for the period is temporary and may be 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.

Due to the change in consolidation of joint ventures, goodwill of €17 million was recognized at December 31, 2012.

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 consolidation scope:

- 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 December 31 of the current fiscal year;
- impact of changes in scope for companies acquired during the previous year consist of the subsidiaries' income statements for the year, since January 1 of the current fiscal year until the anniversary date 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 foreign exchange changes:

- this is 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 growth on a like-for-like consolidation and exchange rate basis.

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

As a %	Reported growth	Impact of changes in exchange rates	Impact of changes in consolidation scope: o/w organic acquisitions	Impact of changes in consolidation scope: o/w strategic acquisitions[(a)]	Like-for-like growth
Revenue	19.1	4.6	2.8	6.5	5.2
Contribution from operations	19.5	4.5	1.7	5.7	7.6
Operating profit	21.8	4.4	2.1	8.4	6.9

(a) And change in consolidation method for "Nikon-Essilor" and "Essilor Korea".

The impact of consolidating strategic acquisitions only applies until June 2012 for the Shamir group, consolidated at July 1, 2011, and until December 2012 for the Stylemark group, consolidated at December 14, 2011.

If the companies consolidated during the year (see Note 2.2 – Newly consolidated companies) were consolidated at January 1, 2012, the Group's 2012 revenue and profit attributable to Group equity holders could be estimated to have been as follows:

€ millions	2012 pro-forma
Revenue	5,064
Profit attributable to Group equity holders	586

NOTE 3. Segment information

2012 € millions	Lenses Europe	Lenses North America	Lenses Rest of World	Equipment	Readers	Eliminations	Group Total
Revenue	1,559	1,736	1,151	199	344		4,989
Intra-segment sales	221	86	435	61		(803)	
TOTAL REVENUE	**1,780**	**1,822**	**1,586**	**260**	**344**	**(803)**	**4,989**
Operating profit	169	234	351	36	42		832
Depreciation, amortization and other non-cash items	(28)						(28)
Interest income	5	5	7				17
Interest expense	(6)	(9)	(8)	(1)			(24)
Income tax expense	(55)	(60)	(70)	(11)	(11)		(207)
Share of profit of associates	4	12	8				24
Depreciation and amortization of intangible and tangible assets	(65)	(64)	(75)	(10)	(35)		(249)
Purchases of property, plant and equipment and intangible assets	59	47	88	8	39		241
Non-current assets	629	1,070	1,001	346	663		3,709
Total assets	1,827	1,646	2,156	480	798		6,907
Provisions	231	40	30	24	7		332
Borrowings and payables	1,167	622	642	65	159		2,655

2011 € millions	Lenses Europe	Lenses North America	Lenses Rest of World	Equipment	Readers	Eliminations	Group Total
External revenue	1,471	1,503	821	185	210		4,190
Intra-segment revenue	188	73	315	49		(625)	
TOTAL REVENUE	**1,659**	**1,576**	**1,136**	**234**	**210**	**(625)**	**4,190**
Operating profit	164	219	236	28	36		683
Depreciation, amortization and other non-cash items	(23)						(23)
Interest income	3	2	5				10
Interest expense	(8)	(13)	(5)				(26)
Income tax expense	(48)	(59)	(47)	(10)	(15)		(179)
Share of profit of associates	8	12	8				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	44	90	6	15		205
Non-current assets	604	1,014	799	347	656		3,420
Total assets	1,671	1,539	1,685	472	791		6,158
Provisions	232	41	18	20	8		319
Borrowings and payables	1,151	521	442	73	194		2,381

The Group's top 20 customers accounted for 21.1% of revenue in 2012, and 21.1% in 2011.

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

NOTE 4. Personnel costs, depreciation and amortization

Personnel costs totaled €1,550 million in 2012 compared with €1,287 million in 2011 (see Note 29, “Number of employees and personnel costs”).

Depreciation and amortization expenses amounted to €244 million in 2012 compared with €192 million in 2011.

NOTE 5. Other income (expenses), net

1. Restructuring costs and other income and expenses from operations

Net restructuring costs for 2012, in the amount of €25.3 million, resulted from the rationalization of plants in the United States and in Europe, and were accounted for either as provisions for contingencies or as impairment losses, or as scrapping of non-current assets.

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 provisions for contingencies or as impairment losses, or as scrapping of non-current assets.

For 2012, other operating income and expenses representing a net profit of €24.3 million included fees related to disputes amounting to €19.6 million and strategic acquisition costs of €1.6 million.

For 2011, other operating income and 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.

For 2012, income from disposals of assets showed a gain of €15.6 million, primarily consisting of the capital gain produced when the “Nikon-Essilor” and “Essilor Korea” joint ventures were fully consolidated, having previously been proportionately consolidated.

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

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	2012	2011
Stock subscription options	3,512	5,939
Performance shares[a]	24,200	16,854
Employee share issues	709	418
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**28,421**	**23,211**

(a) Including the employer contribution.

Stock subscription options

The exercise price of stock subscription 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 average share price during the three calendar months prior to the month of exercise of the option 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 two to four years, as well as to the 100% cap on gains.

The November 2008, November 2009, November 2010, November 2011 and November 2012 stock subscription options are subject to vesting conditions based on the share performance over a period of two to six years, as well as to the 100% cap on gains.

The main assumptions used to measure compensation costs on stock options granted in 2012 are as follows:

- share price volatility: 17.61% (2011 grants: 21.5%);
- risk-free interest rate: 2.14% (2011 grants: 3.64%);
- yield: 1.55% (2011 grants: 1.82%).

Based on these assumptions, the fair value of options granted in 2012 amounted to €11.32 (€8.85 in 2011).

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

	Number of options	Weighted average exercise price (€)
STOCK SUBSCRIPTION OPTIONS AT JANUARY 1, 2012	**5,473,086**	**38.41**
Options exercised	(2,700,390)	35.51
Options canceled and forfeited	(80,171)	40.42
Options granted	81,760	71.35
STOCK SUBSCRIPTION OPTIONS AT DECEMBER 31, 2012	**2,774,285**	**42.15**
Stock subscription 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 options at December 31, 2011	**5,473,086**	**38.41**

The average remaining life of outstanding options at December 31, 2012 was 3.9 years (2011: 3.5 years).

The weighted average price of the Essilor share in 2012 was €68.9 (2011: €52.7).

Performance shares

Since 2006, the Essilor group has launched performance share grants.

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).

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

- 2012 grants: 1,274,980 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, 2012	**2,203,447**
Performance shares vested	(578,008)
Performance shares cancelled	(52,145)
Performance shares granted	1,274,980
PERFORMANCE SHARES AT DECEMBER 31, 2012	**2,848,274**
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**

Plans dated November and December 2010 were granted during 2012 after performance conditions were met.

The main assumptions used to measure compensation costs on performance shares granted in 2012 are as follows:

- share price volatility: 17.61% (2011 grants: 21.5%);
- risk-free interest rate: 2.14% (2011 grants: 3.64%);
- yield: 1.55% (2011 grants: 1.82%).

Based on these assumptions, the fair value of the shares granted in 2012 was €36.33 for non-residents of France (€26.11 in 2011) and €26.95 for French residents (€20.76 in 2011).

Employee share issues

The main parameters used to measure the cost of employee share issues recognized in 2012 are as follows:

Plan date	December 2012
Share subscription price (€)	57.08
Total discount (€)	14.27
Number of shares subscribed	385,354
Discount on the share cash price on grant date represented by the lock-up clause	22.1%
Share cash price on grant date (€)	75.66
Risk-free interest rate on the grant date	0.6%
Refinancing cost	6.0%
Cost recognized in the income statement (€ thousands)	709

Based on these assumptions, the fair value of the shares subscribed in 2012 was €58.92 (€42.62 in 2011).

NOTE 6. Foreign exchange gains & losses

€ thousands	2012	2011
Foreign exchange gains	84,959	82,635
Foreign exchange losses	(92,789)	(86,312)
Change in fair value of exchange rate instruments	1,051	3,592
FOREIGN EXCHANGE INCOME	**(6,779)**	**(85)**

NOTE 7. Other financial income and expenses

€ thousands	2012	2011
By nature		
Change in fair value of financial instruments	367	(3,857)
Provisions for impairment of available-for-sale financial assets	(400)	(787)
Dividends from available-for-sale financial assets	773	474
Other financial income and expenses	(4,913)	(5,747)
OTHER FINANCIAL INCOME AND EXPENSES	**(4,173)**	**(9,917)**

Other financial income and expenses mainly include discounting adjustments to financial expenses related to put options granted to minority shareholders, which amounted to €5,267 thousand in 2012 (versus €5,591 in 2011).

NOTE 8. Income tax

Income tax gain (loss) for the period

€ thousands	2012	2011
Current tax	(221,048)	(185,897)
Deferred taxes	13,926	6,501
TOTAL	**(207,122)**	**(179,396)**

Tax Proof

As a % of pre-tax profit	2012	2011
Standard French income tax rate	34.4	34.4
Differences in foreign tax rate impact	(8.0)	(7.5)
Impact of reduced rates and permanent differences between book and taxable profit	0.1	(1.2)
Other non-deductible/non-taxable items under local tax rules	(1.0)	1.1
EFFECTIVE INCOME TAX RATE	**25.5**	**26.8**

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	2012	2011
AT JANUARY 1	**(47,066)**	**(31,201)**
Deferred taxes recognized in equity	(186)	3,360
Deferred tax income (expense) for the period, net	13,926	6,501
Effect of changes in scope of consolidation, exchange rate impacts and other movements	1,776	(25,726)
AT DECEMBER 31	**(31,550)**	**(47,066)**

Unrecognized deferred tax assets

€ thousands	2012	2011
Tax loss carryforwards	53,643	37,479
Other unrecognized deferred tax assets	19,326	4,368
UNRECOGNIZED DEFERRED TAX ASSETS	**72,969**	**41,847**

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 2012 Supplementary Budget Act.

Deferred taxes by type

€ thousands	2012	2011
Elimination of intercompany profits	37,631	33,688
Differences in depreciation periods	(5,942)	(12,167)
Temporarily non-deductible provisions	24,720	36,313
Actuarial gains and losses	8,368	11,309
Assets and liabilities recognized on an acquisition	(125,725)	(142,976)
Other	29,398	26,767
TOTAL	**(31,550)**	**(47,066)**

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.

Tax consolidation

In France, Essilor, Tikai Vision (formerly Barbara), BBGR, BNL, Delamare, Essidev, Invoptic, Novisia, OMI, Optim, FGX Holding France, OSE (not consolidated) and Varilux University (not consolidated) form a single group for tax purposes. The tax is paid by the parent company of the tax group. In 2012, the companies in the tax group generated a tax benefit of €3.6 million (2011: €3 million).

Provision for tax risks

Following various tax audits and proceedings underway within the Group, provisions totaling €29.9 million were recognized at December 31, 2011. These provisions were adjusted to €20.5 million at December 31, 2012.

NOTE 9. Change in number of shares

The shares have a par value of €0.18.

	Actual number of shares	
	2012	2011
ORDINARY SHARES, NET OF TREASURY STOCK, AT JANUARY 1	**208,675,170**	**208,761,230**
Exercise of stock subscription options	2,700,390	1,861,638
Subscription of the Essilor group FCP mutual fund	385,354	521,316
Shares sold out of treasury on exercise of stock purchase options		111,295
Sales of treasury shares held for performance share grants	578,008	585,346
(Purchases) and sales of treasury stock, net	(2,002,359)	(3,165,655)
ORDINARY SHARES, NET OF TREASURY STOCK, AT DECEMBER 31	**210,336,563**	**208,675,170**
Number of treasury shares eliminated at December 31	4,387,477	5,363,126

	Weighted average number	
	2012	2011
ORDINARY SHARES, NET OF TREASURY STOCK, AT JANUARY 1	**208,675,170**	**208,761,230**
Exercise of stock subscription options	1,210,098	895,077
Subscription of the Essilor group FCP mutual fund	10,529	9,998
Shares sold out of treasury on exercise of stock purchase options		50,421
Sales of treasury shares held for performance share grants	44,362	45,829
(Purchases) and sales of treasury stock, net	(1,676,004)	(2,516,897)
ORDINARY SHARES, NET OF TREASURY STOCK, AT DECEMBER 31	**208,264,155**	**207,245,658**

In 2012, a total of 2,400,000 treasury shares were cancelled. Essilor did not cancel any treasury shares in 2011.

NOTE 10. Diluted earnings per share

Profit used for the calculation of diluted earnings per share is €584 million (€506 million in 2011).

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

	2012	2011
Weighted average number of shares	**208,264,155**	**207,245,658**
Dilutive effect of stock subscription options	1,056,070	1,385,174
Dilutive effect of performance share grants	1,695,218	1,046,670
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES	**211,015,443**	**209,677,502**

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
2012						
Gross amount	1,897,293	198,023	39,902	(34,349)		2,100,869
Impairment losses	13,962		(328)	138	164	13,936
NET AMOUNT	**1,883,331**	**198,023**	**40,230**	**(34,487)**	**(164)**	**2,086,933**
2011						
Gross amount	1,535,140	312,984	25,949	23,220		1,897,293
Impairment losses	13,189		866	(296)	203	13,962
NET AMOUNT	**1,521,951**	**312,984**	**25,083**	**23,516**	**(203)**	**1,883,331**

The main increases in goodwill resulted from:

- in 2012, acquisitions of several laboratories in Latin America, the United States and Asia, distribution companies in China and instrument companies in France;
- 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 (Youli Optics Co. Ltd.).

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.

Since January 1, 2010, the Essilor group has for the most part applied the so-called "full goodwill" method for acquisitions for which there was a commitment to redeem minority interests. The fair value of the minority interests is determined by estimating the future price to be paid for said minority interests.

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

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

€ thousands	2012	2011
Europe	280,478	249,157
North America	709,781	631,806
Rest of the World	488,590	361,272
Equipment	272,579	270,206
Readers	335,505	370,890
TOTAL	**2,086,933**	**1,883,331**

Goodwill was tested for impairment at June 30, 2012 and the results were reviewed at December 31, 2012, 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 2012 (2011: 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:

As a percentage	2012	2011
Europe	8	7
North America	7	7
South America[(a)]	16	16
ASEAN	7	7
Japan	7	5
South Korea	9	9
India	14	12
China	9	8
Australia and New Zealand	9	10
Africa and the Middle East	11	10
Equipment	7	7
Readers	7	7
Plants	8	8

(a) Primarily Brazil.

The perpetuity growth rate was estimated at 0% to 2% (2011: 0% to 2.5%), with the highest rates applied to emerging markets.

No impairment losses were recognized on goodwill in 2011 and 2012.

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, 2012.

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, 2012.

NOTE 12. Other intangible assets

€ thousands	At the beginning of the year	Changes in scope of consolidation and other movements	Acquisitions	Disposals	Translation difference	Depreciation and impairment losses for the period	At the end of year
2012							
Trademarks	235,801	119			(4,172)		231,748
Patents and licenses	265,234	34,285	13,878	2,393	(5,331)		305,673
Contractual customer relationships	227,251	62,592		1,091	(3,546)		285,206
Other intangible assets	119,207	(10,326)	28,027	2,944	(2,078)		131,886
GROSS AMOUNT	**847,493**	**86,670**	**41,905**	**6,428**	**(15,127)**		**954,513**
Accumulated depreciation	265,712	8,860		5,433	(5,284)	69,036	332,891
CARRYING AMOUNT	**581,781**	**77,810**	**41,905**	**995**	**(9,843)**	**(69,036)**	**621,622**
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**		**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**

Intangible assets in progress amounted to €9.1 million at December 31, 2012 (€20.8 million in 2011).

Trademarks with an indefinite useful life are mainly:

- the Lens segment in the United States for a net carrying amount of €34.7 million at December 31, 2012 (2011: €35.4 million);
- the Lens business segment in Africa and the Middle East for a net carrying amount of €12.1 million at December 31, 2012 (2011: €12.4 million);
- the Lens business segment in Asia for a net carrying amount of €3.2 million at December 31, 2012 (2011: €3.2 million);
- the Equipment business segment for a net carrying amount of €8.3 million at December 31, 2012 (2011: €8.3 million);
- the Readers business segment for a net carrying amount of €162.4 million at December 31, 2012 (2011: €165.6 million).

Trademarks with an indefinite useful life are not amortized. They are tested for impairment at least once a year or whenever an adverse event occurs.

The discounted cash flow method is used, generally with a royalty-based approach. This method involves estimating the value of the trademark by applying a royalty rate to forecast revenue that is consistent with the rates usually demanded for the use of similar trademarks. The discount rate and long-term growth rates employed are determined based on the economic environment in which the trademark operates.

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	Depreciation and impairment losses for the period	At the end of the year
2012							
Land	42,372	7,958	590	148	(1,473)		49,299
Buildings	549,132	54,520	23,342	11,188	(9,856)		605,950
Plant and equipment	1,496,996	95,621	79,245	66,914	(13,157)		1,591,791
Other	420,128	(26,461)	97,352	28,693	(5,636)		456,690
GROSS AMOUNT	**2,508,628**	**131,638**	**200,529**	**106,943**	**(30,122)**		**2,703,730**
Accumulated depreciation	1,553,348	83,624		94,477	(19,068)	179,745	1,703,172
CARRYING AMOUNT	**955,280**	**48,014**	**200,529**	**12,466**	**(11,054)**	**(179,745)**	**1,000,558**
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**		**2,508,628**
Accumulated depreciation	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**

The amounts presented include fixed assets under finance leases.

Assets under construction amounted to €80.1 million at December 31, 2012 (€59.8 million at the end of 2011).

NOTE 14. Property, plant and equipment: finance leases

€ thousands	At the beginning of the year	Changes in scope of consolidation and other movements	Acquisitions	Disposals	Translation difference	Depreciation and impairment losses for the period	At the end of the year
2012							
Land	850						850
Buildings	13,842	87	33		(6)		13,956
Other	21,051	1,980	762	684	(264)		22,845
GROSS AMOUNT	**35,743**	**2,067**	**795**	**684**	**(270)**		**37,651**
Accumulated depreciation	23,779	968		684	(160)	2,195	26,098
CARRYING AMOUNT	**11,964**	**1,099**	**795**		**(110)**	**(2,195)**	**11,553**
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**		**35,743**
Accumulated depreciation	21,624	257		246	71	2,073	23,779
CARRYING AMOUNT	**13,300**	**(170)**	**904**	**46**	**49**	**(2,073)**	**11,964**

NOTE 15. Investments in associates

Details of associates are as follows:

Company	Country	2012 % interest	2012 % voting rights	2011 % interest	2011 % voting rights
Transitions Group	[(a)]	49	49	49	49
Shamir Optispeed	South Africa	13	25	13	25
Shamir Emerald	South Africa	14	28	14	28
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:

€ thousands	2012 Share of equity	2012 Share of profit	2011 Share of equity	2011 Share of profit
Transitions group	120,860	23,812	121,152	27,902
Shamir Optispeed & Shamir Emerald	110	(1)	115	(19)
VisionWeb[(a)]	(11,132)	0	(11,352)	0
TOTAL	**109,838**	**23,811**	**109,915**	**27,883**

(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 28.29 and IAS 28.30, 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.

GROUP'S SHARE OF THE CUMULATIVE BALANCE SHEET OF ASSOCIATES

€ thousands	December 2012	December 2011
Intangible assets and property, plant and equipment, net	48,172	44,313
Other non-current assets	27,016	27,611
Current assets	114,468	117,020
Non-current liabilities	8,195	2,909
Current liabilities	72,868	77,393

NOTE 16. Other long-term financial investments

Long-term financial investments at fair value 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 and other movementts	Additions, new loans	Disposals, repay-ments	Translation difference	Fair value adjustments	Impairment losses recognized in the period, net	At the end of the year
2012								
Long-term financial investments at fair value	**32,283**	**(5,933)**	**12,719**	**868**	**(261)**	**2,307**	**(570)**	**39,677**
Investments in non-consolidated companies	29,578	(6,399)	12,675	8	(126)	2,122	(413)	37,429
Other available-for-sale financial assets	2,705	466	44	860	(135)	185	(157)	2,248
Long-term financial investments at amortized cost	**60,460**	**4,114**	**17,832**	**1,501**	**(959)**	**0**	**(40)**	**79,906**
Loans, including accrued interest	60,749	4,886	17,832	1,513	(979)	0	0	80,975
Impairment	289	772	0	12	(20)	0	40	1,069
Other long-term financial investments	**92,743**	**(1,819)**	**30,551**	**2,369**	**(1,220)**	**2,307**	**(610)**	**119,583**
2011								
Long-term financial investments at fair value	**22,247**	**(2,151)**	**15,134**	**13,126**	**4**	**(1,184)**	**11,359**	**32,283**
Non-consolidated interests	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**

NOTE 17. Inventories

€ thousands	2012	2011
Raw materials and other supplies	338,760	316,458
Goods for resale	172,354	156,730
Finished and semi-finished products and work in progress	463,645	408,559
GROSS AMOUNT	**974,759**	**881,747**
Valuation allowance	(144,281)	(128,331)
CARRYING AMOUNT	**830,478**	**753,416**

NOTE 18. Short-term receivables and payables

Short-term receivables break down as follows:

€ thousands	2012	2011
Trade receivables		
Gross amount	1,111,659	1,074,243
Valuation allowance	(56,552)	(52,637)
Carrying amount	**1,055,107**	**1,021,606**
Other short-term receivables		
Gross amount	92,874	100,577
Valuation allowance	(456)	(437)
Carrying amount	**92,418**	**100,140**
TOTAL SHORT-TERM RECEIVABLES, NET	**1,147,525**	**1,121,746**

Short-term payables break down as follows:

€ thousands	2012	2011
Trade payables	489,098	469,763
Tax and employee related payables	266,549	236,688
Other short-term payables	259,028	206,767
TOTAL SHORT-TERM PAYABLES	**1,014,675**	**913,218**

NOTE 19. Cash and cash equivalents

Cash and cash equivalents break down as follows:

€ thousands	2012	2011
Cash	380,654	237,576
Money market funds (qualified as cash and equivalent)	134,691	43,200
Bank deposit	100,000	82,000
Other	45,613	27,544
TOTAL	**660,958**	**390,320**

NOTE 20. Pension and other post-retirement benefit obligations

The Group's pension and other post-retirement benefit obligations mainly include:

- 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, 2011	**268,236**	**(83,009)**	**(8,426)**		**176,801**
Service cost	9,794				9,794
Interest cost	10,585				10,585
Expected return on plan assets		(3,889)			(3,889)
Amortization of past service cost	661		(182)		479
Employee contributions	545	(545)			
Contributions to plan assets		(26,777)			(26,777)
Benefits paid	(17,212)	17,212			
Actuarial gains and losses	37,993	(7,108)			30,885
Curtailment and settlement	(611)				(611)
Other movements	3,496	(2,807)			689
Changes in scope of consolidation	15,790	(8,314)	651		8,127
Currency translation adjustment	(3,157)	1,190	(138)		(2,105)
AT DECEMBER 31, 2012	**326,120**	**(114,047)**	**(8,095)**		**203,978**
of which cumulative actuarial losses (gains) recorded in equity at the balance sheet date					95,292
Actual returns on plan assets		(10,997)			(10,997)
of which Obligations hedged in whole or in part by a plan assets	167,683				167,683
of which Obligations not hedged by a plan assets	158,437				158,437
of which in provisions for pensions in liabilities					204,652
of which non-current assets (over-hedged plans)					674

€ 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)**		**161,683**
Service cost	6,187				6,187
Interest cost	9,688				9,688
Expected return on plan assets		(3,469)			(3,469)
Amortization of past service cost			926		926
Employee contributions	822	(822)			
Contributions to plan assets		(11,511)			(11,511)
Benefits paid	(11,722)	11,722			
Actuarial gains and losses	11,264	(675)			10,589
Curtailment and settlement	(3,081)				(3,081)
Other movements	5,189	(1,731)			3,458
Changes in scope of consolidation	2,945	(1,942)			1,004
Currency translation adjustment	3,003	(1,724)	48		1,328
AT DECEMBER 31, 2011	**268,236**	**(83,009)**	**(8,426)**		**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

Actuarial assumptions used to estimate commitments in the main 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 main rates used by the Group are on follows:

As a %	2012			2011		
	Euro Zone	United States	United Kingdom	Euro Zone	United States	United Kingdom
Discount rate	3.2	3.75	4.1	4.3	4.5	4.7
Expected rate of return on investments	3.2	3.75	4.1	4 to 4.8	7	5.6
Weighted average rate of return on plan assets		4.21			4.53	
Weighted average rate of salary increases		1.93			2.08	

The discount rate used for length-of-service awards in France was 3.2% in 2012 (4.3% in 2011).

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, 2012 would have been by €11 million higher.

The recognized actuarial gains or losses correspond to experience adjustments (differences between assumptions used and actual data) and changes in assumptions. In 2012, the actuarial gains or losses resulting from experience adjustments were 2.6% of the projected benefit obligation (2011: 0.6%).

Composition by type of plan assets

As a %	2012	2011
Shares	18	19
Bonds	32	38
General insurance funds	80	42
Real estate	0	0
Other	0	0

Analysis of rights

€ thousands	Projected benefit obligation	Plan assets	Deferred items	Provision 2012
Pensions (supplementary and guaranteed income plans)	244,384	(106,225)	(1,826)	136,333
Length-of-service awards	56,600	(7,622)	(6,269)	42,709
Other benefits	25,135	(200)	0	24,935
TOTAL	**326,119**	**(114,047)**	**(8,095)**	**203,977**

€ thousands	Projected benefit obligation	Plan assets	Deferred items	Provision 2011
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**

Expenses for the fiscal year

Income (Expenses) € thousands	2012	2011
Service cost for the period	(9,794)	(6,187)
Interest cost	(10,585)	(9,688)
Expected return on plan assets	3,889	3,469
Actuarial gains and losses on short-term benefits	(316)	131
Amortization of past service cost	(479)	(926)
Curtailment and settlement	611	3,081
Other	0	0
Expenses for the period	**(16,674)**	**(10,120)**
Contributions to plan assets	19,687	4,534
Benefits paid	7,090	6,977
TOTAL INCREASE (DECREASE) IN PROVISIONS	**10,103**	**1,391**

NOTE 21. Provisions

€ thousands	At the beginning of the year	Charges	Reversals (used)	Reversals (unused)	Translation adjustments	Changes in scope of consoli-dation	Other movements	At the end of the year
2012								
Provisions for losses from subsidiaries and affiliates	300			(206)		643		737
Restructuring provisions	9,209	6,638	(9,103)	(884)	(167)	632	1,297	7,622
Warranty provisions	24,101	2,788	(1,489)	(558)	(425)	911	(68)	25,260
Other	107,791	27,264	(19,304)	(19,617)	(168)	(360)	(2,271)	93,335
TOTAL	**141,401**	**36,690**	**(29,896)**	**(21,265)**	**(760)**	**1,826**	**(1,042)**	**126,954**
2011								
Provisions for losses from subsidiaries and affiliates	300							300
Restructuring provisions	19,323	7,370	(13,030)	(2,763)	185		(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**

Provisions for other risks at December 31, 2012 include in particular provisions for tax audits and litigation affecting income tax and other taxes for a total amount of €21.2 million (€32.6 million at December 31, 2011), and the provision of €50.7 million created for potential violations to the cartel laws in Germany (€50.7 million at December 31, 2011, 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[(a)]	2012	2011
Long-term borrowings	526,237	309,152
Short-term borrowings	305,459	578,500
Short-term bank loans and overdrafts	81,427	26,644
Accrued interest	3,126	1,436
TOTAL BORROWINGS	**916,249**	**915,732**
Marketable securities[(b)]	(5,781)	(7,450)
Cash equivalents	(280,304)	(152,744)
Cash	(380,654)	(237,576)
TOTAL ASSETS	**(666,739)**	**(397,770)**
CROSS CURRENCY SWAPS[(c)]	**(12,539)**	**(11,779)**
NET DEBT	**236,971**	**506,183**

(a) Sign convention: + debt / - surplus cash or securities.
(b) Marketable securities are included by the Group in net debt (Note 1.28).
(c) The Cross Currency Swap is valued at fair market value at December 31 of every year (see Note 23.2).

Long-term borrowings

In March 2012 Essilor International issued a US private placement of $300 million. This enabled the Company to strengthen its financial structure by extending the average maturity of its debt. The private placement comprises one five-year tranche of $200 million, one seven-year tranche of $100 million, with interest of 2.65% and 3.10% respectively. This placement is subject to a financial covenant, which was met as at December 31, 2012.

At December 31, 2012, the major portion of long-term financial debt was comprised of this private placement and a bilateral bank loan concluded in 2007 by Essilor of America.

Short-term borrowings

In May 2010, Essilor International launched a commercial paper program whose ceiling was increased to €1 billion in may 2012. The amount outstanding of the issues was €130 million at December 31, 2012 (€174 million at December 31, 2011). The financial presentation outline is available on the Banque de France website under Debt Securities.

At December 31, 2012, short-term financial debt was distributed principally between drawdowns of syndicated facility credit (€148 million) and issues of commercial paper.

At December 31, 2012, the Group's funding structure was as follows:

	Amount € millions	Issue date	Maturity
Bank loan	250	February 2007	February 2014
US private placement	227	March 2012	March 2017/2019
Commercial paper (program)	1,000	May 2012	May 2013
Syndicated credit facility	1,000	June 2007	June 2014
Bilateral bank facilities	227	March 2012	March 2017
Bilateral bank facilities	464	June 2012	June 2015/2017

22.2 Borrowings

Financial debt by maturity

Borrowings can be analyzed as follows by maturity:

€ thousands	2012	2011
Due within one year	390,012	606,581
Due in 1 to 5 years	449,804	305,158
Due beyond 5 years	76,433	3,993
TOTAL	**916,249**	**915,732**

Financial debt by currency

Borrowings break down as follows by currency:

€ thousands	2012	2011
US dollar	643,371	661,479
Euro	172,100	221,247
Other currencies	100,778	33,006
TOTAL	**916,249**	**915,732**

Fair value of debt

The fair value of borrowings is as follows:

€ thousands	2012	2011
Long-term borrowings	513,698	297,373
Short-term borrowings	305,459	578,500
Short-term bank loans, overdrafts and accrued interest	84,553	28,080
TOTAL	**903,710**	**903,953**

Finance lease liabilities

	2012		2011	
€ thousands	Principal	Interest	Principal	Interest
Due within one year	1,861	187	2,115	39
Due in 1 to 5 years	4,039	111	3,837	246
Due beyond 5 years	0	0	358	4
TOTAL FINANCE LEASE LIABILITIES	**5,900**	**298**	**6,310**	**289**

NOTE 23. Financial instruments

23.1 Financial instruments carried in the balance sheet

Financial instruments carried in the consolidated balance sheet at December 31, 2012 and 2011 fall into the following categories:

2012 € thousands	Carrying amount	Category of instruments: Fair value through profit or loss	Fair value through equity[a]	Loans, receivables	Liabilities at amortized cost	Derivative instruments
Other long-term financial investments	119,583		39,677	79,906		
Non-current trade receivables	25,052			25,052		
Prepayments to suppliers	15,719			15,719		
Current trade receivables	1,147,525			1,147,525		
Tax receivables	55,806			55,806		
Other receivables	35,645			35,645		
Derivative financial assets	33,611					33,611
Marketable securities	5,781		5,781			
Cash and cash equivalents	660,958	660,958				
FINANCIAL ASSETS	**2,099,680**	**660,958**	**45,458**	**1,359,653**		**33,611**
Long-term borrowings	526,237				526,237	
Other long-term liabilities	232,544				232,544	
Short-term borrowings	390,012				390,012	
Customer prepayments	16,944				16,944	
Current trade payables	1,014,675				1,014,675	
Tax payables	75,627				75,627	
Other current liabilities	207,605				207,605	
Derivative financial liabilities	30,115					30,115
FINANCIAL LIABILITIES	**2,493,759**				**2,463,644**	**30,115**

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

2011 € thousands	Carrying amount	Fair value through profit or loss	Fair value through equity[a]	Loans, receivables	Liabilities at amortized cost	Derivative instruments
		Category of instruments				
Other long-term financial investments	92,743		32,283	60,460		
Long-term receivables	3,891			3,891		
Prepayments to suppliers	19,671			19,671		
Short-term 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
Marketable securities	7,450	7,450				
Cash and cash equivalents	390,320	390,320				
FINANCIAL ASSETS	**1,730,105**	**397,770**	**32,283**	**1,284,961**		**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.

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 are recognized directly in financial income and expenses, in accordance with the criteria of IAS 39.

The market value of Group derivatives is presented below:

Market value by instrument type

€ thousands	2012 Nominal	2012 Market value	2011 Nominal	2011 Market value
Forward Currency transactions	550,109	(1,911)	439,566	(4,906)
Currency options	1,394	40	2,595	183
Cross currency swap EUR/USD	250,000	12,539	250,000	11,779
Interest rate swaps USD	113,688	(7,216)	231,857	(7,426)
Interest rate options (caps)	87,896	44	88,643	508
TOTAL DERIVATIVE INSTRUMENTS	**1,003,087**	**3,496**	**1,012,661**	**138**

Market value by hedge type

€ thousands	2012	2011
Cash flow hedges:		
■ Forward exchange contracts	492	600
■ Interest rate swaps	(7,216)	(7,426)
Fair value hedges:		
■ Forward exchange contracts	(304)	(119)
■ Cross currency swaps	12,539	11,779
Net investment hedges:		
■ Forward exchange contracts	(26)	(318)
Instruments not qualifying for hedge accounting:		
■ Forward exchange contracts	(2,073)	(5,069)
■ Currency options	40	183
■ Interest rate options (caps)	44	508
FAIR VALUE OF DERIVATIVE INSTRUMENTS	**3,496**	**138**
Derivative financial instruments recognized in assets	33,611	15,091
Derivative financial instruments recognized in liabilities	(30,115)	(14,953)

In 2007, Essilor of America set up a fixed-rate borrowing of €250 million with maturity in 2014. This transaction is hedged 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.

In 2010 and 2011, the Company subscribed to interest rate swaps for an amount of $300 million and two interest rate caps for amounts of €50 million and $50 million.

In 2012, the Company unwound interest rate swaps totaling $150 million.

Forward foreign exchange transaction details at December 31, 2012

	Currency purchased												
€ thousands	USD	EUR	JPY	THB	MXN	PHP	PLN	SGD	CHF	INR	GBP	AUD	Total
Currency sold													
USD		35,163	6,720	27,285	23,382	17,432		7,464		5,457			122,903
EUR	68,812		30,041		1,018		12,735		6,171		2,923		121,700
GBP	31,537	70,630											102,167
AUD	37,473	11,690											49,163
CAD	8,967	40,194											49,161
BRL	33,818												33,818
IDR	13,109												13,109
INR	11,853												11,853
SGD		10,086											10,086
SEK	2,165	4,195											6,360
CHF		5,757											5,757
NOK		5,034											5,034
KRW	4,110												4,110
TRY		2,930											2,930
CZK		2,044											2,044
Other	1,225	7,267										1,422	9,914
TOTAL	**213,069**	**194,990**	**36,761**	**27,285**	**24,400**	**17,432**	**12,735**	**7,464**	**6,171**	**5,457**	**2,923**	**1,422**	**550,109**

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	2012	2011
Revenue		
Cost of sales	1,627	(4,860)
GROSS PROFIT	**1,627**	**(4,860)**
Research and development costs		
Selling and distribution costs		
Other operating expenses		
CONTRIBUTION FROM OPERATIONS	**1,627**	**(4,860)**
Other income (expense) from operations, net		
Gains and losses on asset disposals, net		
OPERATING PROFIT	**1,627**	**(4,860)**

NOTE 24. Other current and non-current liabilities

€ thousands	2012	2011
Liabilities due to suppliers in more than one year	4,305	2,340
Liabilities related to long-term put options granted to minority shareholders	228,239	135,828
TOTAL OTHER NON-CURRENT LIABILITIES	**232,544**	**138,168**
Liabilities to suppliers related to tangible and intangible fixed assets	5,359	11,549
Liabilities related to long-term financial investments	109,402	66,177
Liabilities related to short-term put options granted to minority shareholders	65,149	48,774
Other	27,695	34,806
TOTAL OTHER CURRENT LIABILITIES	**207,605**	**161,306**

NOTE 25. Off-balance sheet commitments

€ thousands	2012	2011
Commitments given		
Guarantees and endorsements	94,670	94,267
Debt secured by collateral:		
■ Debt	49	35
■ net book value of collateral	1,817	6,907
Commitments received		
Guarantees, endorsements and sureties received	6,260	461
Commitments under operating leases and for royalties		
Within one year	22,972	20,312
In 1 to 5 years	68,654	45,927
Beyond 5 years	13,737	6,010
TOTAL OPERATING LEASING COMMITMENTS	**105,363**	**72,249**

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.

26.1 Liquidity risk

The Company's financing strategy 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.

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.

The Group has a syndicated credit facility of €1 billion maturing in 2014. As of December 31, 2012, this facility was drawn down by €148 million.

The Group also has bilateral credit facilities of €691 million maturing between 2015 and 2017. As of December 31, 2012, none of these bilateral facilities was drawn down.

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

Financial assets and liabilities (including operating receivables and payables) at December 31, 2012 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	(1,705)	(696)	(62)	(2,463)
Financial assets other than financial instruments	2,001	65		2,066
Net fair value of financial instruments			3	3
NET POSITION	**296**	**(631)**	**(59)**	**(394)**

(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, 2012 was as follows:

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

(€ millions)	2013	2014	2015	2016	2017	Beyond 2018	TOTAL
Commercial paper[a]					130		130
Bank loans[b]	30	266		6	6		308
Private placements					152	76	228
Credit facilities[c]		148					148
Bank overdraft	81						81
Leasing	2	4					6
Other debt			3				3
GROSS DEBT	**113**	**418**	**3**	**6**	**288**	**76**	**904**
Cash and cash equivalent	(662)	(1)		(3)		(1)	(667)
NET DEBT[d]	**(549)**	**417**	**3**	**3**	**288**	**75**	**237**
Available committed credit facilities		852	274	90	327		1,543

(a) Commercial paper is set to mature in 2017 (maturity of credit facilities).
(b) Including cross currency swap.
(c) Draw-downs on syndicated credit facility are set to mature in 2014 (maturity of syndicated credit facility).
(d) >0: net debt; <0: net cash surplus.

26.2 Currency risk

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

Invoicing in local currency of importing or exporting companies allows the concentration of the bulk of foreign exchange risk on a small number of entities. Those companies that are exposed to significant currency risk are hedged with the support of the Group Treasury Department. The risk to other subsidiaries, if reduced, is nonetheless monitored centrally.

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, royalties and management fees from the subsidiaries are 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, 2012 represented an amount equivalent to some €65 million.

Consolidated exposure to currency risk on assets and liabilities at December 31, 2012

(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	1	(4)	(3)	(4)
EUR	(13)	9	(4)	4
JPY	(4)	11	4	33
USD	8	56	65	116
GBP	4	(3)	1	(33)
Other	10	(8)	2	9
TOTAL	**6**	**61**	**65**	**125**

(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 derivatives at December 31, 2012

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 euro versus all other currencies is presented below:

Impact (€ millions)

On equity		Profit before tax	
5% increase	5% decrease	5% increase	5% decrease
0	0	4	(4)

The impact of the change in equity would be generated by foreign exchange and interest rate 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.

26.3 Interest rate risk

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

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

The interest rate position before and after hedging is as follows:

€ millions	Before hedging		Hedges[a]			After hedging[a]		
	Fixed rate	Variable rate	Fixed rate	Variable rate	Cap	Fixed rate	Variable rate	Capped variable
Gross debt	507	410	(136)	35	88	371	445	88
Cash and similar	(6)	(661)				(6)	(661)	
SUB-TOTAL	**501**	**(251)**	**(136)**	**35**	**88**	**365**	**(216)**	**88**
NET DEBT		**250**			**(13)**			**237**

(a) Including fair value of cross currency swap.

As of December 31, 2012, 41% of gross debt after hedging was fixed rate adverse change (versus 26% in 2011).

The actual average weighted interest rate was 1.68% at the end of 2012 (1.08% at the end of 2011).

A parallel shift by 1% of the interest rate curves at December 31, 2012 applied to the components of net debt would have the following impact:

€ millions	Cash effect on income statement
1% increase	1
1% decrease	(1)

Net debt by currency is as follows:

€ millions	Gross debt	Cash and similar	Hedges[a]	Net debt after hedging[a]
EUR	422	(298)	(331)	(207)
USD	393	(68)	240	566
BRL	2	(34)		(32)
KRW		(12)		(12)
JPY		(42)		(42)
GBP		(13)	26	13
CNY	15	(36)	0	(21)
CAD	19	(43)	31	6
SGD	8	(14)	10	4
Autres	58	(107)	12	(38)
SUB-TOTAL	**916**	**(667)**	**(13)**	**237**
NET DEBT		**250**	**(13)**	**237**

(a) Including fair value of cross currency swap.

26.4 Counterparty risk

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

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

At December 31, 2012, counterparties for investment and capital markets transactions carried out by the Group Treasury Department were all rated at least A-2 (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 deposits.

At that date, 77% of investments made by Group subsidiaries had a minimum Standard & Poor's long-term rating of A-.

At December 31, 2012, 82% of the banks participating in the syndicated credit facility were all rated at least A-2 (short-term) and A- (long-term) by Standard & Poor's.

26.5 Credit risk

Non-provisioned outstanding customer accounts receivable due totaled €122.0 million at year-end 2012 (€130.3 million at year-end 2011). This was comprised mostly of receivables due for less than three months (85.9% in 2012; 70.8% in 2011) that were slightly past due.

€ millions	2012	2011
Trade receivables due within one year, net	1,055	1,022
Trade receivables due beyond one year, net	25	4
TRADE RECEIVABLES, NET	**1,080**	**1,025**
Trade receivables not yet due	917	863
Past-due trade receivables, net	163	162
Guarantees received, recoverable VAT	(41)	(37)
Past-due trade receivables, net of provisions and guarantees	122	125

Information relating to the twenty largest Group clients is presented in Note 3, Segment Information.

NOTE 27. Environmental risks

The Company is not exposed to any material environmental risks.

NOTE 28. Litigation

The accounting principales applied to provisions for contingencies is presented 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, 2012 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.

Following this investigation, on June 10, 2010, the BKA sent formal notification of fines to the main ophthalmic optics players in Germany. 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 conclusions and the amount of the fine, which they deem to be disproportionate. Two appeals were therefore 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, other than the appointment of a new prosecutor in charge of the case. The provisions initially created were maintained at December 31, 2012.

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 of America and Essilor Laboratories of America in 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 in a federal court in Florida was authorized in late 2010. The plaintiffs' admissibility proceedings began in the first half of 2011 and the discovery phase was completed in late 2012. A court decision is awaited to confirm or deny the qualification of the motions as class actions and determine the procedure's next steps. The claims received contain no claims for damages. As of December 31, 2012, the Group had not recorded any provisions in relation to the above.

Carl Zeiss Vision

Carl Zeiss Vision and Essilor concluded an agreement on FBS progressive lens technology. This agreement includes the settlement of the patent infringement lawsuit between Carl Zeiss Vision and Signet Armolite, a subsidiary of Essilor.

Under the terms of the agreement, Carl Zeiss Vision International has granted Essilor and its affiliates a royalty-bearing license under US Patent No. 6.089.713 and its foreign counterparts, and Essilor has granted a license to Carl Zeiss Vision for certain other opthalmic technologies, including coatings.

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. Number of employees and personnel costs

Number of employees	2012	2011
Management	6,262	5,700
Supervisory and administrative	14,061	12,170
Production	29,889	27,082
TOTAL AVERAGE NUMBER OF EMPLOYEES FOR THE PERIOD	**50,212**	**44,952**

€ thousands	2012	2011
PERSONNEL COSTS	**1,550,080**	**1,287,511**
(Salaries, payroll taxes and compensation costs on share-based payments)		

Number of employees	2012	2011
NUMBER OF EMPLOYEES AT THE END OF THE PERIOD	**50,668**	**48,700**
including employees of proportionately consolidated companies (on a 100%-basis)	14	3,025

NOTE 30. Related party transactions

Senior management compensation

€ thousands	2012	2011
Total compensation and benefits paid to the Executive Committee[a]	13,173	12,320
Directors' fees paid to the Executive Committee		21
TOTAL SENIOR MANAGEMENT COMPENSATION	**13,173**	**12,341**

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

The Executive Committee had 23 members at December 31, 2012 compared with 24 at December 31, 2011.

Post-employment benefits for Executive Committee members

- Pension obligations: €29,599 thousand at December 31, 2012 (versus €25,187 thousand at the end of 2011).
- Retirement benefits: €1,684 thousand at December 31, 2012 (versus €1,758 thousand at the end of 2011).

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 2012 for stock options and performance shares granted to Executive Committee members are as follows:

- €1,148 thousand (2011: €793 thousand) for stock options;
- €5,570 thousand (2011: €4,911 thousand) for performance shares.

Related party transactions

Affiliates are 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	2012	2011
Product sales	102,303	219,577
Product purchases	(398,206)	(480,614)
Trade receivables	15,175	42,391
Trade payables	59,174	76,396

NOTE 31. Subsequent events

Material changes in Essilor's financial or trading position

No material change in Essilor's financial or trading position has occurred since December 31, 2012.

New acquisitions

Since the beginning of 2013, Essilor has continued its international expansion with several new partnerships.

In Colombia, Essilor has signed an agreement to acquire a 51% stake in **Servi Optica**, one of South America's largest prescription laboratories. An Essilor distributor, Servi Optica is the market's leading distributor of ophthalmic lenses and generates revenue of around €29 million.

In Morocco, Essilor completed the acquisition of **Movisia** (annual revenue: approximately €1 million), a distributor of Nikon and Kodak brand lenses. Movisia strengthens the local operations of the Group created by L'N Optic and Optiben and by VST lab.

In Turkey, the Group has signed an agreement to acquire a majority stake in **Isbir Optik**, the market's leading distributor of ophthalmic lenses with full-year revenue of around €15 million.

In Chile, Essilor has signed an agreement for the acquisition of a majority stake in **Megalux**, the country's leading independent prescription laboratory. Based in Santiago, Megalux has five branches and generates annual revenue of €7 million. The partnership marks Essilor's entry into Chile, a country with a population of around 17 million. It is a fast-growing market, with progressive lenses accounting for at least one in 20 lenses sold each year.

In Russia, the Group acquired the majority of the capital of **MOC BBGR**, a joint venture that owns Marketing Optical Company, the long-therm distributor of BBGR lenses in the Russian market. MOC generates annuel revenue of approximately € 3.7 million.

Meanwhile, in Israel, Shamir has acquired the production and distribution assets of Optiplas, its local distributor which has annual revenue of some €5 million. The new company, Essilor Laboratories of Israel, will take over distribution of Essilor brands (Essilor, Varilux, Crizal and Nikon) in Israel. Combined with Shamir's local presence, this partnership will allow Essilor to build a credible multi-network offer in a competitive market where demand for innovations is strong among eye care professionals.

Transitions Optical Inc.

In January, Essilor announced that it was in discussions with PPG Industries relating to the future of their joint subsidiary, Transitions Optical, Inc., which is 49%-owned by Essilor.

Renewal of the Kodak license

Signet Armorlite, a subsidiary of Essilor, has renewed the Kodak lens manufacturing and distribution license signed with Eastman Kodak. The $30.5 million investment will allow Signet Armorlite, the Company's subsidiaries and some of their partners to use the Kodak brand throughout the world until 2029.

NOTE 32. List of fully-consolidated companies

Company	Country	% rights	% interest
FRANCE			
Activ Screen	France	68	68
BBGR	France	100	100
BNL Eurolens	France	100	100
BNL Polyofta	France	100	100
Dac Vision SAS	France	60	60
Delamare Sovra	France	100	100
Domlens	France	65	65
Essidev	France	100	100
Essiholding	France	100	100
Essor	France	65	65
FGX Holding SASU	France	100	100
Fred Management (Holding)	France	100	100
Invoptic	France	100	100
Interactif Visual System	France	68	68
IVS Technical Center	France	68	68
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

Company	Country	% rights	% interest
Essilor Espana S.A.	Spain	100	100
Essilor Optica International Holding S.L.	Spain	100	100
Satisloh Iberica	Spain	100	100
Shamir Optical Espana, SL	Spain	50	50
Signet Armorlite Iberica	Spain	100	100
Essilor OY	Finland	100	100
BBGR United Kingdom	United Kingdom	100	100
Crossbows Optical Ltd.	United Kingdom	100	100
Essilor European Shared Service Centre Ltd.	United Kingdom	100	100
Essilor Ltd.	United Kingdom	100	100
FGX Europe Limited	United Kingdom	100	100
Horizon Optical Company Ltd.	United Kingdom	95	95
Infield Safety UK, Ltd.	United Kingdom	100	100
Nikon Optical UK	United Kingdom	50	50
Shamir UK Limited	United Kingdom	50	50
Sight Station Ltd.	United Kingdom	100	100
Signet Armorlite Europe Ltd.	United Kingdom	100	100
Sinclair Optical Laboratories	United Kingdom	100	100
United Optical Laboratories	United Kingdom	100	100
Wholesale Lens Corporation Limited	United Kingdom	100	100
Essilor Optika Kft	Hungary	100	100
Athlone	Ireland	100	100
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

Company	Country	% rights	% interest
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	85	85
Shamir Nederland B.V	Netherlands	50	50
Signet Armorlite (Holland) BV	Netherlands	100	100
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	50	43
Essilor Portugal	Portugal	100	100
Shamir Portugal, LDA	Portugal	50	50
Signet Armorlite Portugal – Unipessoal, LDA	Portugal	100	100
Essilor Optika Spol s.r.o.	Czech Republic	100	100
Omega Optix S.R.O. (Czechia)	Czech Republic	100	100
Essilor Romania SRL	Romania	100	100
Essilor Optika OOO	Russia	100	100
Shamir Russia LLC	Russia	50	50
Essilor Slovakia	Slovakia	100	100
Omega Optix S.R.O. (Slovakia)	Slovakia	100	100
Essilor D.O.O Slovenia	Slovenia	100	100
BBGR Skandinaviska	Sweden	100	100
Essilor AB	Sweden	100	100
Essilor (Switzerland) S.A.	Switzerland	100	100
Reize	Switzerland	65	65
Satisloh AG	Switzerland	100	100
Satisloh Holding AG	Switzerland	100	100
Satisloh Photonics AG	Switzerland	100	100
Vaco Holding S.A.	Switzerland	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

Company	Country	% rights	% interest
Groupe Vision Optique	Canada	100	100
Imperial Laboratories Inc.	Canada	60	60
K & W Optical Ltd.	Canada	100	100
Metro Optical Ltd.	Canada	100	100
Morrison Optical	Canada	100	100
Nikon Optical Canada Inc.	Canada	50	50
OMICS Software Inc	Canada	100	100
OPSG Ltd.	Canada	100	100
Optique Cristal	Canada	70	70
Optique de l'Estrie Inc.	Canada	100	100
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.	United States	100	100
Accu Rx Inc	United States	95	95
Advance Optical	United States	90	90
AG Opticals Inc	United States	100	100
Apex Optical Company Inc.	United States	100	100
Balester Optical	United States	100	100
Barnett & Ramel Optical Co. of Nebr.	United States	80	80
Bazell	United States	70	70
Beitler Mc Kee Company	United States	90	90
Blue Optics	United States	80	80
BSA Industries	United States	100	100
Carskadden Optical	United States	100	100
Central Optical	United States	60	60
Collard Rose	United States	95	95
Custom Optical	United States	100	100
Dac Vision Inc	United States	61	61
Deschutes	United States	80	80
Dibok Aspen Optical	United States	100	100
Dioptics Medical Products	United States	100	100
Eye Buy Direct US	United States	61	61
ELOA California Acquisition Corp.	United States	100	100
Empire	United States	85	85
Encore LLC	United States	50	50
Epics Labs Inc	United States	80	80
Essilor Laboratories of America Corporation	United States	100	100
Essilor Laboratories of America Holding Co Inc.	United States	100	100

Company	Country	% rights	% interest
Essilor Laboratories of America, Inc (includes Laboratoires US)	United States	100	100
Essilor Laboratories of America, LP (includes Avisia, Omega, Duffens)	United States	100	100
Essilor Latin America & Caribbean Inc.	United States	100	100
Essilor of America Holding Co Inc.	United States	100	100
Essilor of America Inc.	United States	100	100
Eye Care Express Lab Inc	United States	95	95
Eyewear LLC	United States	61	61
FGX Direct LLC	United States	100	100
FGX International Holdings Limited	United States	100	100
FGX International II Limited	United States	100	100
FGX International, Inc	United States	100	100
Focus Optical Labs, Inc	United States	90	90
Frames For America	United States	61	43
Future Optics FL Inc	United States	92	92
Future Optics TE Inc	United States	80	80
Gentex Optics Inc.	United States	100	100
Gulfstates Optical Laboratories Inc.	United States	80	80
Hawkins Optical Laboratories Inc.	United States	100	100
Hirsch Optical	United States	100	100
Homer Optical	United States	100	100
Interstate Optical	United States	80	80
Jorgenson Optical Supply Cy.	United States	95	95
Lenstech Optical Lab Inc.	United States	80	80
Mc Leodd Optical Company Inc.	United States	80	52
MGM	United States	85	85
MOC Acquisition Corporation	United States	84	84
Nassau Lens Co Inc.	United States	100	100
NEA Optical LLC	United States	80	80
Next generation	United States	100	100
Nikon Optical US	United States	50	50
NOA	United States	100	100
OOGP	United States	100	100
Optical One	United States	80	80
Optical Suppliers Inc. (Hawaii)	United States	85	85
Optical Ventures Inc.	United States	80	80
Optics East	United States	80	80
Optimatrix	United States	80	80
Optisource International Inc.	United States	90	90
Opt. Lab. Software Solutions	United States	100	100
Ozarks Optical Laboratories	United States	80	80
Pasch Optical Laboratory Inc.	United States	50	40

Company	Country	% rights	% interest
Pech Optical	United States	90	90
Peninsula Optical Lab.	United States	80	80
Perferx Optical Co Inc	United States	94	94
Personal Eyes	United States	100	100
Precision Optical Co. (Connecticut)	United States	80	80
Precision Optical Lab. (Tennessee)	United States	95	95
Premier Optics Corp	United States	90	90
Professional Opthalmic Lab	United States	80	80
Satisloh North America	United States	100	100
Shamir Insight, Inc.	United States	50	50
Shamir USA	United States	50	50
Signet Armorlite Inc	United States	100	100
Signet Armorlite USA	United States	100	100
Skaggs and Gruber, Ltd. d.b.a. Trucker Meadows	United States	80	80
Southwest lens	United States	65	65
Specialty Lens Corp.	United States	100	100
Stereo Optical Co. Inc.	United States	100	100
Stylemark	United States	100	100
SunStar Inc.	United States	80	80
Sutherlin Optical Company	United States	100	100
Tri Supreme Optical LLC	United States	100	100
Ultimate Optical Lab	United States	100	100
Vision-Craft Inc.	United States	100	100
Winchester Optical Company	United States	80	80
X-Cell	United States	80	80
Rainbow Optical	Puerto Rico	100	100
OTHER			
Essilor South Africa (Pty) Ltd.	South Africa	100	100
Spherical Optics (Pty) Ltd.	South Africa	50	26
Vision & Value	South Africa	80	80
AR Coating S.A.	Argentina	95	95
Essilor Argentina S.A.	Argentina	100	100
Optovision S.A.	Argentina	51	51
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	51	51
Shamir Australia (Pty) Ltd.	Australia	50	33
Sunix Computer Consultants Pty Ltd.	Australia	50	50

Company	Country	% rights	% interest
Tasmanian Optical Cy Pty Ltd.	Australia	100	100
Wallace Everett Lens Technology	Australia	66	66
Brasilor Participacoes Sc Ltda.	Brazil	100	100
Canto e Mello	Brazil	70	70
Ceditop	Brazil	76	76
Comopticos	Brazil	70	70
Embrapol Sul	Brazil	73	73
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
Riachuelo	Brazil	70	70
Repro	Brazil	70	70
Satisloh do Brasil	Brazil	100	100
Shamir Brasil Commercial Ltda.	Brazil	50	50
Styll	Brazil	51	51
Sudop Industria Optica Ltda.	Brazil	100	100
Technopark Comercio de Artigos Opticos S.A.	Brazil	51	51
Tecnolens	Brazil	71	71
Unilab	Brazil	71	71
YTT Holding	Brazil	51	51
Essilor Cambodia	Cambodia	51	51
Codi Sivo	Cameroon	55	28
Chemilens Co. Ltd.	China	50	50
Danyang	China	80	80
Eye Buy Direct China	China	61	61
Essilor China Holding Co Ltd.	China	100	100
FGX International Limited China	China	100	100
Nikon Beijing Co. Ltd.	China	50	50
Satisloh Trading Shenzen	China	100	100
Satisloh Trading Zhongshan	China	100	100
Seeworld Optical Co.	China	51	51
Shanghai Essilor Optical Co. Ltd.	China	100	100
Tian Hong	China	50	50
Wanxin	China	50	50
Youli Optics Co Ltd.	China	51	51
Essilor Colombia	Colombia	100	100
Signet Armorlite Colombia S.A	Colombia	96	96
Chemiglass	South Korea	50	50

Company	Country	% rights	% interest
Dekovision	South Korea	50	50
Essilor Korea	South Korea	50	50
Incheon Optics	South Korea	50	40
Laboratoires Sivo Abidjan	Côte d'Ivoire	55	50
Essilor Amico LLC	United Arab Emirates	50	50
Essilor Amico Middle East FZCO	United Arab Emirates	50	50
Essilor Middle East Limited	United Arab Emirates	100	100
Osme	United Arab Emirates	100	100
Ghanada	United Arab Emirates	50	40
GKB Emirates	United Arab Emirates	50	50
Eye Buy Direct HK	Hong Kong	61	61
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. (ex-Esssilor SRF Optics Ltd.)	India	100	100
Essilor Manufacturing India Pvt Ltd. (ex-Indian Ophtalmic Lenses Manuf.)	India	100	100
GKB Hi Tech	India	50	50
GKB Optic Tech Private Ltd.	India	51	51
GKB Rx Lens Private Ltd.	India	76	76
Sankar	India	70	70
Satisloh India	India	100	100
Vijay Vision Pvt Ltd.	India	88	88
P.T Optical Support of Indonesia	Indonesia	70	70
P.T. Essilor Indonesia	Indonesia	100	100
Essilor Israel Holding	Israel	100	100
Shamir Holding Optical	Israel	50	50
Shamir Optical 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	50	50
Aichi Nikon Co. Ltd.	Japan	50	50

Company	Country	% rights	% interest
Nasu Nikon Co. Ltd.	Japan	50	50
Nikon – Essilor Co. Ltd.	Japan	50	50
Essilor Amico Kuwait	Kuwait	50	50
Essilor Malaysia Sdn Bhd	Malaysia	100	100
Frames and Lenses	Malaysia	80	80
ILT Malaysia	Malaysia	81	81
L'N Optics	Morocco	51	51
Optiben	Morocco	65	65
Sivom	Morocco	55	28
VST Lab	Morocco	65	65
Aai Joske's S de RL de CV	Mexico	100	100
Centro Integral Optico S.A de C.V	Mexico	50	26
Cristal y Plastico S.A. de CV	Mexico	51	51
Essilor Mexico	Mexico	100	100
Shalens S.A C.V	Mexico	50	26
Signet Armorlite de Mexico, S.A. & CV	Mexico	99	99
Sofi de Chihuahua	Mexico	100	100
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
Epodi	Philippines	51	51
Essilor Manufacturing Philippines Inc.	Philippines	100	100
Optodev	Philippines	100	100
Amico Qatar	Qatar	50	49
Opti Express	Dominican Republic	51	51
Sivo Togo	Togolese Republic	55	28
Essilor Amera Pte Ltd.	Singapore	100	100
Essilor Philippines Holding	Singapore	51	51
ETC South East Asia Pte Ltd.	Singapore	70	70
ILT To Latin America	Singapore	51	51
Integrated Lens Technology	Singapore	100	100
Kaleido Vision Pte Ltd. (ex-Unique Ophtalmic)	Singapore	100	100
OSA Investments Holdings Pte Ltd.	Singapore	100	100
Polilyte Asia Pacific Pte Ltd.	Singapore	51	51
Seeworld Holding Pte Ltd.	Singapore	51	51
Signet Armorlite Asia (formerly Visitech)	Singapore	100	100
SMJ Holding Pte Ltd.	Singapore	70	70
Trend Optical Singapore	Singapore	70	70
Trend Optical Taiwan Branch	Taiwan	70	70

Company	Country	% rights	% interest
Polylite Taiwan Optilab	Taiwan	51	51
SMJ Holding Pte Ltd. Taiwan Branch	Taiwan	70	70
Essilor Distribution Thailand Co. Ltd.	Thailand	100	100
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	50	24
ShamirLens Thailand Co., Ltd.	Thailand	50	24
Essilor Sivo	Tunisia	55	55
Sicom	Tunisia	55	55
Altra Optik Sanayi ve Ticaret A.S	Turkey	50	50
Ipek	Turkey	70	70
Opak	Turkey	51	51
Yeda Tora	Turkey	70	70

NOTE 33. List of proportionately-consolidated companies

Company	Country	% rights	% interest
Nikon and Essilor International Joint Research Center Co. Ltd.	Japan	50	50

Combined contribution of proportionately consolidated companies

€ thousands	2012	2011
Intangible assets and property, plant and equipment, net	532	48,589
Other non-current assets	156	8,405
Current assets	847	112,996
Non-current liabilities		8,045
Current liabilities	440	30,867

NOTE 34. List of associates

Company	Country	% rights	% interest
Transitions Group			
▪ Transitions Optical Pty Ltd.	Australia	49	49
▪ Transitions Optical Do Brasil Limitada	Brazil	49	49
▪ Transitions Optical Inc.	United States	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
Shamir Optispeed	South Africa	25	13
Shamir Emerald	South Africa	28	14
Vision Web	United States	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 (based on a theoretical 100% holding):

€ thousands	Equity	Revenue	Net profit	Carrying amount of the shares	
				Gross	Net
Total non-consolidated companies	50,892	112,090	3,931	40,145	35,162

Note: As allowed under Article 24(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

Companies	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
ANFAO (association)	Spain	14
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
UAB JZP Optika Lituania	Lithuania	98
Optika JZO Zoo	Poland	98
Optikos SP Zoo	Poland	94
Neolens SP Zoo	Poland	100
Essilor Optics d.o.o	Serbia	100
JZO Optika Ukraina	Ukraine	98
AFRICA		
Evolution Optical	Africa	51
Easy Vision	Africa	100
NORTH AMERICA		
Cherry Optical	United States	48
American Optical Services (AOS)	United States	18
Superior Optical Lab.	United States	45
e-vision LLC	United States	17

Companies	Country	rights
REST OF WORLD		
Tianjing vx Technical School	China	100
Polylite Shanghai	China	15
Shandong Xin Yi Trading Ltd. Co	China	30
Shanghai ILT	China	100
Zheng Zhou Fang Yuan	China	51
ILT Costa Rica	Costa Rica	100
Dac Vision	Hong Kong	100
CP Services PVT Ltd.	India	100
Essilor Lens & Spects P Ltd.	India	60
Enterprise Ophtalmics	India	50
Optics India Equipments	India	50
Xtra Vision	India	51
Essilor Laos	Laos	100
Essilab Philippines Inc	Philippines	40
Eyeland	Philippines	39
Optoland	Philippines	40
Global Lens Lanka	Sri Lanka	50
Essilor South Thailand	Thailand	49
Lab. South Thailand	Thailand	87
Polylite Taiwan Co Ltd.	Taiwan	11
Chemilens Vietnam	Vietnam	100
OSA Ltd. Liability Co.	Vietnam	33