Financial Statements

Eye care, we care more

"Seeing well and looking good is important to me – Apollo helps me realize both."

Daniela Martens (27),
customer of Apollo, Germany
R -1.75 / L – 1.5

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Consolidated Financial Statements

Consolidated Income Statement

in thousands of EUR	Notes	2017	2016
Revenue	7	3,449,857	3,316,077
Cost of sales and directly related costs	8	- 923,561	- 900,628
Gross profit		2,526,296	2,415,449
Selling and marketing costs	8	- 1,749,313	- 1,668,417
General and administrative costs	8	- 452,137	- 392,741
Share of result of Associates and Joint Ventures	9	1,932	3,851
Operating result		326,778	358,142
Fair value gain on remeasurement of Associate	9	37,949	-
Finance income	10	3,995	8,864
Finance costs	10	- 18,700	- 19,278
Net financial result		- 14,705	- 10,414
Result before tax		350,022	347,728
Income tax	11	- 101,055	- 95,775
Result for the year		**248,967**	**251,953**
Attributable to:			
Equity holders		227,929	231,360
Non-controlling interests		21,038	20,593
		248,967	251,953
Earnings per share, basic (in EUR per share)	12	0.90	0.92
Earnings per share, diluted (in EUR per share)	12	0.90	0.91

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

in thousands of EUR	Notes	2017	2016
Result for the year		248,967	251,953
Other Comprehensive Income:			
Items that will not be reclassified to Income Statement			
Remeasurement of post-employment benefit obligations		2,204	- 9,232
Income tax relating to this item		- 661	2,887
		1,543	- 6,345
Items that may be subsequently reclassified to Income Statement			
Currency translation differences		- 42,092	- 30,953
Reclassification of currency translation reserve to Income Statement		- 13,162	-
Share of Other Comprehensive Income of Associates and Joint Ventures	18	- 96	- 65
Cash flow hedges		- 6,761	1,678
Income tax		1,664	- 459
		- 60,447	- 29,799
Other Comprehensive Income/ loss (net of tax)		- 58,904	- 36,144
Total comprehensive income for the year (net of tax)		**190,063**	**215,809**
Attributable to:			
Equity holders		171,585	198,465
Non-controlling interests		18,478	17,344
		190,063	215,809

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

in thousands of EUR	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	13	488,579	443,820
Goodwill	14	1,065,467	1,012,059
Other intangible assets	15	588,871	445,645
Deferred income tax assets	27	17,341	14,424
Investments in Associates and Joint Ventures	18	1,195	36,345
Other non-current assets	17	44,295	45,291
		2,205,748	1,997,584
Current assets			
Inventories	19	349,736	292,979
Trade and other receivables	20	328,260	291,494
Current income tax receivables		6,416	6,145
Derivative financial instruments	32	1,427	5,223
Cash and cash equivalents	21	164,679	181,101
		850,518	776,942
Total assets		**3,056,266**	**2,774,526**
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	22	59,512	58,140
Other reserves	23	- 148,962	- 92,618
Retained earnings	24	1,128,524	981,384
		1,039,074	946,906
Non-controlling interests	25	81,480	59,667
Total equity		**1,120,554**	**1,006,573**
Non-current liabilities			
Borrowings	26	377,200	388,253
Deferred income tax liabilities	27	80,946	73,847
Post-employment benefits	28	99,301	75,693
Provisions	29	22,688	12,332
Derivative financial instruments	32	3,135	4,169
Other non-current liabilities	31	31,419	13,310
		614,689	567,604
Current liabilities			
Trade and other payables	33	639,548	588,424
Current income tax liabilities		47,587	41,827
Borrowings	26	612,945	543,190
Derivative financial instruments	32	4,389	865
Provisions	29	16,554	26,043
		1,321,023	1,200,349
Total liabilities		**1,935,712**	**1,767,953**
Total equity and liabilities		**3,056,266**	**2,774,526**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

		Attributable to the equity holders							
in thousands of EUR	Notes	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-control-ling interest	Total equity
At 1 January 2016		**254**	**93,812**	**- 42,251**	**- 59,723**	**786,428**	**778,520**	**53,255**	**831,775**
Result for 2016		-	-	-	-	231,360	231,360	20,593	251,953
Cash flow hedge reserve	23,25	-	-	-	1,302	-	1,302	- 83	1,219
Remeasurement of post-employment benefit obligations	23,25	-	-	-	- 6,248	-	- 6,248	- 97	- 6,345
Cumulative currency translation reserve	23,25	-	-	-	- 27,949	-	- 27,949	- 3,069	- 31,018
Total comprehensive income		-	-	-	- 32,895	231,360	198,465	17,344	215,809
Purchase of treasury shares	22	-	-	- 2,411	-	-	- 2,411	-	- 2,411
Issue of share capital	22	4,835	- 4,835	-	-	-	-	-	
Share-based payments		-	- 2,196	10,932	-	- 1,077	7,659	-	7,659
Dividends	24,25	-	-	-	-	- 35,327	- 35,327	- 10,932	- 46,259
Total transactions with equity holders		4,835	- 7,031	8,521	-	- 36,404	- 30,079	- 10,932	- 41,011
At 31 December 2016		**5,089**	**86,781**	**- 33,730**	**- 92,618**	**981,384**	**946,906**	**59,667**	**1,006,573**
At 1 January 2017		**5,089**	**86,781**	**- 33,730**	**- 92,618**	**981,384**	**946,906**	**59,667**	**1,006,573**
Result for 2017		-	-	-	-	227,929	227,929	21,038	248,967
Cash flow hedge reserve	23,25	-	-	-	- 5,394	-	- 5,394	297	- 5,097
Remeasurement of post-employment benefit obligations	23,25	-	-	-	1,560	-	1,560	- 17	1,543
Cumulative currency translation reserve	23,25	-	-	-	- 39,348	-	- 39,348	- 2,840	- 42,188
Reclassification of currency translation reserve to Income Statement	23	-	-	-	- 13,162	-	- 13,162	-	- 13,162
Total comprehensive income		-	-	-	- 56,344	227,929	171,585	18,478	190,063
Acquisition of subsidiary	25	-	-	-	-	-	-	14,678	14,678
Acquisition of non-controlling interest	24,25	-	-	-	-	- 651	- 651	109	- 542
Share-based payments		-	- 14,605	15,977	-	- 1,775	- 403	-	- 403
Dividends	24,25	-	-	-	-	- 78,363	- 78,363	- 11,452	- 89,815
Total transactions with equity holders		-	- 14,605	15,977	-	- 80,789	- 79,417	3,335	- 76,082
At 31 December 2017		**5,089**	**72,176**	**- 17,753**	**- 148,962**	**1,128,524**	**1,039,074**	**81,480**	**1,120,554**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in thousands of EUR	Notes	2017	2016
Cash flows from operating activities			
Cash generated from operations	34	460,531	533,577
Tax paid		- 119,324	- 103,016
Net cash from operating activities		**341,207**	**430,561**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	6	- 131,883	- 12,729
Purchase of property, plant and equipment	13	- 155,225	- 139,978
Proceeds from sales of property, plant and equipment		5,274	4,765
Purchase of intangible assets	15	- 42,272	- 35,935
Proceeds from sales of intangible assets		1,724	1,801
Investments in Associates and Joint Ventures	18	-	- 336
Proceeds from sales of investments in buildings		275	490
Other non-current receivables		3,222	- 905
Dividends received	18	6,090	8,215
Interest received		4,184	5,417
Net cash used in investing activities		**- 308,611**	**- 169,195**
Cash flows from financing activities			
Purchase of treasury shares	22	-	- 2,411
Proceeds from borrowings	26	381,347	505,344
Repayments of borrowings	26	- 330,306	- 578,690
Interest swap payments	26	- 2,056	- 2,993
Acquisition of non-controlling interest	25	- 542	-
Dividends paid to non-controlling interests	25	- 11,452	- 10,932
Dividends paid to shareholders	24	- 78,363	- 35,327
Interest paid		- 11,360	- 15,398
Net cash generated used in financing activities		**- 52,732**	**- 140,407**
Increase / (decrease) in cash and cash equivalents		**- 20,136**	**120,959**
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		37,705	- 81,806
Increase / (decrease) in cash and cash equivalents		- 20,136	120,959
Exchange gains/ (losses) on cash and cash equivalents		- 5,333	- 1,448
Cash and cash equivalents at end of year	**21**	**12,236**	**37,705**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General Information

GrandVision N.V. ('the Company') is a public limited liability company and is incorporated and domiciled in Haarlemmermeer, the Netherlands. GrandVision N.V. is listed on the Euronext Amsterdam stock exchange. The Company's Chamber of Commerce registration number is 50338269. The address of its registered office is as follows: The Base, Evert van de Beekstraat 1-80, Tower C, 6th floor, 1118 CL Schiphol, the Netherlands.

At 31 December 2017, 76.72% of the issued shares are owned by HAL Optical Investments B.V. and 22.47% by institutional and retail investors, with the remaining shares held by GrandVision's Management Board (0.47%) and in treasury (0.34%). HAL Optical Investments B.V. is indirectly controlled by HAL Holding N.V. All HAL Holding N.V. shares are held by HAL Trust. HAL Trust is listed on the Euronext Amsterdam stock exchange.

GrandVision N.V. and its subsidiaries (together, referred to as 'the Group') comprise a number of optical retail chains operated under different retail banners. As of 31 December 2017, the Group, including its associates and joint ventures, operated 7,001 (2016: 6,516) optical retail stores (including franchise stores) in Argentina, Austria, Bahrain, Belgium, Brazil, Bulgaria, Chile, China, Colombia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Luxembourg, Malta, Mexico, Monaco, the Netherlands, Norway, Oman, Peru, Poland, Portugal, Russia, Qatar, Saudi Arabia, Slovakia, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, the United States and Uruguay. At 31 December 2017 the number of average full-time equivalents within the Group (excluding associates and joint ventures) was 31,802 (2016: 28,766).

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted within the European Union. The financial statements are presented in euros (€). Amounts are shown in thousands of euros unless otherwise stated. The euro is the presentation currency of the Group. Preparing the financial statements in accordance with IFRS means that management is required to make assessments, estimates and assumptions that influence the application of regulations and the amounts reported for assets, equity, liabilities, commitments, income and expenses. The estimates made and the related assumptions are based on historical experience and various other factors, such as relevant knowledge, which are considered to be reasonable under the given circumstances. The IFRS financial statements have been prepared under the historical cost convention except for financial derivatives, share-based payment plans, contingent considerations, certain non-current assets and post-employment benefits. The estimates and assumptions serve as the basis for assessing the value of recognized assets and liabilities whose amounts cannot currently be determined from other sources. However, actual results may differ from the estimates. Estimates and underlying assumptions are subject to constant assessment. Changes in estimates and assumptions are recognized in the period in which the estimates are revised.

The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2. NETTING OF DEFERRED INCOME TAX POSITIONS

Until 2016, the Group presented deferred income tax assets and deferred income tax liabilities as separate assets and liabilities. During 2017, the Group conducted a detailed review of its deferred tax positions across jurisdictions of presence in line with the criteria of IAS 12 Income Taxes and adjusted its comparable figures at 31 December 2016 to present qualifying positions on a net basis. Refer to note 27 for more details.

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

2.3.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

The amended standards effective for the current reporting period listed below are applicable to the Group and have been adopted by the Group and implemented as of 1 January 2017.

- IAS 1 *Disclosure Initiative - Amendments to IAS 7 Statement of Cash Flows*, were issued in January 2016 and are effective for accounting periods beginning on or after 1 January 2017. These amendments have resulted in additional disclosures regarding cash and non-cash movements in liabilities arising from financing activities. See note 26 for more details.
- IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12*, were issued in January 2016 and are effective for accounting periods beginning on or after 1 January 2017. The amendments include additional guidance on the assessment of future taxable profits in relation to recognition of deferred tax assets on unrealized losses. These amendments do not have an effect on the reporting or accounting policies of the Group.

2.3.2. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE REPORTED PERIOD AND NOT ADOPTED EARLY

The following new standards and amendments to standards and interpretations are applicable to the Group and are effective for annual periods beginning after 1 January 2017. These have not been applied in preparing these consolidated financial statements, and will be adopted by the Group at the moment they become effective.

- IFRS 16 *Leases*, the new leasing standard was published in January 2016. The standard is effective for accounting periods beginning on or after 1 January 2019. It will result in the majority of the leases being recognized on the Balance Sheet, as the distinction between operating and finance leases is removed for leases where the entity is a lessee. Further, since IFRS 16 introduces stricter criteria for classification of subleases where the entity is a lessor, it is expected to also result in more subleases being recognized on the Balance Sheet. The standard will affect the accounting for the Group's operating leases and subleases. In 2017, the Group has progressed in its impact assessment to determine to what extent its lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect its Income Statement, Balance Sheet and classification of cash flows. GrandVision confirms that the implementation of IFRS 16 has a significant impact on the financial ratios, presentation and disclosures of its financial statements. The Group reports for 2017 non-cancellable operating lease commitments including stores subleased to franchisees of €1,141 million at the balance sheet date, see note 35.2. Key judgements to apply IFRS 16 include determining when renewal and termination options are reasonably certain to be exercised. The Group expects that including reasonably certain renewal and termination options, the total operating lease commitments at the balance sheet date will increase by 10-20%. Some of the Group's lease commitments will be covered by the exception under IFRS 16 for short-term and low-value leases, such as short-term vehicle rentals and other leases, and low-value office equipment. In addition, some of the lease commitments relate to arrangements that will not qualify as leases under IFRS 16, such as certain lease arrangements where the landlord controls the asset. The Group reports rental costs for stores, offices and other buildings for the year of €399 million, see note 8. Some of these rental costs include payments based on revenue, which under IFRS 16 are excluded from the measurement of lease liabilities and right-of-use assets. Under IFRS 16, the majority of the remaining rental costs will be presented in the Income Statement as depreciation and interest expenses. GrandVision will have a more reasonable estimate of the potential financial impacts during 2018. GrandVision will adopt the new standard on the required effective date using the

modified retrospective transition approach and will not restate comparative amounts for the year prior to first adoption.

- IFRS 15 *Revenue from Contracts with Customers* establishes a five-step model to account for revenue arising from contracts with customers. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group confirms that the standard will not have a significant quantitative impact, but will have some impact on the nature and extent of its presentation and disclosures. These changes mainly include the separate presentation of the Group's obligation to deliver future goods and services, i.e. contract liability, and expanded disclosures regarding the disaggregation of revenue and information about contract liability balances. GrandVision will adopt the new standard on the required effective date using the full retrospective method, using the practical expedients for completed contracts. Furthermore, the Group will apply from 2018, the practical expedients of IFRS 15 related to significant financing components and certain disclosures of the allocation of the transaction price to remaining performance obligations.
- IFRS 9 *Financial Instruments*, was issued in July 2014 and is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets based on expected credit losses. Based on the characteristics and purpose of the Group's financial assets, the measurement categories will not change. The Group will align its current impairment methodology with the new impairment model of IFRS 9 and will apply the practical expedient to use a provision matrix in determining expected credit losses on trade receivables. The Group will apply the hedge accounting requirements of IFRS 9 since it is better aligned with the Group’s risk management objectives. The Group confirms that the standard will not have a significant quantitative impact, but will have an impact on the nature and extent of the Group’s disclosures in particular with regard to hedge accounting, credit risk and expected credit losses.
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*, was issued in December 2016 and is effective for accounting periods beginning on or after 1 January 2018. The interpretation clarifies the date on which a foreign currency transaction paid or received in advance should be translated in the entity's functional currency. IFRIC 22 is expected to have a limited impact as there are only a limited number of entities within the Group that pay or receive consideration in advance for foreign currency transactions.
- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, was issued in June 2017 and is effective for accounting periods beginning on or after 1 January 2019. The interpretation sets out how to determine the accounting tax positions when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. The Group is continuing to assess the impact on its financial statements.
- Annual Improvements to IFRS Standards 2015-2017 cycle, was issued in December 2017 and is effective for annual periods beginning on or after 1 January 2019. Clarifications and corrections of relatively minor conflicts between existing requirements of IFRS Standards. The Group is currently assessing the impact on its financial statements.

2.4. GROUP ACCOUNTING

2.4.1. SUBSIDIARIES

Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated.

Apollo-Optik Holding GmbH & Co. KG (Schwabach), GrandVisionTechCentre Deutschland GmbH (Schwabach) and Robin Look GmbH (Berlin) is included in the consolidated financial statements of GrandVision N.V. and takes advantage of the exemption provisions of Section 264 b HGB and Section 264 Abs. 3 Nr. 5 HGB for financial year 2017. The statutory duty to prepare consolidated financial statements and a group management report does not apply to the subgroup of Apollo-Optik Holding GmbH & Co. KG pursuant to Section 291 HGB in conjunction with Section 1 et seqq. KonBefrV because Apollo-Optik

Holding GmbH & Co. KG and its subsidiaries (GrandVision TechCentre Deutschland GmbH and Robin Look GmbH) are included in the consolidated financial statements of GrandVision N.V.

2.4.2. BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Any adjustments to the purchase price allocation are made within the one-year measurement period in accordance with IFRS 3. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquired subsidiary either at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired subsidiary and the acquisition-date fair value of any previous equity interest in the acquired subsidiary over the fair value of the Group's share of the identifiable net assets acquired are recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the Income Statement.

GrandVision applies the anticipated acquisition method where it has the right and the obligation to purchase any remaining non-controlling interest (so-called put/call arrangements). Under the anticipated acquisition method the interests of the non-controlling shareholder are presented as already owned, even though legally they are still non-controlling interests. The recognition of the related financial liability implies that the interests subject to the purchase are deemed to have been acquired already. The initial measurement of the fair value of the financial liability recognized by the Group forms part of the contingent consideration for the acquisition.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 in the Income Statement.

Acquisition-related expenses are taken into the Income Statement at the moment they are incurred.

2.4.3. COMMON CONTROL ACQUISITIONS

Acquisitions made by the Group, acquired from the parent company (HAL Holding), are treated as common control transactions and predecessor accounting is applied. Under predecessor accounting no purchase price allocation is performed. The acquired net assets are included in the GrandVision consolidation at carrying value as included in the consolidation of HAL Holding. The difference between the consideration transferred and the net assets is recognized in equity.

2.4.4. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The transactions with non-controlling interests are accounted as transactions with equity holders of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.4.5. ASSOCIATES AND JOINT VENTURES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group's interest in the joint arrangement in India is classified as a joint venture.

The Group's investments in its associates and joint ventures are initially recognized at cost including goodwill identified on acquisition, net of any accumulated impairment losses and are subsequently accounted for using the equity method.

The Group's share of its associates' and joint ventures' results is recognized in the Income Statement, and its share of movements in Other Comprehensive Income is recognized in Other Comprehensive Income. The cumulative movements are adjusted against the carrying amounts of the investments. When the Group's share of losses in its associate and joint venture equals or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate and joint venture.

If the ownership interest in its associates and joint ventures is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in Other Comprehensive Income is reclassified to the Income Statement where appropriate.

The Group determines at each reporting date whether there is an objective evidence that the investments in its associates and joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and joint ventures and their respective carrying values and recognizes the amount in 'Share of result of Associates and Joint Ventures' in the Income Statement.

2.5. FOREIGN CURRENCY

2.5.1. GENERAL

Items in the financial statements of the various Group companies are measured in the currency of the primary economic environment in which each entity operates (the functional currency). The consolidated financial statements are presented in euros (€), this being GrandVision's presentation currency.

2.5.2. TRANSACTIONS, BALANCES AND TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the Income Statement, except when deferred in Other Comprehensive Income as qualifying cash flow hedges.

Foreign currency exchange gains and losses are presented in the Income Statement either in the operating result if foreign currency transactions relate to operational activities, assets and liabilities, or within the financial result for non-operating financial assets and liabilities.

2.5.3. FOREIGN SUBSIDIARIES

The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated into the presentation currency at the exchange rate applicable at the balance sheet date. The income and expenses of foreign subsidiaries are translated into the presentation currency at rates approximate to the exchange rates applicable at the date of the transaction. Resulting exchange differences are recognized in Other Comprehensive Income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

2.6. SEGMENTATION

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. These operating segments were defined based on geographic markets in line with their maturity, operating characteristics, scale and market presence. The operating segments' operating result is reviewed regularly by the CEO and CFO (the

Management Board) – together, the chief operating decision-maker – which makes decisions as to the resources to be allocated to the segments and assesses their performance, based on discrete financial information available. All operating segments operate in optical retail and do not have additional significant lines of business or alternative sources of revenue from external customers other than optical retail.

2.7. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of products or services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany revenue within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each agreement.

The Group operates multiple chains of retail outlets for selling optical products including services related to these products. Optical product revenues are recognized only when the earning process is complete. Therefore the moment of ordering is not a determining factor and prepayments made by customers are not considered as revenues yet and are accounted for as deferred income. The earning process is considered complete upon delivery to the customer. Optical retail revenue is usually in cash or by debit or credit card or claimed from healthcare institutions. Income from optical products related services include extended warranties and commissions on consumer insurances and is recognized based upon the duration of the underlying contracts.

Merchandise revenue mainly comprises sales to franchisees. The earning process is considered complete upon delivery to the franchisee and when the entity has transferred significant risks and rewards of ownership of the products to the buyer and does not retain continuing managerial involvement or control over the products sold.

Franchise royalty is recognized on an accrual basis in accordance with the substance of the relevant agreements.

Other revenues comprise mainly supplier allowances. Supplier allowances are only recognized as revenue if there is no direct relationship with a purchase transaction; otherwise the supplier allowance is deducted from cost.

It is the Group's policy to sell its products to the retail customer with a right to return. Experience is used to estimate and provide for such returns at the time of sale as described in note 2.23.3.

2.8. CUSTOMER LOYALTY

The Group operates customer loyalty programs in several countries. In these programs customers receive vouchers for rebates on future purchases. The vouchers are recognized as a separately identifiable component of the initial sales transaction by allocating the fair value of the consideration received between the vouchers and the other components of the sale such that the vouchers are initially recognized as deferred income at their fair value. Revenue from the vouchers is recognized when the vouchers are redeemed or upon expiry. Vouchers expire after a certain period of time after initial sales depending on each loyalty program.

2.9. OPERATING LEASE

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

2.10. FINANCE INCOME

Finance income comprises interest received on outstanding monies and upward adjustments to the fair value, interest result of foreign currency derivatives and net foreign exchange results.

2.11. FINANCE COSTS

Finance costs comprise interest due on funds drawn and commercial paper calculated using the effective interest method, downward adjustments to the fair value and realized value of derivative financial instruments, other interest paid, commitment fees, the amortization of transaction fees related to borrowings, interest on finance leases and net foreign exchange results.

2.12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life.

The useful lives used are:

Buildings	8 - 30 years
Leasehold and building improvements	3 - 10 years
Machinery	3 - 10 years
Furniture and fixtures	3 - 10 years
Computer and telecom equipment	3 - 5 years
Other equipment	3 - 7 years
Vehicles	5 years

The useful lives and the residual values of the assets are subject to an annual review.

Where the carrying amount of an asset is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the operating result under the relevant heading. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Property, plant and equipment acquired via a financial lease is carried at the lower of fair value and the present value of the minimum required lease payments at the start of the lease, less cumulative depreciation and impairment (note 2.15). Lease payments are recognized in accordance with note 2.20. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.13. GOODWILL

Goodwill arises from the acquisition of subsidiaries, chains and stores and represents the excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, chain or store at the date of obtaining control. For the purpose of impairment testing, goodwill is allocated to those groups of cash-generating units expected to benefit from the acquisition. Each of those groups of cash-generating units represents the Group's investment in a country or group of countries, which is the lowest level at which the goodwill is monitored for management purposes. Goodwill is not amortized but is subject to annual impairment testing (note 2.15). Any impairment is recognized immediately as an expense and is not subsequently reversed.

Any negative goodwill resulting from acquisitions is recognized directly in the Income Statement.

If a cash-generating unit is divested, the carrying amount of its goodwill is recognized in the Income Statement. If the divestment concerns part of cash-generating units, the amount of goodwill written off and

recognized in the Income Statement is determined on the basis of the relative value of the part divested compared to the value of the group of cash-generating units. Goodwill directly attributable to the divested unit is written off and recognized in the Income Statement.

2.14. OTHER INTANGIBLE ASSETS

2.14.1. SOFTWARE

Acquired software is capitalized on the basis of the costs incurred to acquire and to bring to use the specific software. Software is amortized when the product is put in operation and charged to the Income Statement using the straight-line method, based on an estimated useful life of maximum five years.

Costs incurred on development projects (i.e. internally developed software) are recognized as an intangible asset when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use it;
- The product can be used;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete development and use the product are available;
- The expenditure attributable to the software product during its development can be reliably measured.

The expenditure that is capitalized includes purchases and the directly attributable employee costs. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2.14.2. KEY MONEY & RIGHTS OF USE

Key money represents expenditure associated with acquiring existing operating lease agreements for company-operated stores in countries where there is an active market for key money (e.g. regularly published transaction prices), also referred to as 'rights of use'. Key money is not amortized but annually tested for impairment. Key money in countries where there is not an active market for key money is recognized within other non-current assets and the current part in trade and other receivables and amortized over the contractual lease period.

2.14.3. TRADEMARKS

Trademarks acquired in business combinations are initially recognized at fair value using the relief-from-royalty approach. The fair value is subsequently regarded as cost. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life but not longer than 15 years (with exceptions of certain older trademarks).

2.14.4. CUSTOMER DATABASES

Customer databases are only recognized as an intangible asset if the Company has a practice of establishing relationships with its customers and when the Company is able to sell or transfer the customer database to a third party. The customer databases are initially recognized at fair value using the discounted cash flow method or multi-period excess earnings method for the large acquisitions. The fair value is subsequently regarded as cost. Customer databases have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life but no longer than 15 years.

2.14.5. REACQUIRED RIGHTS

As part of a business combination, an acquirer may acquire a right that it had previously granted to the acquiree to use one or more of the acquirer's recognized or unrecognized assets. An example of such rights include a right to use the acquirer's trade name under a franchise agreement. A reacquired right is an identifiable intangible asset that the acquirer recognizes separately from goodwill. Also, a right or an obligation disappearing because of a business combination is a reacquired right and is recognized

separately from goodwill in a business combination. Reacquired rights are initially valued at the present value of the expected future cash flows, which is subsequently used as cost and amortized on a straight-line basis over its useful life, being the remaining contractual period without considering contractual extension possibilities, but not exceeding 10 years.

2.14.6. FRANCHISE CONTRACTS

Franchise contracts acquired in a business combination are initially valued at fair value, being the present value of the estimated future cash flows, which is subsequently used as cost and amortized on a straight line basis over its useful life, being the remaining duration of the franchise contract without considering contractual extension possibilities, but not exceeding 10 years.

2.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. The recoverable amount is determined by the value in use method, calculated using the discounted cash flow method based on the asset's continuing use and applying a discount factor derived from the average cost of capital. If the value in use method results in a lower value than the carrying value, the recoverable amount is determined by the fair value less costs of disposal method.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairments are recognized in the Income Statement. Impairment recognized in respect of cash-generating units is first allocated to goodwill and then to other assets of the cash-generating unit on a pro-rata basis based on the carrying amount of each asset in the cash-generating unit.

2.16. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

The Group classifies its financial assets in the categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and assesses the designation at every reporting date.

Trade and other receivables are recognized initially at fair value. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The provision is recognized in the Income Statement within selling and marketing costs. When a receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are also credited against selling and marketing costs in the Income Statement.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Initial recognition of loans is at fair value plus transaction costs; subsequently, the loans are stated at amortized costs using the effective interest method.

The Group has granted loans to certain members of the management of the Group and to management of the subsidiaries. The loans are secured by pledges on the shares held by management. The applied interest rates are based on effective interest rates. The net receivable is initially recognized at fair value; subsequently the receivable is stated using the effective interest method, which equals the nominal interest. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. The Company owns certain limited shareholdings in buildings where it is operating stores. These shareholdings are accounted for against fair value, based on recent transactions. A change in the fair value is recognized in the Income Statement.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For the 'loans and receivables' category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated Income Statement.

FINANCIAL LIABILITIES

DERIVATIVES

A derivative is a financial instrument or other contract with all three of the following characteristics:

6. its value changes in response to a change in other variables such as a specified interest rate or a foreign exchange rate; and
7. it requires no initial net investment or an initial net investment that is significantly smaller than the value of the underlying notional amount; and
8. it is settled at a future date.

Derivatives are initially recognized in the Balance Sheet at fair value on the date a derivative contract is entered into (trade date), and are subsequently remeasured at their fair value. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is derived from valuations performed by financial institutions and other third parties, using valuation techniques such as mathematical models (Black-Scholes). The Group uses its judgment to make assumptions that are mainly based on market conditions existing at each reporting date.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The Group uses derivatives principally in the management of its interest and foreign currency cash flow risks.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as current asset or liability when the remaining maturity of the hedged item is less than 12 months.

HEDGE ACCOUNTING

The Company designates certain derivatives as either:

1. hedges of highly probable forecast transactions (cash flow hedges);
2. hedges of the fair value of recognized assets and liabilities or a firm commitment (fair value hedges).

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are being used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Group discontinues hedge accounting prospectively.

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognized immediately in the Income Statement. Amounts accumulated in Other Comprehensive Income are recycled in the Income Statement in the periods when the underlying hedged item affects profit or loss. However, when the projected transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a liability, the gains and losses previously deferred in Other Comprehensive Income are transferred from equity and included in the initial measurement of the cost of the asset or liability. This includes amounts that were removed from Other Comprehensive Income during the year and included in the carrying amount of the hedged items as a basis adjustment. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Other Comprehensive Income at that time remains in equity and is recognized when the projected transaction is ultimately recognized in the Income Statement. When a projected transaction is no longer expected to occur, the cumulative gain or loss that was reported in Other Comprehensive Income is immediately transferred to the Income Statement in finance costs or finance income. For the movements in the cash flow hedge reserve refer to the Statement of Changes in Shareholders' Equity.

FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement as financial costs or income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Certain derivatives may not qualify for hedge accounting. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognized immediately in the Income Statement as financial income and costs.

On the date a derivative contract is entered into, the Group designates interest rate swaps or foreign currency swaps and options (hedge instruments) as a hedge of the exposure to the fluctuations in the variable interest rates on borrowings or foreign currency rates on transactions (hedged items).

Interest payments and receipts arising from interest rate derivatives such as interest rate swaps are matched to those arising from the underlying debt. Payments made or received in respect of the early termination of interest rate derivatives are spread over the term of the originally hedged borrowing as long as the underlying exposure continues to exist and are matched with the interest payments on the underlying borrowing.

BORROWINGS

Borrowings are initially recognized at fair value, net of transaction costs incurred, and subsequently recognized at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement during the term of the borrowing using the effective interest method. Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to postpone settlement of the liability for, or the liability is due to be settled at least 12 months after the balance sheet date.

CONTINGENT CONSIDERATION

The Group has contingent consideration obligations on the interests held by former owners or management of the subsidiaries in the subsidiaries. These contingent consideration obligations are recognized as financial liabilities in the Balance Sheet. Changes in the value of these contingent consideration obligations are recognized in the Income Statement.

2.17. INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs of inventories include the transfer from equity of any gains and losses on qualifying cash flow hedges on purchases of inventories.

2.18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances including cash pool assets, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand. These are carried in the Balance Sheet at face value.

2.19. SHARE CAPITAL

Ordinary shares are classified as equity attributable to equity holders. Costs directly connected to the issuance of new shares are deducted from the proceeds and recognized in equity.

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid, including any attributable transaction costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are cancelled or re-issued. Where such shares are subsequently sold or reissued, any consideration received, net of transaction costs, is included in shareholders' equity.

Dividends are recognized in equity in the reporting period in which they are declared.

2.20. FINANCIAL LEASES

Lease contracts whereby the risks and rewards associated with the ownership lie wholly or primarily with the lessee are classified as financial leases. The minimum lease payments are recognized partly as financial costs and partly as settlement of the outstanding liability. The financial costs are charged to each period in the total lease period so as to produce a constant, regular interest rate on the outstanding balance of the liability. The interest element is charged to the Income Statement over the lease period and recognized as finance costs.

The corresponding rental obligations, net of financial costs, are classified as current liabilities unless the Group has an unconditional right to postpone settlement of the liability for, or the liability is due to be settled at least 12 months after the balance sheet date.

2.21. CURRENT AND DEFERRED INCOME TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Income Statement, except to the extent that it relates to items recognized in Other Comprehensive Income or directly in equity. In this case, the related tax is also recognized in Other Comprehensive Income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance Sheet. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for losses carried forward to the extent that sufficient taxable temporary differences are available or realization of the related tax benefit through the future taxable profits is probable. The assessment of whether a deferred tax asset should be recognized on the basis of the availability of future taxable profits take into account all factors concerning the entity's expected future profitability, both favorable and unfavorable.

Deferred income tax is recognized on temporary differences arising on investments in subsidiaries and associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

2.22. EMPLOYEE BENEFITS

2.22.1. PENSION OBLIGATIONS

The Group operates various post-employment schemes, including both defined benefit and defined contribution plans as well as post-employment medical plans.

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a post-employment benefit plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability in respect of defined benefit pension plans is the present value of the defined benefit of obligations at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms of maturity approximating the terms of the related pension obligation. Remeasurement of gains or losses related to both defined benefit obligations and fair value of plan assets arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other Comprehensive Income in the period in which they arise. Past service costs are recognized immediately in the Income Statement.

In a number of countries the Groups runs defined contribution plans, including a multi-employer plan in the Netherlands. The contributions are recognized as employee benefit expense when they are due. The Group has no further payment obligations once the contributions have been paid.

2.22.2. OTHER POST-EMPLOYMENT OBLIGATIONS

Some entities within the Group provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and includes the estimation that (former) employees will make use of this arrangement. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as the defined benefit pension plans.

2.22.3. SHARE-BASED PAYMENT PLANS

Certain members of senior management are rewarded with share-based payment plans. The Group operates two types of share-based payment plans.

EQUITY PLAN

The equity plan provides for the purchase of shares in the Company by eligible participants, and is subject to a vesting term and holding conditions. Vesting of awards made under the equity plan is subject to a service condition that can vary between 3-5 years following the date of grant. The plan has been classified as an equity-settled share-based payment arrangement.

The equity plan is no longer granted.

LONG-TERM INCENTIVE PLAN (LTIP)

In the years before the listing of the Company's shares, eligible participants were granted a combination of phantom shares and phantom options. Upon the moment of listing in 2015, the majority of these plans were converted to equity-settled long-term incentive plans. Since the listing of the Company’s shares, only equity-settled conditional share and option awards have been granted to eligible participants.

LTIP awards can exist of shares and/or options, which contain a service condition of 3-5 years and can contain additional performance conditions based on the results of certain predetermined Company-related financial performance targets, which are treated as non-market vesting conditions. The option awards have a maximum term of 5-6 years.

The fair value at grant date of equity-settled share-based payment transactions is expensed over the vesting period with a corresponding increase in equity, taking into account the best available estimate of the number of shares expected to vest under the service and performance conditions.

For cash-settled share-based payment transactions, the fair value of the liability for the awards made is measured at each reporting date and at the settlement date. The fair value is recognized over the vesting period. The amount of expense recognized takes into account the best available estimate of the number of equity instruments expected to vest under the service and performance conditions underlying each share and option award granted.

2.23. PROVISIONS

2.23.1. GENERAL

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions are classified as current liabilities unless the Group has an unconditional right to postpone settlement for, or the provision is due to be settled at least 12 months after the balance sheet date.

2.23.2. LEGAL AND REGULATORY PROVISIONS

Legal and regulatory provisions are recognized for possible claims mainly related to governmental institutions.

2.23.3. WARRANTY PROVISION

Provisions for rectifying and replacement defects are classified as warranty provisions. The provision is based on past experience and future expectations of warranty claims. Warranty costs are recognized in the Income Statement under cost of sales and directly related costs.

2.23.4. EMPLOYEE-RELATED PROVISIONS

Employee-related provisions are mainly related to jubilee and termination benefits. Jubilee benefits are paid to employees upon completion of a certain number of years of service. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

2.23.5. OTHER PROVISIONS

Other provisions are mainly related to restructuring provisions.

Restructuring provisions comprise lease termination penalties, future lease payments for closed stores and offices, and costs related to returning a store or office to its original state.

Bank borrowings to franchisees of the Group are often secured by a guarantee given by the Group to the bank. The guarantees given are secured by the activities, store rental contracts, the inventories and store furniture of the franchisees. When a cash outflow is likely, a provision is recognized, being the present value of the expected cash outflow. If a cash outflow is not likely, the guarantee is included in the contingent liabilities.

2.24. TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.25. PRINCIPLES FOR THE STATEMENT OF CASH FLOWS

The statement of cash flows is compiled using the indirect method. The statement of cash flows distinguishes between cash flows from operating, investing and financing activities. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, cash pool balances and bank overdrafts, as they are considered an integral part of the Group's cash management. In the Balance Sheet, bank overdrafts and cash pool liabilities are included in borrowings in current liabilities. Cash flows in foreign currencies are translated at the rate of the transaction date. Interest paid and received is included under cash flow from financing activities and investing activities respectively. Cash flows arising from the acquisition or disposal of financial interests (subsidiaries and participating interests) are recognized as cash flows from investing activities, taking into account any cash and cash equivalents in these interests. Dividends paid out are recognized as cash flows from financing activities; dividends received are recognized as cash flows from investing activities.

3. Financial Risk Management

3.1. FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risks such as currency risk, fair value interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's management provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the use of derivative and non-derivative financial instruments.

3.1.1. MARKET RISK

(I) FOREIGN EXCHANGE RISK

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group treasury's risk management policy is to hedge the expected cash flows in most currencies, mainly by making use of derivative financial instruments as described in note 2.16.

The majority of the Group operations takes place in the 'eurozone', which comprises 59.71% (2016: 60.95%) of total revenue. Translation exposure to foreign exchange risk relates to those activities outside the eurozone, whose net assets are exposed to foreign currency translation risk. The currency translation risk is not hedged.

If the currencies of these operations had been 5% weaker against the euro with all other variables held constant, the Group's result for the year would have been 0.5% higher (2016: 0.8% lower) of which 0.3% lower impact of GBP offset by 1.6% higher impact of USD (2016: 0.5% lower impact of GBP) and equity would have been 3.8% lower (2016: 3.2% lower), of which 1.1% lower impact of GBP (2016: 0.9% lower impact of GBP).

Foreign exchange risks with respect to commercial transactions other than in the functional currency are mainly related to US dollar denominated purchases of goods in Asia, certain rental payments and indirect exposure on goods and services invoiced in the functional currency but of which the underlying exposure is in a non-functional currency. Based on the treasury policy the foreign currency risk relating to commercial transactions denominated in a currency other than the euro is hedged between 25% and 80% of the transactional cash flows based on a rolling 12-month forecast, resulting in a relatively limited foreign exchange risk for non-hedged commercial transactions. Cash flow hedge accounting is applied when the transaction is highly probable. Fair value hedge accounting is applied when the invoice is received.

(II) INTEREST RATE RISK

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group generally borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting interest rates from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating interest rate amounts calculated by reference to the agreed notional principal amounts and benchmarks.

The table below shows sensitivity analysis considering changes in the EURIBOR:

	2017		2016	
	Impact on result before tax	Impact on Other Comprehensive Income	Impact on result before tax	Impact on Other Comprehensive Income
EURIBOR rate - increase 50 basis points	-1,913	8,235	- 1,600	5,870
EURIBOR rate - decrease 50 basis points	888	-5,985	498	- 3,942

Note 32 describes the financial derivatives the Group uses to hedge the cash flow interest rate risk.

(III) PRICE RISK

Management believes that the price risk is limited, because there are no listed securities held by the Group and the Group is not directly exposed to commodity price risk.

3.1.2. CREDIT RISK

Credit risk is managed both locally and on a Group basis, where applicable. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale, retail customers and health insurance institutions, including outstanding receivables and committed transactions. Derivative transactions are concluded and cash and bank deposits are held only with financial institutions with strong credit ratings. The Group also diversifies its bank deposits and apply credit limits to each approved counterparty for its derivatives. The Group has no significant concentrations of credit risk as a result of the nature of its retail operations. In addition, in some countries all or part of the credit risk is transferred to credit card companies. The Group has receivables from its franchisees. Management believes that the credit risk in this respect is limited, because the franchisee receivables are in certain instances secured by pledges on the inventories of the franchisees. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major debit and credit cards.

3.1.3. LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of bilateral credit facilities (immediately available funds), a commercial paper program and committed medium-term facilities (available at 4 days' notice). Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by maintaining headroom of at least €200 million as a combination of cash at hand plus available committed credit facilities minus any overdraft balances and/ or debt maturities with a term of less than one year. Group management monitors its liquidity periodically on the basis of expected cash flows, and local management of the operating companies in general monitors the liquidity even more frequently.

The Group has a revolving credit facility of €1,200 million. In July 2016 the facility was extended for a second time and now has a final maturity date of 17 September 2021. The interest rate on the drawings consists of the margin and the applicable rate (i.e. for a loan in euros, the EURIBOR), however the applicable rate can never be below zero percent.

The facility requires GrandVision to comply with the following financial covenants: maintenance of a maximum total leverage ratio (net debt/adjusted EBITDA) of less than or equal to 3.25 and a minimum interest coverage ratio (adjusted EBITDA/net interest expense) of 5. Compliance with the bank covenants is tested and reported on twice a year. As of the balance sheet date, the Group is in compliance with the bank covenants and has been so for the duration of the facility.

In 2016 GrandVision began a commercial paper program under which it can issue commercial paper up to the value of €500 million (2016: €400 million). As of 31 December 2017 the amount outstanding under the commercial paper program was €398.8 million (2016: €342 million).

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

in thousands of EUR	Within 1 year	1-2 years	2-5 years	After 5 years	Total
31 December 2017					
Borrowings	217,501	1,904	381,737	-	601,142
Commercial paper	398,242	-	-	-	398,242
Derivative financial instruments	3,119	2,654	6,974	4,208	16,955
Contingent consideration	27,680	19,838	1,787	-	49,305
Financial leases	508	340	280	-	1,128
Trade, other payables and accrued expenses	467,516	-	-	-	467,516
31 December 2016					
Borrowings	202,493	1,015	392,080	-	595,588
Commercial paper	342,000	-	-	-	342,000
Derivative financial instruments	1,823	2,036	5,647	4,499	14,005
Contingent consideration	3,756	-	1,130	-	4,886
Financial leases	980	524	553	12	2,069
Trade, other payables and accrued expenses	443,901	-	-	-	443,901

3.2. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. The Group monitors capital on the basis of leverage ratio (defined as net debt/adjusted EBITDA).

Management believes the current capital structure, operational cash flows and profitability of the Group will safeguard the Group's ability to continue as a going concern. GrandVision aims to maintain a maximum leverage ratio of 2.0 (net debt/adjusted EBITDA) excluding the impact of any borrowings associated with, and any EBITDA amounts attributable to major acquisitions. Net debt consists of the Group's borrowings, derivative financial instruments and cash and cash equivalents.

in thousands of EUR	31 December 2017	31 December 2016
Equity attributable to equity holders	1,039,074	946,906
Net debt	831,563	750,153
Adjusted EBITDA	551,512	537,148
Leverage ratio	1.5	1.4

3.3. FAIR VALUE ESTIMATION

The financial instruments carried at fair value can be valued using different levels of valuation methods. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) (level 2). Valuation techniques are used to determine the value. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument have to be observable.
- Inputs for asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The assets and liabilities for the Group measured at fair value qualify for the level 3 category except for the derivative financial instruments (note 32) which qualify for the level 2 category. The Group does not have any assets and liabilities that qualify for the level 1 category. If multiple levels of valuation methods are available for an asset or liability, the Group will use a method that maximizes the use of observable inputs and minimizes the use of unobservable inputs.

The table below shows the level 2 and level 3 categories:

in thousands of EUR	Level 2	Level 3
At 31 December 2017		
Assets		
Derivatives used for hedging	1,427	-
Non-current assets	-	1,486
Total	**1,427**	**1,486**
Liabilities		
Contingent consideration - Other current and non-current liabilities	-	45,761
Derivatives used for hedging	7,524	-
Total	**7,524**	**45,761**
At 31 December 2016		
Assets		
Derivatives used for hedging	5,223	-
Non-current assets	-	1,748
Total	**5,223**	**1,748**
Liabilities		
Contingent consideration - Other current and non-current liabilities	-	3,653
Derivatives used for hedging	5,034	-
Total	**5,034**	**3,653**

There were no transfers between levels 1, 2 and 3 during the periods.

LEVEL 2 CATEGORY

An instrument is included in level 2 if the financial instrument is not traded in an active market and if the fair value is determined by using valuation techniques based on the maximum use of observable market data for all significant inputs. For the derivatives, the Group uses the estimated fair value of financial instruments determined by using available market information and appropriate valuation methods, including relevant credit risks. The estimated fair value approximates to the price that would be received to

sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

LEVEL 3 CATEGORY

The level 3 category refers to investments held in buildings and contingent considerations. For the investments held in buildings, an external expert performs a valuation periodically. The valuation technique is consistent compared to prior years. The contingent considerations are remeasured based on the agreed business targets. Refer to note 6 for more details on the valuation methodologies and key inputs in the determination of fair value of the contingent considerations related to Visilab and Tesco Opticians.

4. Estimates and Judgments by Management

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

The Company makes estimations and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

4.1. ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests annually whether its goodwill is subject to impairment, as described in note 2.15. Goodwill is allocated to the Company's group of cash-generating units (CGUs) according to the country of presence. The recoverable amount is determined by the value in use, calculated using the discounted cash flow method based on the CGU's continuing use and applying a discount factor derived from the average cost of capital relevant for the CGUs. If the value in use is lower than the carrying value or the economic reality results in more realistic estimates, then the recoverable amount is based on the fair value less costs of disposal method, which is determined by a multiple on the average sales of the last three years, or discounted cash flow method based on the CGU's highest and best use, as appropriate. For recently acquired cash-generating units and cash-generating units with large investments in store openings to generate growth, the average sales of the last three years is adjusted to reflect these developments. The multiple is based on peers of GrandVision and recent market transactions, taking into account risk factors of the CGU for which the fair value less costs of disposal is calculated. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. These fair value calculations qualify as level 3 calculations. See note 3.3 for a description of the different levels of valuation categories.

For the discounted cash flow method the most sensitive key assumptions relate to revenue growth, profit assumptions and the discount rate. In the fair value less costs of disposal method based on the sales multiple, the sales multiple used is the most sensitive key assumption.

A reasonably possible change to key assumptions would not result in a material impairment of goodwill where the value in use method is used, as this method (where applied) indicated sufficient headroom. A 10% reduction of the sales multiple used (see note 16 where applied) in the Group impairment test would result in an additional impairment of €1,169 (2016: €1,900). For the discounted cash flow method used for the CGU of United States, a 1% decrease in revenue growth and a 1% increase in the discount rate would result in an additional impairment of €3,468 and €16,210 respectively. A 1% terminal value growth rate would result in a decrease in impairment of €13,977.

4.2. INTANGIBLE ASSETS

When a company is acquired, the fair value of the intangible assets is determined. The determination of the value at the time of acquisition and estimated useful life is subject to uncertainty. Useful life is estimated using past experience and the useful life period, as is broadly accepted in the retail sector.

For the Company, common intangible assets identified during acquisition are trademarks and customer databases. The following assumptions are the most sensitive when estimating the value:

Intangible Asset	Key assumptions
Trademark	Royalty rate, revenue growth and discount rate
Customer Database	Churn rate, EBITA growth and discount rate

4.3. ESTIMATED IMPAIRMENT OF KEY MONEY

The Group tests annually whether its non-amortized key money is subject to impairment as described in notes 2.14.2 and 2.15. The recoverable amount is the higher of the fair value less costs of disposal of the key money and the key money's value in use, which is calculated using the discounted cash flow method applying a discount factor derived from the weighted average cost of capital or the market value of the key money.

A reduction of the expected revenue growth to 0%, with all other factors used in calculating the value in use remaining unchanged, would lead to an additional impairment of €5,285 (2016: €4,783).

4.4. INCOME TAXES

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the total provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Certain uncertainties are caused by the many changes in international tax policies, in absence of available guidance and case-law on those recent or newly enacted tax measures. The Group continuously monitors developments, where needed with the help of subject-matter experts, to correctly apply evolving interpretations.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period for which such determination is made.

Carry forward losses are recognized as a deferred tax asset to the extent that sufficient taxable temporary differences are available or if it is likely that future taxable profits will be available against which losses can be set off. Judgment is involved to establish the extent to which expected future profits substantiate the recognition of a carry forward loss.

Given a reasonable change in the key assumptions used in determining total deferred tax assets and liabilities, there would be no material impact on the financial statements.

4.5. CONSOLIDATION OF THE SYNOPTIK GROUP

The Company's ownership interest in the Synoptik Group is 63.29%. The agreement between the Company and the partner is set up so that the partner has certain affirmative votes in order to protect the variable returns of their investment. Resulting from contractual arrangements between the Company and the partner on key operational, procurement and organizational activities, the Company has the ability to execute power over the relevant activities of Synoptik, which directly affects Synpotik's returns. Following this assessment, the Company concluded that it has control and the Synoptik Group is consolidated. At each reporting date this assessment is reconsidered.

4.6. PROVISIONS AND CONTINGENCIES

The recognition of provisions requires estimates and judgment regarding the timing and the amount of outflow of resources. The main estimates relate to the probability ('more likely than not') of the outflow of resources. If the outflow of resources is 'more likely than not' a best estimate of the outflow is recognized. Otherwise, it is disclosed as a contingency.

If a provision is recognized, it is measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The expected expenditures are uncertain future cash flows for which management uses its knowledge, experience and judgment to determine if a corresponding provision should be recognized.

4.7. POST-EMPLOYMENT BENEFITS

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions are most sensitive for the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit pension obligations.

The Group determines the appropriate discount rate at year-end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds with a duration and currency consistent with the term and currency of the related defined benefit pension obligation.

5. Segments

The Management Board forms the Group's chief operating decision-maker ('CODM'). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The Group's business is organized and managed on a geographic basis and operates through three business segments: the G4, Other Europe and Americas & Asia. All geographic segments are involved in the optical retail industry, and there are no other significant product lines or sources of revenue for the Company.

There has been no aggregation of operating segments into reportable segments.

The Group's reportable segments are defined as follows:

- **G4**, consisting of the Netherlands & Belgium, the United Kingdom & Ireland, France & Luxembourg and Germany & Austria
- **Other Europe**, consisting of Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Italy, Norway, Poland, Portugal, Slovakia, Spain, Sweden and Switzerland
- **Americas & Asia**, consisting of Argentina, Brazil, Chile, China, Colombia, India, Mexico, Peru, Russia, Turkey, the United States and Uruguay

The most important measures assessed by the CODM and used to make decisions about resources to be allocated are total net revenue and adjusted EBITDA. Measures of assets and liabilities by segment are not reported to the CODM.

The following table presents total net revenue and adjusted EBITDA for the operating segments for 2017 and 2016. The adjusted EBITDA is defined as EBITDA excluding other reconciling items and exceptional non-recurring items. Non-recurring items are defined as significant items that are not included in the performance of the segments based on their exceptional nature. For 2017 these items mainly relate to some exceptional acquisition related costs, integration activities and software impairment. The non-

recurring items in 2016 relate to acquisition costs for recently acquired businesses and integration costs following the merger of the Italian business. Further costs relate to legal and regulatory provisions as well as corrections related to prior years. A reconciliation from adjusted EBITDA to earnings before taxes is presented within each table below. Other reconciling items represent corporate costs that are not allocated to a specific segment.

in thousands of EUR	G4	Other Europe	Americas & Asia	Total
2017				
Total net revenue	1,980,726	990,188	478,943	3,449,857
Adjusted EBITDA	418,254	157,376	10,777	586,407
Other reconciling items				- 34,895
Total adjusted EBITDA				**551,512**
Non-recurring items				- 17,475
Depreciation				- 116,587
Amortization and impairments				- 90,672
Operating income/loss				**326,778**
Non-operating items:				
Fair value gain on remeasurement of Associate				37,949
Net financial result				- 14,705
Earnings before tax				**350,022**
2016				
Total net revenue	1,969,474	906,614	439,989	3,316,077
Adjusted EBITDA	422,513	138,456	10,575	571,544
Other reconciling items				- 34,396
Total adjusted EBITDA				**537,148**
Non-recurring items				- 15,614
Depreciation				- 110,069
Amortization and impairments				- 53,323
Operating income/loss				**358,142**
Non-operating items:				
Net financial result				- 10,414
Earnings before tax				**347,728**

The breakdown of revenue from external customers by geographical area is shown as follows:

in thousands of EUR	2017	2016
France	596,549	600,725
Germany	487,542	473,216
United Kingdom	398,890	413,415
Other countries	1,966,876	1,828,721
	3,449,857	3,316,077

Revenue in the Netherlands, the Group's country of domicile, is €252,501 (2016: €247,535). There are no customers that comprise 10% or more of revenue in any year presented.

The breakdown of non-current assets by geographical area is shown as follows:

in thousands of EUR	31 December 2017	31 December 2016
The Netherlands	104,052	100,474
France	498,160	491,938
United Kingdom	274,728	202,779
Other countries	1,311,467	1,187,969
	2,188,407	1,983,160

The non-current assets by geographical area are disclosed based on the location of the assets. This disclosure includes all non-current assets except financial instruments and deferred tax assets.

6. Acquisitions of Subsidiaries, Associates and Non-Controlling Interests

The following acquisitions and adjustments to the purchase price allocation were done in 2017.

Visilab S.A.
In October 2017 the Group increased its shareholding in Visilab S.A., from 30% to 60%. Before the transaction, Visilab S.A. was an associate of GrandVision. As part of this agreement, the parties have agreed that GrandVision's shareholding will increase, in two steps, to 79% in 2019. At acquisition date, Visilab S.A. had two chains named Visilab and Kochoptik, that operate in total 98 stores throughout Switzerland. With this acquisition the Group is broadening its footprint in Europe. The Company paid €67,136 (CHF 76,899) in cash and recognized a total contingent consideration to the value of €37,922 (CHF 43,846) relating to its obligation to increase its shareholding by a further 19% in two steps in 2018 and 2019.

This contingent consideration has been included in Trade and Other Payables (note 33) and Other Non-Current Liabilities (note 31) respectively. The contingent consideration is calculated using an EBITDA multiple based on the Group's best estimate of the achievement of agreed business targets by Visilab S.A., adjusted for the time value of money.

Based on the initial purchase price allocation an amount of €104,853 (CHF 121,232) is identified as provisional goodwill and represents the future synergies, workforce and expected growth and profitability of the business. The purchase price allocation has been largely completed. Visilab forms part of the Other Europe segment.

Included in the Income Statement is a gain on remeasuring the Group's previously held equity interest (Associate) in Visilab S.A. to fair value at acquisition date of €37.9 million.

For the non-controlling interests in Visilab S.A., the Group elected to recognize the non-controlling interests at its proportionate share of the fair value of the acquired net identifiable assets.

Tesco Opticians
In the G4 segment, the Group acquired Tesco Opticians in December 2017 through its United Kingdom business, Vision Express. The acquisition incorporates Tesco Opticians' network of 209 optical stores across the United Kingdom and Ireland. With this acquisition the Group further strengthened its market position in the United Kingdom. The Group paid €61,802 (GBP 55,236) in cash for the acquisition of the assets consisting mainly of the customer database and a right to open additional optical stores in the Tesco store network. In addition, the Group recognized contingent consideration to the value of €5,595 (GBP 5,000), relating to its obligation to pay an additional amount in 2018 based on the achievement of agreed business targets.

This contingent consideration has been included in Trade and Other Payables (note 33). The contingent consideration is based on the Group's best estimate of the achievement of agreed business targets, adjusted for the time value of money.

Based on the initial purchase price allocation an amount of €11,354 (GBP 10,148) was identified as provisional goodwill. The goodwill is attributable to the workforce and expected synergies following the integration of the acquired business into our existing organization. The purchase price allocation has been largely completed.

Store and chain acquisitions

During 2017 the Group acquired 21 stores in the segments G4 and Other Europe. With these acquisitions the Group further strengthened its market position within the respective regions. After the initial allocation of the consideration transferred for the acquisitions of the assets, liabilities and contingent liabilities in 2017, an amount of €2,893 was identified as provisional goodwill. The goodwill is attributable to the expected synergies following the integration of the acquired businesses into our existing organization. The goodwill mainly comprises the skilled employees and the locations of the acquired stores and chain, which cannot be recognized as separately identifiable assets.

Adjustments to purchase price allocation

In 2017 the Group finalized the purchase price allocation for Optica Lux in Uruguay, the small points of sale acquired from Walmart Mexico and other acquisitions done in 2016. This did not result in a change in the value of recognized goodwill.

in thousands of EUR	Notes	Visilab	Tesco Opticians	Store, chain acquisitions and adjustments to purchase price allocation	Total
Property, plant and equipment	13	23,848	299	672	24,819
Other intangibles assets	15	95,651	67,909	3,105	166,665
Deferred income tax assets	27	6,525	-	8	6,533
Investments in Associates	18	233	-	-	233
Other non-current assets		1,236	-	-	1,236
Inventories		13,729	853	389	14,971
Trade and other receivables		6,753	-	102	6,855
Cash and cash equivalents		3,794	-	35	3,829
Deferred income tax liabilities	27	- 21,705	- 9,782	- 309	- 31,796
Other non-current liabilities		- 1,713	-	-	- 1,713
Retirement benefit obligations	28	- 23,887	-	-	- 23,887
Non-controlling interest		- 368	-	-	- 368
Non-current borrowings	26	- 321	-	-	- 321
Trade and other payables		- 20,506	- 3,236	- 121	- 23,863
Current income tax liabilities		- 2,151	-	-	- 2,151
Current borrowings	26	- 12,974	-	-	- 12,974
Total identifiable net assets and liabilities at fair value		68,144	56,043	3,881	128,068
Consideration paid in cash and cash equivalents		67,136	61,802	6,774	135,712
Cash and cash equivalents and bank overdrafts at acquired subsidiary		- 3,794	-	- 35	- 3,829
Outflow of cash and cash equivalents net of cash acquired		**63,342**	**61,802**	**6,739**	131,883
Consideration paid in cash and cash equivalents		67,136	61,802	6,774	135,712
Consideration to be transferred		37,922	5,595	-	43,517
Total consideration transferred or to be transferred		105,058	67,397	6,774	179,229
Fair value of previously held equity interest		53,629	-	-	53,629
Non-controlling interests at fair value		14,310	-	-	14,310
Minus: Identifiable net assets and liabilities at fair value		- 68,144	- 56,043	- 3,881	- 128,068
Goodwill		**104,853**	**11,354**	**2,893**	**119,100**

Goodwill related to the acquisiton of Visilab to the amount of €2,528 is deductible for tax purposes.

The acquisitions in 2017 contributed the following in revenue and net result for the Group:

in thousands of EUR	Visilab	Tesco Opticians	Store and chain acquisitions	Total
Revenue	43,078	5,551	3,824	52,453
Net result	7,340	- 2,205	411	5,546

Had the acquisitions in 2017 been consolidated for the full year, revenue and net result would be:

in thousands of EUR	Visilab	Tesco Opticians	Store and chain acquisitions	Total
Revenue	152,467	100,007	7,162	259,636
Net result	18,082	191	614	18,887

Aquisitions costs for the above acquisitions amount to €2,226 and are included in the general and administrative costs in the Income Statement.

7. Revenue

The Group's revenue can be specified as follows:

in thousands of EUR	2017	2016
Own store sales	3,203,419	3,086,468
Merchandise revenue	160,873	134,967
Franchise royalties and contributions	68,803	69,037
Other revenues	16,762	25,605
	3,449,857	3,316,077

8. Cost of Sales and Directly Related Costs

The following costs have been included in the operating result:

in thousands of EUR	Notes	2017	2016
Direct materials		792,680	772,508
Employee costs		1,162,720	1,100,583
Occupancy costs		498,079	479,990
Marketing & publicity costs		177,952	162,798
Depreciation and impairments	13	117,055	110,069
Amortization and impairments	14,15	92,606	53,323
Distribution costs		65,809	68,472
Other costs		218,110	214,043
		3,125,011	2,961,786

Occupancy costs include fixed and variable rent for stores, offices and other buildings under operating lease contracts of €398,566 (2016: €396,585).

The employee costs can be specified as follows:

in thousands of EUR	Notes	2017	2016
Salaries & wages		830,338	782,743
Social security		175,617	169,501
Pension costs - Defined benefit plans	28	4,434	3,520
Pension costs - Defined contribution plans		16,902	15,686
Share-based payments	30	11,274	15,303
Other employee-related costs		124,155	113,830
		1,162,720	1,100,583

The average number of employees within the Group during 2017 (excluding the associates and joint ventures) in full-time equivalents was 31,802 (2016: 28,766). The increase in 2017 mainly relates to the acquisitions of Visilab and Tesco Opticians.

9. Share of Result of Associates and Joint Ventures

in thousands of EUR	2017	2016
Visilab S.A.	2,881	4,673
Reliance-Vision Express Private Ltd and Reliance-GrandVision India Supply Private Ltd	- 949	- 822
	1,932	3,851

In October 2017, GrandVision increased its shareholding and obtained control of Visilab, which resulted in Visilab becoming a subsidiary of GrandVision. Refer to note 6 for more details. In 2017, the Group's share of result of Visilab mainly represents the amount until the acquisition date.

10. Finance Income and Costs

in thousands of EUR	2017	2016
Finance costs		
- Bank borrowings	- 6,256	-10,108
- Result on interest derivatives	- 2,276	-2,652
- Commitment and utilization fee	- 1,551	-2,587
- Other	- 6,218	-3,146
Total finance costs	- 16,301	-18,493
Finance income		
- Interest income	3,102	7,935
- Interest loans to management	121	344
- Interest deposits	772	585
Total finance income	3,995	8,864
Net foreign exchange results	- 2,399	-785
Net financial result	- 14,705	-10,414

Finance costs from bank borrowings and interest income include, respectively, the cost and income related to balances held in the Group's cash pool.

There has not been any ineffectiveness on the cash flow hedges in 2017 and 2016.

11. Income Tax

in thousands of EUR	2017	2016
Current income tax	120,606	111,307
Deferred income tax	- 19,551	-15,532
Charge in Income Statement	101,055	95,775

The reconciliation between the computed weighted average rate of income tax expense, which is generally applicable to GrandVision companies, and the actual rate of taxation is as follows:

in thousands of EUR	2017	%	2016	%
Result before tax	350,022	100.0%	347,728	100.0%
Computed weighted average tax rate	96,715	27.6%	94,639	27.2%
(Exempt income)/expenses not deductible for tax purposes	- 412	-0.1%	6,845	2.0%
Incentive tax credits	- 9,089	-2.6%	-8,911	-2.6%
Effect of (de)recognition of tax losses	23,651	6.8%	9,152	2.6%
Changes in tax rate	- 5,754	-1.6%	-7,122	-2.0%
(Over)/Under provided in prior years	- 4,056	-1.2%	1,172	0.3%
Tax charge	101,055	28.9%	95,775	27.5%

The weighted average applicable tax rate amounts to 27.6% (2016: 27.2%). The effective tax rate for the Group is 28.9% (2016: 27.5%).

The changes in tax rate in 2017 relate mainly to France, the United Kingdom and Colombia. The changes in tax rate in 2016 were mainly in France.

12. Earnings per Share

Earnings per share is calculated by dividing the result for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

in thousands of EUR (unless stated otherwise)	2017	2016
Result for the year attributable to equity holders of the parent	227,929	231,360
Average number of outstanding ordinary shares	253,285,780	252,623,738
Diluted average number of outstanding ordinary shares	254,311,910	254,367,168
Earnings per share, basic (in EUR per share)	0.90	0.92
Earnings per share, diluted (in EUR per share)	0.90	0.91

13. Property, Plant and Equipment

in thousands of EUR	Notes	Buildings and leasehold improvements	Machinery and equipment	Furniture and vehicles	Total
At 1 January 2016					
Cost		516,903	552,036	358,287	1,427,226
Accumulated depreciation and impairment		-311,280	-423,135	-261,499	-995,914
Carrying amount		205,623	128,901	96,788	431,312
Movements in 2016					
Acquisitions		125	1,434	- 57	1,502
Additions		61,777	39,055	39,146	139,978
Disposals / retirements		- 2,512	- 2,444	- 2,349	- 7,305
Depreciation charge	8	- 41,673	- 39,571	- 28,825	- 110,069
Impairment		-	- 39	- 159	- 198
Reclassification		179	- 5,566	5,144	- 243
Exchange differences		- 5,989	- 3,553	- 1,615	- 11,157
At 31 December 2016		**217,530**	**118,217**	**108,073**	**443,820**
At 1 January 2017					
Cost		516,478	491,483	385,332	1,393,293
Accumulated depreciation and impairment		-298,948	-373,266	-277,259	-949,473
Carrying amount		217,530	118,217	108,073	443,820
Movements in 2017					
Acquisitions	6	15,353	8,412	1,054	24,819
Additions		75,872	47,281	32,072	155,225
Disposals / retirements		- 2,792	- 1,327	- 1,378	- 5,497
Depreciation charge	8	- 47,379	- 37,311	- 31,897	- 116,587
Impairment		- 468	-	-	- 468
Reclassification		- 1,052	- 2,178	3,147	- 83
Exchange differences		- 6,657	- 3,775	- 2,218	- 12,650
At 31 December 2017		**250,407**	**129,319**	**108,853**	**488,579**
Cost		586,736	501,447	397,930	1,486,113
Accumulated depreciation and impairment		- 336,329	- 372,128	- 289,077	- 997,534
Carrying amount		250,407	129,319	108,853	488,579

Leased assets where the Group is a lessee under a financial lease, are included under machinery and equipment and furniture and vehicles. The carrying amount of leased assets is €1,133 (2016: €2,046).

The impairment loss in 2017 represents the write-down of certain leasehold improvements in the Americas & Asia segment (2016: furniture and fixtures in Other Europe segment). This was recognized in the Income Statement within general and administrative costs.

14. Goodwill

in thousands of EUR	Notes	2017	2016
At 1 January		1,012,059	1,025,213
Acquisitions	6	119,100	7,597
Adjustment to purchase price allocation		-	- 3,647
Impairment		- 38,045	- 2,324
Reclassification		2,179	- 118
Exchange differences		- 29,826	- 14,662
At 31 December		1,065,467	1,012,059
Costs		1,141,205	1,053,233
Accumulated impairment		- 75,738	- 41,174
Carrying amount		1,065,467	1,012,059

In 2017, the acquisitions mainly relate to Visilab and Tesco Opticians. Refer to note 6 for more details. The increase in exchange differences is mainly due to the weakening of the US Dollar.

In 2017, the carrying amount of the CGU United States, has been reduced to its recoverable amount of €107,134 through recognition of an impairment loss against goodwill of €37,846. This mainly resulted from continued investments in the growth platform and longer than expected organizational rebuild including the recently completed management restructuring, delaying the improvement of profitability of the US business. The CGU of the United States operates in the Americas & Asia segment. The recoverable amount was determined by fair value less costs of disposal method using the discounted cash flow method based on its highest and best use and a discount rate of 8.72%. For details on sensitivity analysis for the key assumptions refer to note 4.1.

The impairment charge in 2016 related to an impairment in Peru and Argentina, which operate in the Americas & Asia segment.

The impairment charges are included in the general and administrative costs in the Income Statement.

The table below shows goodwill per segment:

in thousands of EUR	31 December 2017	31 December 2016
G4	422,812	410,970
Other Europe	480,583	379,634
Americas & Asia	162,072	221,455
	1,065,467	1,012,059

15. Other Intangible Assets

in thousands of EUR	Notes	Key money	Customer databases	Trademarks	Software	Other	Total
At 1 January 2016							
Cost		218,061	47,780	277,927	172,762	43,653	760,183
Accumulated amortization and impairment		- 9,374	- 10,517	- 134,195	- 117,266	- 34,413	- 305,765
Carrying amount		208,687	37,263	143,732	55,496	9,240	454,418
Movements in 2016							
Acquisitions		1,904	3,153	699	11	1,334	7,101
Adjustment to purchase price allocation		-	5,362	- 2,259	-	-	3,103
Additions		1,672	553	8	33,389	313	35,935
Disposals		- 657	- 56	-	- 1,367	- 13	- 2,093
Amortization charge	8	-	- 7,385	- 18,198	- 16,778	- 3,728	- 46,089
Impairment	8	- 1,860	-	- 3,050	-	-	- 4,910
Reclassification		-	59	-	275	30	364
Exchange differences		1,539	- 630	- 2,363	- 293	- 437	- 2,184
At 31 December 2016		**211,285**	**38,319**	**118,569**	**70,733**	**6,739**	**445,645**
At 1 January 2017							
Cost		221,617	55,246	272,571	187,694	44,050	781,178
Accumulated amortization and impairment		- 10,332	- 16,927	- 154,002	- 116,961	- 37,311	- 335,533
Carrying amount		211,285	38,319	118,569	70,733	6,739	445,645
Movements in 2017							
Acquisitions	6	1,667	118,279	27,799	6,057	12,863	166,665
Additions		3,496	706	-	38,053	17	42,272
Disposals		- 605	- 15	- 1	- 110	- 2	- 733
Amortization charge	8	-	- 9,705	- 17,999	- 19,844	- 3,757	- 51,305
Impairment	8	- 1,322	-	-	- 1,934	-	- 3,256
Reclassification		- 2,179	- 30	73	140	- 100	- 2,096
Exchange differences		- 817	- 3,106	- 3,499	- 879	- 20	- 8,321
At 31 December 2017		**211,525**	**144,448**	**124,942**	**92,216**	**15,740**	**588,871**
Cost		220,527	170,251	292,449	230,277	54,523	968,027
Accumulated amortization and impairment		- 9,002	- 25,803	- 167,507	- 138,061	- 38,783	- 379,156
Carrying amount		211,525	144,448	124,942	92,216	15,740	588,871

KEY MONEY

Key money as part of intangible assets has an indefinite useful life, relating to stores in France and Brazil. These assets are not amortized but are subject to an annual impairment test using cash flow projections covering a five-year period and the market value is used based on external valuations. Details as to the cost per square meter and latest key money transactions for the main shopping malls are publicly available.

If the calculated value in use is less than the carrying value of the assets, external valuations are performed to arrive at a fair value less costs of disposal.

During 2017 the impairment test on key money resulted in an impairment in France and Brazil of €1,322 (2016: €1,860) as a result of a decrease in value in use and external valuations performed for each store individually.

The carrying amount of the key money with an indefinite useful life is tested on a store-by-store basis and per country amounts to:

in thousands of EUR	31 December 2017	31 December 2016
France	206,967	204,222
Brazil	4,558	7,063
	211,525	211,285

Key assumptions used to determine the recoverable amount:

	2017	2016
Revenue growth rate	1.5%-13.0%	1.5%-14.0%
Discount rate (pre tax)	7.84%-15.86%	9.03%-19.30%

CUSTOMER DATABASES

In 2017, the increase mainly relates to the acquisitions of Visilab and Tesco Opticians.

TRADEMARKS

The increase in 2017 relates to the acquisition of Visilab. In 2016 the impairment of trademarks is related to the full impairment of trademark in Brazil €3,050.

SOFTWARE

The Group continues with its business project iSynergy to implement a global ERP system in all countries. In 2017, the Group capitalized €20,959 (2016: €20,008) worth of licenses and expenses related to this global ERP project.

The acquisition of software in 2017 relates to Visilab. In 2017, €1,934 of software was impaired in the G4 and Americas & Asia segments (2016: none).

OTHER

The other intangible assets mainly comprise the Group's right to open additional optical stores in the Tesco store network of €11,600 (2016: none).

16. Impairment Tests for Goodwill

Goodwill is allocated to the Company's group of cash-generating units (CGUs) according to the country of presence. The Group performs its annual goodwill impairment test in the fourth quarter, in which it uses the budget and other assumptions, as described below.

The recoverable amount is determined by the value in use, calculated using the discounted cash flow method based on the CGU's continuing use and applying a discount factor derived from the average cost of capital relevant for the CGUs. If the value in use is lower than the carrying value, then the fair value less costs of disposal is also considered, which is determined by a multiple on the average sales of the last three years, or discounted cash flow method based on the CGU's highest and best use, as appropriate. By applying a multiple on the average sales of the last three years the Group uses a well-balanced approach for both mature and emerging markets. For mature markets it eliminates the impact of incidentals that could have occurred in one of the years. For emerging markets a one-year sales figure would be too volatile as it would not reflect the real growth. The sales multiple is based on recent market transactions and peers of GrandVision, taking into account risk factors of the CGU for which the fair value less costs of disposal is calculated. For recently acquired cash-generating units and cash-generating units with large investments in store openings to generate growth, the average sales of the last three years is adjusted to reflect these developments. The recoverable amount is the higher of the value in use and the fair value less costs of disposal.

Key assumptions used to determine the recoverable amount in 2017:

	Revenue growth rate (average)	EBITA percentage (average)	Discount rate (pre tax)	Sales multiple (when used)
G4	3.4% - 8.7%	9.1% - 21.5%	9.58%-11.47%	-
Other Europe	2.2% - 10.0%	3.9% - 21.1%	8.90% - 18.58%	-
Americas & Asia	6.2% - 15.3%	3.5% - 14.9%	13.24% - 19.48%	0.6 – 1.2

Key assumptions used to determine the recoverable amount in 2016:

	Revenue growth rate (average)	EBITA percentage (average)	Discount rate (pre tax)	Sales multiple (when used)
G4	3.3% - 3.8%	11.5% - 22.2%	11.57%-13.27%	-
Other Europe	2.1% - 8.0%	2.9% - 19.7%	10.09% - 18.33%	1
Americas & Asia	0.7% - 20.8%	2.1% - 14.8%	16.21%-22.05%	0.6 – 1.5

The assumptions reflect the averages of each group of the CGUs in the segments for the five-year period. Cash flows beyond this five-year period were extrapolated using an estimated growth rate of nil. The growth rate for the 1st, 2nd and 3rd year is based on the budget for these years. The growth rate for the 4th and 5th year is in line with the third year and zero percent for the subsequent years. The EBITA rate is assumed to remain at a constant level after the three-year period. The EBITA and growth rates are based on historical performance as well as our assessment of the development of these rates in the upcoming years. The discount rates used are pre-tax and reflect the country-specific risks relating to our industry.

For details on sensitivity analysis for the key assumptions refer to note 4.1. For recognized impairment losses during the periods please refer to note 14.

The Group considered and incorporated the impact on the assumptions used in its goodwill impairment tests also in 2017 resulting from the outcome of the UK referendum in 2016 on European Union membership.

G4 SEGMENT

In the G4 in 2017 the majority of the CGUs - Germany & Austria, France and the Netherlands & Belgium - are at the lower end of the average revenue growth rate range. The higher end of this range relates solely to the CGU of United Kingdom & Ireland, resulting from the acquisition of Tesco Opticians. The CGUs of Germany & Austria and France are at the middle of the range of the average EBITA percentage, with the Netherlands & Belgium at the higher end of this range, as a result of the relatively high franchise share. The lower end of the range relates to the CGU in United Kingdom & Ireland, again as a result of the Tesco Opticians acquisition. The higher end of the pre-tax discount rate range relates to the CGU of France while the lower end relates to the CGU of United Kingdom & Ireland. The CGUs of Germany & Austria and Netherlands & Belgium are at the midpoint of the pre-tax discount rate range.

The carrying value of goodwill allocated to the CGU of France of €180,873 (2016: €178,694) is considered significant in relation to the Group's total carrying value of goodwill. The recoverable amount of CGU France is determined by value-in-use method. The key assumptions include an average revenue growth rate in line with the lower end of the average revenue growth rate ranges of the G4 segment, an average EBITA percentage in the midst of the range of the G4 segment and a pre-tax discount rate of 11.47% (2016: 13.27%). A reasonably possible change to key assumptions used in the value-in-use would not result in a material impairment of goodwill for CGU of France, as this method indicated sufficient headroom. The approach for determining key assumptions for CGU France is consistent with the Group's approach described above.

OTHER EUROPE SEGMENT

In 2017, the higher end of the average revenue growth rate range mainly relates to the CGU of Italy and the lower end to the CGU of Finland & Estonia. The higher end of the EBITA percentage range relates to the

CGU of Hungary, Czech Republic & Slovakia and the lower end to the CGUs of Spain and Bulgaria. The higher end of the pre-tax discount rate range relates to the CGU of Bulgaria while the lower end relates to the CGUs of Denmark and Finland & Estonia. The remaining CGUs within the Other Europe segment have average revenue growth rates, EBITA percentages and pre-tax discount rates around the midpoint of the respective ranges.

AMERICAS & ASIA SEGMENT

In 2017, the higher end of the average revenue growth rate range mainly relates to the CGUs of the United States, Turkey and Mexico, and the lower end relates to the CGUs of Brazil and Chile & Uruguay. In 2017, the higher end of the average EBITA percentage range relates to the CGUs of Mexico and Chile & Uruguay, and the lower end to the CGU of the United States. In 2017, the higher end of the pre-tax discount rate range relates to the CGU of Turkey while the lower end relates to the CGU of Chile & Uruguay. The remaining CGUs within the Americas & Asia segment have average revenue growth rates, EBITA percentages and pre-tax discount rates around the midpoint of the respective ranges. Refer to note 14 for more details on the discount rate used for the CGU of United States.

17. Other Non-Current Assets

in thousands of EUR	Notes	31 December 2017	31 December 2016
Rental deposits and key money		34,711	34,200
Loans to management	37.2	1,530	7,029
Other		8,054	4,062
		44,295	45,291

The carrying value less impairment provision approximates the fair value of the non-current financial assets. There is no provision on the loans to management at the end of 2017 and 2016. Key money is subject to amortization in line with the related rental contracts. 'Other' mainly includes investments in buildings where stores are operated, receivables from franchisees and certain non-current prepayments.

18. Associates and Joint Ventures

in thousands of EUR	31 December 2017	31 December 2016
Visilab S.A.	259	34,366
Reliance-Vision Express Private Ltd and Reliance-GrandVision India Supply Private Ltd	936	1,979
	1,195	36,345

The movements in investments in the Associates and Joint Ventures are as follows:

in thousands of EUR	2017	2016
At 1 January	36,345	40,438
Share of result of Associates and Joint Ventures	1,932	3,851
Dividend received	- 6,090	- 8,215
Change in control of Visilab	- 31,129	-
Acquisitions	233	-
Capital contributions in Associates and Joint Ventures	-	336
Currency translation differences	- 96	- 65
At 31 December	1,195	36,345

In October 2017, GrandVision increased its shareholding and obtained control of Visilab, which resulted in Visilab becoming a subsidiary of GrandVision. Refer to note 6 for more details.

19. Inventories

in thousands of EUR	31 December 2017	31 December 2016
Finished goods	368,515	311,651
Provision for obsolete inventory	- 18,779	- 18,672
	349,736	292,979

An amount of €9,773 (2016: €9,031) has been recognized in the Income Statement relating to obsolete inventories in 'Cost of sales and directly related costs'.

20. Trade and Other Receivables

in thousands of EUR	Notes	31 December 2017	31 December 2016
Trade receivables		178,493	161,532
Less: provision for impairment of trade receivable		- 11,502	-10,075
Trade receivables – net		166,991	151,457
Receivables from related parties	37.1	5,356	8,937
Taxes and social security		34,133	25,380
Other receivables		78,300	69,092
Prepayments		43,480	36,628
		328,260	291,494

The Group's historical experience in collection of accounts receivable is considered in the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables. The Group has recognized a provision of €11,502 (2016: €10,075) for the impairment of its trade receivables. The addition to and release of the provision for impaired receivables have been included in the selling and marketing costs in the Income Statement.

Movements on the provision for the impairment of trade receivables are as follows:

in thousands of EUR	2017	2016
At 1 January	10,075	7,677
Additions to provision for bad and doubtful debts	7,764	4,485
Receivables written off during the year as uncollectible	- 3,837	- 1,227
Unused amounts reversed	- 1,730	- 860
Exchange differences	- 770	-
At 31 December	11,502	10,075

As of 31 December 2017 €52,313 of the net trade receivables were past due but not impaired (2016: €47,181). The past due date of these receivables with no recent history of default, varies from 1 month to more than 9 months.

The ageing analysis for the trade receivables is as follows:

in thousands of EUR	31 December 2017	31 December 2016
Up to 3 months	161,834	132,940
Between 3 and 6 months	4,111	13,764
Between 6 and 9 months	3,782	5,186
Over 9 months	8,766	9,642
	178,493	161,532

The carrying value less provision for the impairment of trade receivables is equal to the fair value.

The carrying amounts of the Group's trade receivables, including provision, are denominated in various currencies which at year-end rate have the following values in €:

in thousands of EUR	31 December 2017	31 December 2016
Euro (EUR)	84,220	72,663
Brazilian Real (BRL)	14,614	16,529
British Pound Sterling (GBP)	13,700	11,532
Chilean Peso (CLP)	11,691	9,156
Danish Krone (DKK)	7,933	8,615
Turkish Lira (TRY)	7,666	7,413
Norwegian Krone (NOK)	6,702	6,818
Swedish Krona (SEK)	5,423	4,849
Other	15,042	13,882
Total	166,991	151,457

21. Cash and Cash Equivalents

in thousands of EUR	31 December 2017	31 December 2016
Cash at bank and in hand	152,747	171,902
Short-term bank deposits and marketable securities	11,932	9,199
	164,679	181,101

Cash and cash equivalents by currency:

in thousands of EUR	31 December 2017	31 December 2016
Euro (EUR)	71,786	118,475
United States Dollar (USD)	20,406	12,362
Norwegian Krone (NOK)	15,718	2,283
Turkish Lira (TRY)	9,686	8,116
British Pound Sterling (GBP)	9,416	13,202
Swiss Franc (CHF)	7,318	-
Chilean Peso (CLP)	6,129	4,913
Danish Krone (DKK)	3,622	2,547
Swedish Krona (SEK)	3,057	2,229
Other	17,541	16,974
	164,679	181,101

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

in thousands of EUR	Notes	31 December 2017	31 December 2016
Cash and bank balances		164,679	181,101
Bank overdrafts	26	- 152,443	- 143,396
		12,236	37,705

Bank overdrafts include drawings on the uncommitted bilateral overdraft and money market facilities.

22. Share Capital

	Number of shares outstanding	Ordinary shares (in thousands of EUR)	Share premium (in thousands of EUR)	Total (in thousands of EUR)
At 1 January 2016	252,337,979	254	51,561	51,815
Issue of ordinary shares	-	4,835	- 4,835	-
Share-based payments	546,629	-	8,736	8,736
Purchase of treasury shares	- 100,000	-	- 2,411	- 2,411
At 31 December 2016	**252,784,608**	**5,089**	**53,051**	**58,140**
At 1 January 2017	252,784,608	5,089	53,051	58,140
Share-based payments	798,812	-	1,372	1,372
At 31 December 2017	**253,583,420**	**5,089**	**54,423**	**59,512**

In 2017, the share-based payment plan movements within share capital of €1,372 relate to the periodic expenses and settlements of the share-based payment plans (2016: €8,736).

GrandVision provided 798,812 shares related to the share-based payment plans following the vesting in 2017 (2016: 546,629 shares). The number of shares held in treasury at 31 December 2017 were 860,420 (2016: 1,659,232 shares).

GrandVision did not purchase shares in 2017. During 2016 GrandVision purchased 100,000 shares to be held in treasury related to the share-based payment plans for a total amount of €2,411.

23. Other Reserves

	Cash flow hedge reserve	Remeasurement of post-employment benefit obligations	Cumulative currency translation reserve	Total Other reserves
At 1 January 2016	- 969	- 9,529	- 49,225	- 59,723
Other Comprehensive Income	1,302	- 6,248	- 27,949	- 32,895
At 31 December 2016	**333**	**- 15,777**	**- 77,174**	**- 92,618**
At 1 January 2017	333	- 15,777	- 77,174	- 92,618
Other Comprehensive Income	- 5,394	1,560	- 52,510	- 56,344
At 31 December 2017	**- 5,061**	**- 14,217**	**- 129,684**	**- 148,962**

In 2017, an amount of €13,162 forms part of Other Comprehensive Income and relates to the reclassification of cumulative currency translation differences to the Income Statement, following the change in control of Visilab.

24. Retained Earnings

in thousands of EUR	2017	2016
At 1 January	981,384	786,428
Result for the year	227,929	231,360
Dividends paid	- 78,363	- 35,327
Acquisition of non-controlling interest	- 651	-
Share-based payments	- 1,775	- 1,077
At 31 December	1,128,524	981,384

For 2017, it is proposed to the General Meeting to distribute a total dividend of €81,147 or EUR 0.32 per share. If the proposal is approved by the General Meeting, the dividend will be payable as from 4 May 2018.

For 2016, a total dividend of EUR 0.31 per share was paid out in the first half year of 2017 for a total of €78,363. A final dividend for 2015 of EUR 0.14 per share was paid out in the first half year of 2016 for a total of €35,327.

25. Non-Controlling Interest

in thousands of EUR	2017	2016
At 1 January	59,667	53,255
Acquisition of subsidiary	14,678	-
Result for the year	21,038	20,593
Dividends paid	- 11,452	- 10,932
Acquisition of non-controlling interest	109	-
Remeasurement of post-employment benefit obligation	- 17	- 97
Cash flow hedge reserve	297	- 83
Currency translation differences	- 2,840	- 3,069
At 31 December	81,480	59,667

The increase in non-controlling interests in 2017 relates mainly to the acquisition of Visilab. See note 6 for more details.

The financial information for the Synoptik Group (non-controlling interest of 36.71%) is as follows:

in thousands of EUR	31 December 2017	31 December 2016
Summarized Balance Sheet:		
Non-current assets	97,971	99,956
Current assets	98,271	71,790
Equity	127,146	113,254
Non-current liabilities	5,493	5,782
Current liabilities	63,603	52,710

The accumulated non-controlling interest for the Synoptik Group amounts to €46,675 (2016: €41,575).

The financial information for Visilab (non-controlling interest of 21%) is as follows:

in thousands of EUR	31 December 2017
Summarized Balance Sheet:	
Non-current assets	125,170
Current assets	27,440
Equity	73,195
Non-current liabilities	47,234
Current liabilities	32,181

The accumulated non-controlling interest for Visilab amounts to €15,936 (2016: none).

26. Borrowings

in thousands of EUR	31 December 2017	31 December 2016
Non-current		
Bank and other borrowings	376,616	387,187
Financial leases	584	1,066
	377,200	388,253
Current		
Bank overdrafts	152,443	143,396
Commercial paper	398,800	342,000
Bank and other borrowings	61,225	56,876
Financial leases	477	918
	612,945	543,190
Total borrowings	**990,145**	**931,443**

BANK FACILITIES

The Group has a revolving credit facility of €1,200 million. In July 2016 the facility was extended for a second time and now has a final maturity date of 17 September 2021. The interest rate on the drawings consists of the margin and the applicable rate (i.e. for a loan in euros, the EURIBOR), however the applicable rate can never be below zero percent. In addition to the revolving credit facility the Group has uncommitted bilateral overdraft and money market facilities for a total of €284 million.

At the end of 2017 the Group also has multiple bank guarantee facilities for a total amount of €68 million (2016: €59 million).

COMMERCIAL PAPER

In 2016 GrandVision commenced with a commercial paper program under which it can issue commercial paper up to the value of €500 million (2016: €400 million). As of 31 December 2017 the amounts outstanding under the commercial paper program totalled €398.8 million (2016: €342 million) and have maturity dates of less than 12 months.

Movements in liabilities from financing activities are as follows:

in thousands of EUR	Bank borrowings	Financial leases	Commercial paper	Other borrowings	Interest derivatives	Total
At 1 January 2017	442,776	1,984	342,000	1,287	4,243	792,290
Changes from financing cash flows						
Proceeds from borrowings	321,682	172	56,800	2,693	-	381,347
Repayments of borrowings	- 329,137	- 884	-	- 285	-	- 330,306
Interest swap payments	-	-	-	-	- 2,056	- 2,056
Interest	- 2,829	- 63	496	-	-	- 2,396
Other movements						
Acquisitions	12,974	-	-	321	-	13,295
Amortization/interest accrual	3,608	63	- 496	239	2,067	5,481
Exchange differences	- 15,150	- 211		- 337	-	- 15,698
Other comprehensive income (before tax)	-	-	-	-	- 1,034	- 1,034
At December 2017	433,923	1,061	398,800	3,918	3,220	840,922
Non-current	373,678	584	-	2,938	3,135	380,335
Current	60,245	477	398,800	980	85	460,587
At December 2017	433,923	1,061	398,800	3,918	3,220	840,922

The interest on commercial paper relates to the effect of negative effective interest rates. Interest paid in the consolidated Cash Flow Statement also includes commitment and utilization fees related to bank borrowings.

The maturity of the borrowings of the Group is as follows:

in thousands of EUR	Within 1 year	1-2 years	2-5 years	After 5 years	Total
At 31 December 2017					
Borrowings	213,668	216	376,400	-	590,284
Commercial paper	398,800	-	-	-	398,800
Financial leases	477	322	262	-	1,061
	612,945	538	376,662	-	990,145
At 31 December 2016					
Borrowings	200,272	-	387,187	-	587,459
Commercial paper	342,000	-	-	-	342,000
Financial leases	918	505	549	12	1,984
	543,190	505	387,736	12	931,443

The fair value of the borrowings is approximately equal to the carrying amounts since these loans have a floating interest rate.

The weighted average effective interest rates of the borrowings under the revolving credit facility, the commercial paper program and the bilateral overdraft and money market facilities at balance sheet date were as follows:

	2017	2016
Borrowings and commercial paper	0.28%	0.92%

Interest rates on variable-rate borrowings are mainly EURIBOR-based, increased by a certain margin. The margin is determined based on the interest cover and the leverage ratio (note 3.1.3).

The Group has the following undrawn borrowing facilities:

in thousands of EUR	31 December 2017	31 December 2016
- Expiring within one year	265,558	172,193
- Expiring beyond one year	824,965	810,964
	1,090,523	983,157

FINANCIAL LEASE COMMITMENTS

The financial lease commitments fall due as follows:

	31 December 2017			31 December 2016		
in thousands of EUR	Payment	Interest	Principal	Payment	Interest	Principal
Within 1 year	508	31	477	980	62	918
1 - 2 years	340	18	322	524	19	505
2 - 5 years	280	18	262	553	4	549
After 5 years	-	-	-	12	-	12
Total	1,128	67	1,061	2,069	85	1,984

27. Deferred Income Taxes

During 2017, resulting from a detailed review of its deferred tax positions in line with the criteria of IAS 12 *Income Taxes,* the presentation relating to deferred income tax assets and deferred income tax liabilities for certain qualifying positions has changed from gross presentation to a net presentation. The comparable figures at 31 December 2016 changed and the only impact is a decrease of €60,193 in both 'Deferred income tax assets' and 'Deferred income tax liabilities'.

Had the deferred income tax positions at 31 December 2017 been reported on a gross basis, the impact would have been an increase of €61,160 in both 'Deferred income tax assets' and 'Deferred income tax liabilities'.

Had the deferred income tax positions at 1 January 2016 been reported on a net basis, the only impact would have been a decrease of €52,860 in both 'Deferred income tax assets' and 'Deferred income tax liabilities'.

in thousands of EUR	Notes	2017	2016
The movement on the deferred income tax assets is as follows:			
Gross amount at 1 January		74,617	67,186
Acquisitions	6	6,533	128
Income Statement impact		4,279	4,744
Change because of income rate change		- 3,942	- 1,856
Processed through Other comprehensive income		162	3,607
Reclassification		- 225	6
Exchange differences		- 2,923	802
Gross amount at 31 December		78,501	74,617
Offset assets and liabilities		- 61,160	- 60,193
Net amount at 31 December		17,341	14,424
Analysis of the gross amount of deferred income tax assets is as follows:			
- Deferred income tax asset to be recovered after more than 12 months		49,756	51,279
- Deferred income tax asset to be recovered within 12 months		28,745	23,338
		78,501	74,617
The movement on the deferred income tax liability is as follows:			
Gross amount at 1 January		134,040	142,565
Acquisitions	6	31,796	3,130
Income Statement impact		- 9,518	- 3,664
Change because of income rate change		- 9,696	- 8,980
Processed through Other Comprehensive Income		- 841	1,179
Reclassification		- 225	- 50
Exchange differences		- 3,450	- 140
Gross amount at 31 December		142,106	134,040
Offset assets and liabilities		- 61,160	- 60,193
Net amount at 31 December		80,946	73,847
Analysis of the gross amount of deferred income tax liabilities is as follows:			
- Deferred income tax liability to be settled after more than 12 months		127,962	121,189
- Deferred income tax liability to be settled within 12 months		14,144	12,851
		142,106	134,040
Net deferred income taxes		63,605	59,423

SPECIFICATION OF GROSS DEFERRED INCOME TAX ASSETS

in thousands of EUR	31 December 2017	31 December 2016
Property, plant and equipment	5,873	5,449
Goodwill	240	224
Other intangible assets	7,938	5,738
Inventories	4,825	3,758
Post-employment benefits	18,457	14,419
Provisions	9,681	9,466
Derivative financial instruments	1,872	1,197
Deferred revenue and to be invoiced amounts	7,631	6,787
Trade and other payables	4,502	4,242
Deferred taxes on temporary differences	61,019	51,280
Deferred taxes on carry forward losses	17,482	23,337
Total deferred income tax assets	78,501	74,617

SPECIFICATION OF GROSS DEFERRED INCOME TAX LIABILITIES

in thousands of EUR	31 December 2017	31 December 2016
Property, plant and equipment	9,709	10,248
Goodwill	38,021	38,476
Other intangible assets	89,962	74,951
Inventories	252	28
Post-employment benefits	427	77
Provisions	1,917	7,926
Derivative financial instruments	279	1,202
Deferred revenue and to be invoiced amounts	260	842
Trade and other payables	1,279	290
Total deferred income tax liabilities	142,106	134,040

Deferred income tax assets on carryforward losses have been recognized for an amount of €17,482 (2016: €23,337). The losses are recognized based on taxable temporary differences or future expected results taking into consideration the expiration date of historical losses and other tax regulations. The related income tax losses amount to €66,701 (2016: €80,317). Deferred tax assets of €14,545 (2016: €13,385) relate to entities which suffered a loss in either the current or the preceding period. For loss making entities, carry forward losses are recognized as a deferred tax asset if it is likely that future taxable profits will be available against which losses can be set off, or to the extent that sufficient taxable temporary differences are available.

Unrecognized income tax losses amount to €280,814 (2016: €251,882). These tax losses expire as follows:

in thousands of EUR	31 December 2017	31 December 2016
Expiring within one year	3,401	5,890
Expiring between one and two years	5,335	5,782
Expiring between two and five years	20,563	22,840
Expiring after more than five years	49,171	10,726
Offsettable for an unlimited period	202,344	206,644
	280,814	251,882

The unrecognized tax losses offsettable for an unlimited period relate, amongst others to entities in Spain and Brazil. The unrecognized tax losses generated in Spain are subject to alternate views from the Spanish tax authorities. For group companies with a history of recent losses and the absence of expected future taxable results, deferred tax assets have been recognized only to the extent of taxable temporary differences.

The Group considered and incorporated the impact on the assumptions used in its goodwill impairment tests also in 2017 resulting from the outcome of the UK referendum in 2016 on European Union membership.

The enactment of the United States Tax Cuts and Jobs Act on 22 December 2017 had no impact on the Group's consolidated reported deferred tax positions as those related to the United States are nihil on a net basis per year-end 2017.

28. Post-Employment Benefits

The amounts recognized in the Balance Sheet are determined as follows:

in thousands of EUR	31 December 2017	31 December 2016
Present value of benefit obligation	69,692	4,521
Fair value of plan assets	- 42,602	- 1,939
Net position	27,090	2,582
Present value of unfunded obligation	72,211	73,111
Provision in the Balance Sheet	99,301	75,693

The increase in 2017 relates mainly to the post employment benefit plan for employees of Visilab, which was acquired in October 2017.

The most recent actuarial valuations were performed in December 2017.

The defined benefit obligation of the unfunded plans mainly relate to:

- A pension arrangement, in addition to the state pension provided in Germany, for employees already employed with Apollo prior to 1994 (2017: €54.6 million; 2016: €55.5 million). Every service year of the employees in the plan adds an amount of 1% of their pensionable salaries to the plan. This occurs for a maximum of 25 years and is maximized in terms of pay-out.
- The Italian Trattamento di Fine Rapporto program (2017: €5 million; 2016: €5.4 million) for service years until 2012. For service years since 2013 the Trattamento di Fine Rapporto is paid to a pension fund or a state agency as a defined contribution.
- An end-of-employment plan for French employees (2017: €12.3 million; 2016: €11.9 million). This is based on service years and calculated according to the estimated remuneration in the last year of employment.

These plans are unfunded and thus both the pay-out and the actuarial risks are the responsibility of the Company.

The net defined benefit obligation of the funded plans mainly relates to the pension arrangement of Visilab of €23.9 million. The assets of the plan at 31 December 2017 are €39.9 million and the obligations of the plan at 31 December 2017 are €63.9 million. The pension arrangements (occupational pension plans) of Visilab are funded plans, providing benefits upon retirement, death, disability and termination. Those arrangements are the base of the second pillar of the Swiss social security system. Both employer and employees pay contributions to the pension plan. To comply with legal requirements, employers have to set up a pension arrangement for their employees. For this purpose, Visilab is affiliated to the Fondation BCV deuxième pilier ("the Foundation") which is a collective pension fund (group administration plan)

under the supervision of the Supervisory Authority in the canton of Vaud. The pension plan is governed by a committee which consists of an equal number of employer and employee representatives and is managed by the Foundation. Visilab has no control over investments performed by the Foundation. Pension arrangements are subject to the mandatory insurance requirements according to the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Funds (LPP/BVG). Should the Foundation become underfunded according to Swiss Law, the Foundation Board must decide on recovery measures that will allow the coverage ratio to return to 100% within an appropriate time horizon. The latest known coverage ratio of the Foundation was 107.5% as at 31 December 2016.

The remainder of the assets and obligations of the funded plans mainly relate to defined benefit plans in Mexico.

The risks of these plans are mainly related to changes in the discount rate applied to determine the defined benefit obligation.

The amounts recognized in the Income Statement are as follows:

in thousands of EUR	Notes	2017	2016
Current service costs		3,005	1,964
Interest expense		1,429	1,597
Plan amendments/curtailments/settlements		-	- 15
Administrative costs		-	- 26
Total defined benefit costs	8	4,434	3,520

The movement in the defined benefit obligation over the year was as follows:

in thousands of EUR	Present value of obligation	Fair value of plan assets	Total
At 1 January 2016	67,209	- 2,505	64,704
Current service costs	1,964	-	1,964
Interest expense/ (income)	1,760	- 163	1,597
Employer contributions	-	- 1,503	- 1,503
Experience adjustments	593	-	593
Change in financial assumptions	8,521	-	8,521
Change in demographic assumptions	- 15	-	- 15
Plan amendments and curtailments	- 15	-	- 15
Return on plan assets, excluding amounts in interest	-	134	134
Benefits paid	- 1,783	1,783	-
Exchange effect	- 602	315	- 287
At 31 December 2016	**77,632**	**- 1,939**	**75,693**
At 1 January 2017	77,632	- 1,939	75,693
Acquisition of subsidiary	63,868	- 39,981	23,887
Current service costs	3,005	-	3,005
Interest expense/ (income)	2,535	- 1,106	1,429
Employee contributions	595	- 595	-
Employer contributions	-	- 1,917	- 1,917
Experience adjustments	- 1,135	-	- 1,135
Change in financial assumptions	- 1,360	-	- 1,360
Change in demographic assumptions	196	-	196
Plan amendments and curtailments	15	- 14	1
Return on plan assets, excluding amounts in interest	-	95	95
Benefits paid	- 2,233	2,233	-
Reclassification	3	-	3
Exchange effect	- 1,218	622	- 596
At 31 December 2017	**141,903**	**- 42,602**	**99,301**

ASSUMPTIONS

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	1.4%	1.9%
Expected return on plan assets	1.0%	8.0%
Future salary increases	2.1%	2.9%
Future inflation	1.4%	1.8%

In 2017, the expected return on plan assets relates mainly to the post employment benefit plan of Visilab (2016: Mexico). The difference between the discount rate and the expected return on plan assets was caused by the weighted impact of funded and unfunded plans.

The most recent available mortality tables have been used in determining the pension liability. Experience adjustments have been made. The assumptions are based on historical experiences. The expected return on plan assets is based on the expected return on high-quality corporate bonds.

A 1% increase in the discount rate used to calculate the defined benefit obligation would result in 16% decrease in the defined benefit obligation. A 1% decrease in the discount rate used to calculate the defined benefit obligation would result in 21% increase in the defined benefit obligation. An increase of 0.25% in salary would result in an increase of 1% in the defined benefit obligation. A 1 year increase in life expectancy would result in an increase of 2% in the defined benefit obligation. An increase of 1% in inflation would result in an 8% increase in the defined benefit obligation.

The above sensitivity analyses are based on changing one assumption while all other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

Plan assets are comprised as follows:

in thousands of EUR	2017	2016
Insurance contracts	40,947	-
Debt instruments	1,054	1,091
Equities	595	848
Other	6	-
Total	42,602	1,939

The plan assets of Visilab qualify for the level 2 fair value category. See note 3.3 for a description of the different levels of valuation categories.

The expected maturity of the undiscounted pension and post-employment benefits is:

in thousands of EUR	2017	2016
Less than 1 year	3,811	1,553
Between 1 and 2 years	5,424	2,620
Between 2 and 5 years	13,383	7,535
Over 5 years	179,736	115,340
Total	202,354	127,048

The expected contributions in 2018 to the defined benefit plans amount to €2,025.

29. Provisions

in thousands of EUR	Legal and regulatory	Warranty	Employee-related	Share based payments	Other	Total
At 1 January 2016	21,673	8,632	4,294	876	1,990	37,465
Movements in 2016						
Acquisitions	-	-	-	-	58	58
Addition to provision	4,373	2,692	3,759	95	580	11,499
Reversal of provision	- 1,237	- 1,215	- 491	-	- 238	- 3,181
Utilized during the year	- 3,134	- 2,134	- 928	- 755	- 594	- 7,545
Other movements	-	153	-	-	- 153	-
Exchange differences	130	- 7	- 49	-	5	79
At 31 December 2016	**21,805**	**8,121**	**6,585**	**216**	**1,648**	**38,375**
Non-current	1,987	5,055	4,871	-	419	12,332
Current	19,818	3,066	1,714	216	1,229	26,043
At 31 December 2016	21,805	8,121	6,585	216	1,648	38,375
At 1 January 2017	21,805	8,121	6,585	216	1,648	38,375
Movements in 2017						
Addition to provision	2,798	3,090	3,342	76	1,974	11,280
Reversal of provision	- 1,209	-	- 1,019	-	- 432	- 2,660
Utilized during the year	- 2,914	- 2,420	- 1,105	- 292	- 293	- 7,024
Other movements	- 1,452	-	1,452	-	-	-
Exchange differences	- 351	- 7	- 224	-	- 147	- 729
At 31 December 2017	**18,677**	**8,784**	**9,031**	**-**	**2,750**	**39,242**
Non-current	12,298	5,197	4,501	-	692	22,688
Current	6,379	3,587	4,530	-	2,058	16,554
At 31 December 2017	18,677	8,784	9,031	-	2,750	39,242

LEGAL AND REGULATORY

In June 2009, the French Competition Authority ("FCA") investigated certain optical suppliers and optical retailers, including GrandVision, active in the branded sunglasses and branded frames sector in France, investigating whether these parties entered into vertical restraints in relation to the distribution of branded sunglasses and branded frames. In May 2015, the Company received a statement of objections ('notification de griefs') from the FCA. The Company responded to this statement of objections and booked an adequate provision determined by an assessment of the probability and amount of potential liability. The Company received an official report ("Rapport") from the FCA on 22 July 2016, reconfirming the accusation and confirming GrandVision's assumptions of the probability and amount of the potential liability. The Company timely responded to this report on 26 October 2016. On 15 December 2016 a hearing was held before the FCA during which all parties were given the opportunity to defend their case. The FCA had not yet made its decision following this hearing. As the Company expects that the procedure will continue beyond the initial anticipated period, the provision was reclassified from current to non-current provisions in 2017.

Secondly, the provision relates to the Group's ongoing tax risk management process in which it determines potential fiscal claims on VAT and other taxes in various countries. The additions in 2017 and 2016 mainly relate to VAT and other tax risks in Austria and Germany.

WARRANTY

The Group provides warranty along with the sales of its products. Warranty provision exists to cover possible future expenses that may be incurred rectifying defects in, or providing replacements for, products the Group has sold.

EMPLOYEE-RELATED

The additions in 2017 relate mainly to severance costs of certain employees as part of restructuring activities.

SHARE-BASED PAYMENT PLANS

Refer to note 30.

OTHER PROVISIONS

'Other provisions' mostly include decommissioning liabilities for returning a store or office to its original state.

30. Share-based Payment Plans

The table below shows the total expense of the share-based payment plans as well as the movements in liability and equity.

in thousands of EUR	Equity plan	Long-term incentive plan	
	Equity	Liability	Equity
At 1 January 2016	25,540	876	27,202
Charges to Income Statement	1,523	95	13,685
Settlements/ Vesting	- 14,769	- 755	- 17,435
Exchange differences	-	-	29
At 31 December 2016	**12,294**	**216**	**23,481**
At 1 January 2017	12,294	216	23,481
Charges to Income Statement	939	76	10,259
Settlements/ Vesting	- 6,017	- 292	- 24,707
Exchange differences	-	-	18
At 31 December 2017	**7,216**	**-**	**9,051**

The long-term incentive plan (LTIP) represents conditional share and option awards. Option awards are in the form of stock-settled share appreciation rights, meaning that at exercise the participant receives shares which are in total equal in value to the total value of the exercised options.

The number of participants of the share-based payment plans per year-end 2017 is 154 (2016: 153).

The phantom plans issued in 2011, 2012, 2013 and 2014 were converted from cash-settled to equity-settled long-term incentive plans on the listing of GrandVision N.V. on Euronext Amsterdam in 2015. The phantom plans issued in 2009, 2010 and certain but limited plans relating to 2012, 2013 and 2014 remained cash-settled. The cash-settled plans were fully settled in 2017.

No new shares were issued in 2017 (2016: none) related to the share-based-payment plans.

The table shows the valuation method of the Group's share-based payment plans:

Classification	Share awards	Option awards	Equity plan
Cash-settled	Share price at 31 December	Black-Scholes-Merton option model	n/a
Equity-settled	Share price at conversion and grant date	Black-Scholes-Merton option model	Share price at grant date

The equity and phantom plans are no longer granted since the listing of the Company's shares. Only share and option awards under the long-term incentive plans are being awarded since then.

The table below shows the movements in the number of shares of the equity plan for key management and employees:

	Th. A. Kiesselbach (CEO)	P.J. de Castro Fernandes (CFO)	Employees	Total
At 1 January 2016	21,600	251,020	1,808,404	2,081,024
Settled	- 9,600	- 125,510	- 881,362	- 1,016,472
At 31 December 2016	**12,000**	**125,510**	**927,042**	**1,064,552**
At 1 January 2017	12,000	125,510	927,042	1,064,552
Settled	- 12,000	- 125,510	- 467,292	- 604,802
At 31 December 2017	**-**	**-**	**459,750**	**459,750**

Of those shares outstanding under the equity plan at 31 December 2017, for 168,930 shares (2016: 480,920 shares) the vesting period has ended. In 2017, the shares that were vested and unrestricted have been settled.

The table below shows the movements in the long-term incentive plan for key management and employees:

	Th. A. Kiesselbach (CEO)	P.J. de Castro Fernandes (CFO)	Employees	Total LTIP awards
At 1 January 2016	265,708	162,746	2,511,438	2,939,892
Adjusted for performance conditions	22,234	13,536	226,838	262,608
Granted	23,125	10,580	366,634	400,339
Settled	- 76,175	- 26,242	- 980,477	- 1,082,894
Forfeited	-	-	- 221,104	- 221,104
At 31 December 2016	**234,892**	**160,620**	**1,903,329**	**2,298,841**
At 1 January 2017	**234,892**	**160,620**	**1,903,329**	**2,298,841**
Granted	-	63,433	564,362	627,795
Settled	- 69,744	- 138,462	- 1,292,324	- 1,500,530
Forfeited	-	-	- 161,403	- 161,403
At 31 December 2017	**165,148**	**85,591**	**1,013,964**	**1,264,703**

The table below shows the movements in the number of awards of the long-term incentive plan:

	Share awards	Option awards	Weighted average exercise price in EUR per share
At 1 January 2016	1,361,642	1,578,250	6.94
Adjusted for performance conditions	76,105	186,503	6.66
Granted	256,165	144,174	27.47
Settled	- 324,903	- 757,991	6.10
Forfeited	- 125,809	- 95,295	6.64
At 31 December 2016	**1,243,200**	**1,055,641**	**10.33**
At 1 January 2017	1,243,200	1,055,641	10.33
Granted	264,474	363,321	25.43
Settled	- 785,097	- 715,433	6.59
Forfeited	- 106,893	- 54,510	24.53
At 31 December 2017	**615,684**	**649,019**	**21.71**

The weighted average fair value of the share awards granted in 2017 at grant date is €23.50 (2016: €23.32). The weighted average fair value of the option awards granted in 2017 at grant date is €3.20 (2016: €2.83).

The weighted average share price used for the exercise of the option awards during 2017 was €23.12 (2016: €24.97).

Of those option awards outstanding at 31 December 2017, 139,736 were exercisable (2016: 130,232). The weighted average exercise price of these exercisable option awards was €6.37 (2016: €5.99). As of 31 December 2017 the weighted average remaining contractual life for outstanding option awards was 3 years (2016: 1.1 years).

As a result of LTIP plans being settled, 1,291,032 shares were delivered to participants or became unrestricted in 2017 (2016: 2,483,832).

Most of the option awards related to 2011, 2012 and 2013 were converted to equity-settled on the listing. The fair value of the option awards is based on the Black-Scholes-Merton option pricing model. The following assumptions were used:

Option awards	LTIP 2012 (equity settled)	LTIP 2013 (equity settled)	LTIP 2015 (equity settled)	LTIP 2016 (equity settled)	LTIP 2017 (equity settled)
Number of options outstanding	58,961	80,775	53,691	144,174	311,418
Exercise price in EUR	5.98	6.66	24.59	27.47	25.43
Share price in EUR	20.00	20.00	22.72	23.32	23.50
Volatility	23.4%	22.1%	24.0%	25.2%	24.1%
Dividend yield	0.7%	1.1%	1.4%	1.6%	1.7%
Expected remaining option life in years	3.30	4.30	5.00	5.00	5.00
Annual risk-free interest rate %	-0.19%	-0.18%	0.15%	-0.36%	-0.28%

The option awards can only be exercised at vesting and at distinct moments 1 and 2 years after vesting. Therefore no impact of early exercise is included in the valuation model. Volatility is determined by calculating a weighted average of historical volatility of closing prices of the company itself and, due to limited historical share price data of GrandVision N.V., its peer group.

There were no option awards granted in 2014.

The following tables summarize the status of the outstanding equity and LTIP plans during 2017 for the individual Management Board members:

Outstanding share-based awards	Award	Awards per 1 January 2017	Granted in 2017	Settled in 2017	Awards per 31 December 2017	Exercise price option awards	Fair value at grant	Share price at vesting
Th. A. Kiesselbach (CEO)								
GrandVision BV - Equity Plan 2012	Shares	12,000	-	- 12,000	-	-	8.12	23.32
GrandVision BV - LTIP 2012	Options	58,961	-	-	58,961	5.98	13.81	23.32
GrandVision BV - LTIP 2013	Shares	24,344	-	- 24,344	-	-	20.00	23.60
GrandVision BV - LTIP 2013	Options	59,650	-	-	59,650	6.66	12.81	23.60
GrandVision BV - LTIP 2014	Shares	45,400	-	- 45,400	-	-	20.00	23.60
GrandVision NV - LTIP 2015	Shares	23,412	-	-	23,412	-	22.76	-
GrandVision NV - LTIP 2016	Shares	23,125	-	-	23,125	-	23.32	-
Total		**246,892**	**-**	**- 81,744**	**165,148**			

Outstanding share-based awards	Award	Awards per 1 January 2017	Granted in 2017	Settled in 2017	Awards per 31 December 2017	Exercise price option awards	Fair value at grant	Share price at vesting
P.J. de Castro Fernandes (CFO)								
GrandVision BV - Equity Plan 2012	Shares	125,510	-	- 125,510	-	-	8.12	23.32
GrandVision BV - LTIP 2012	Options	64,326	-	- 64,326	-	5.98	13.81	23.32
GrandVision BV - LTIP 2013	Shares	14,824	-	- 14,824	-	-	20.00	23.60
GrandVision BV - LTIP 2013	Options	36,312	-	- 36,312	-	6.66	12.81	23.60
GrandVision BV - LTIP 2014	Shares	23,000	-	- 23,000	-	-	20.00	23.60
GrandVision NV - LTIP 2015	Shares	11,578	-	-	11,578	-	22.76	-
GrandVision NV - LTIP 2016	Shares	10,580	-	-	10,580	-	23.32	-
GrandVision NV - LTIP 2017	Shares	-	11,530	-	11,530	-	23.50	-
GrandVision NV - LTIP 2017	Options	-	51,903	-	51,903	25.43	3.20	-
Total		**286,130**	**63,433**	**- 263,972**	**85,591**			

The vested option awards under GrandVision BV - LTIP 2012 and GrandVision BV - LTIP 2013 were exercised in 2017, resulting in the delivery of 74,897 shares. The vesting of the share awards under the GrandVision BV - LTIP 2013 and GrandVision BV - LTIP 2014 plans in 2017, resulted in the delivery of 107,568 shares.

Outstanding share-based awards	Award	Status per 31 December 2017	Vesting year	Holding period end	Performance conditions
GrandVision BV - Equity Plan 2012	Shares	Vested	2016	2017 (50%)	No
GrandVision BV - LTIP 2012	Options	Vested	2016	-	0-200% on Rev/EBITA 2014
GrandVision BV - LTIP 2013	Shares	Vested	2017	-	0-200% on Rev/EBITA 2015
GrandVision BV - LTIP 2013	Options	Vested	2017	-	0-200% on Rev/EBITA 2015
GrandVision BV - LTIP 2014	Shares	Vested	2017	-	No
GrandVision NV - LTIP 2015	Shares	Conditional	2018	2020	0-150% on Rev/EPS 2015-2017
GrandVision NV - LTIP 2016	Shares	Conditional	2019	2021	0-150% on Rev/EPS 2016-2018
GrandVision NV - LTIP 2017	Shares	Conditional	2020	2022	0-150% on Rev/EPS 2017-2019
GrandVision NV - LTIP 2017	Options	Unconditional	2022	-	No

Outstanding share-based awards	Award	Minimum # of shares	Maximum # of shares	Minimum # of shares	Maximum # of shares
		Th. A. Kiesselbach (CEO)		P.J. de Castro Fernandes (CFO)	
GrandVision BV - LTIP 2012	Options	42,420	42,420	-	-
GrandVision BV - LTIP 2013	Options	41,000	41,000	-	-
GrandVision NV - LTIP 2015	Shares	23,412	35,118	11,578	17,367
GrandVision NV - LTIP 2016	Shares	23,125	34,688	10,580	15,870
GrandVision NV - LTIP 2017	Shares	-	-	11,530	17,295
GrandVision NV - LTIP 2017	Options	-	-	51,903	51,903

The option awards under GrandVision NV - LTIP 2017 are not conditional on meeting performance targets. The minimum and maximum numbers of shares resulting from option awards is calculated based on the share price ultimo 2017 (€21.30).

31. Other Non-Current Liabilities

in thousands of EUR	31 December 2017	31 December 2016
Contingent consideration	19,071	1,130
Rental incentives	6,739	7,587
Other	5,609	4,593
	31,419	13,310

In 2017, the increase in non-current contingent consideration mainly relates to the acquisition of additional shareholding in Visilab in 2019.

Rental incentives relate to the straight-lining effect of operating lease payments over the lease term. 'Other' mainly includes the long-term portion of deferred income related to commissions on consumer insurances.

32. Derivative Financial Instruments

The fair value of the derivative financial instruments is as follows:

in thousands of EUR	31 December 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Interest rate derivatives – cash flow hedges	-	3,135	-	4,169
	-	3,135	-	4,169
Current				
Interest rate derivatives – cash flow hedges	-	85	-	74
Currency derivatives – cash flow hedges	1,427	4,304	5,233	675
Currency derivatives – fair value hedges	-	-	-	116
	1,427	4,389	5,233	865
Total derivatives	1,427	7,524	5,233	5,034

The valuation of the derivatives is based on valuations provided by banks and other parties. In note 3.1.3 the maturity of the expected cash flows to occur is shown.

INTEREST RATE DERIVATIVES

The nominal amount of the bank borrowings (see note 26) hedged by interest rate derivatives amounts to €400 million (2016: €300 million) which include €375 million (2016: €300 million) of 0% floors to hedge the impact of negative interest rates. The interest rate derivatives meet the requirements for hedge accounting in full.

CURRENCY DERIVATIVES

The Group has transactional cash flows in multiple currencies and is exposed to the volatility of these currencies against the euro. The treasury policy is to hedge between 25% and 80% of the transactional cash flows based on a rolling 12-month forecast. Derivative financial instruments are aimed at reducing the exposure to adverse currency change. In relation to the Brexit event in 2016, in 2017 the Group continued to hedge its British Pound Sterling transactional exposures to the higher end of this range.

In 2017, the currency derivatives met the requirements for hedge accounting in full. In 2016, the currency derivatives that did not qualify for cash flow hedge accounting were carried at fair value through profit or loss as fair value derivatives.

At the end of 2017 the notional principal amounts of the outstanding forward foreign exchange contracts were:

in thousands of EUR	31 December 2017	31 December 2016
Currency		
Euro (EUR)/United States Dollar (USD)	109,618	58,360
British Pound Sterling (GBP)/ Euro (EUR)	30,159	32,212
Norwegian Krone (NOK)/Danish Krone (DKK)	16,784	2,988
Swedish Krona (SEK)/Danish Krone (DKK)	37,119	7,603
Other/Euro (EUR)	37,485	53,247
Other /United States Dollar (USD)	9,389	7,838

All these foreign exchange deals are partially hedging underlying forecasted transactions of Group entities in the corresponding foreign currency.

33. Trade and Other Payables

in thousands of EUR	Notes	31 December 2017	31 December 2016
Trade payables		198,646	180,889
Accrued expenses		93,254	108,019
Employee related payables		108,462	97,973
Other taxes and social security		68,490	76,501
Deferred income		75,862	64,266
Payables to related parties	37.1	12,713	23,414
Contingent consideration		26,690	3,756
Other payables		55,431	33,606
		639,548	588,424

In 2017, the increase in contingent consideration mainly relates to the acquisition of additional shareholding in Visilab in 2018.

The carrying value is assumed to approximate the fair value due to the short-term nature.

34. Cash Generated from Operations

in thousands of EUR	Notes	2017	2016
Result before tax		350,022	347,728
Adjusted for:			
Depreciation and impairments	13	117,055	110,069
Amortization and impairments	14,15	92,606	53,323
Share-based payments expense	8	11,273	15,303
Result from sale of property, plant and equipment		223	2,541
Result from sale of intangibles		- 990	292
Net financial result	10	14,705	10,414
Share of result of Associates and Joint Ventures	9	- 1,932	- 3,851
Result from sale and valuation of investments in buildings		-	575
Fair value gain on remeasurement of Associate		- 37,949	-
Changes in working capital:			
- Inventories		- 51,534	- 31,232
- Trade and other receivables		- 40,892	- 25,751
- Trade and other payables		5,426	52,731
Changes in provisions		2,518	1,435
Cash generated from operations		460,531	533,577

Changes in working capital and provisions exclude exchange differences and the effect of acquisitions.

35. Contingencies

35.1. CONTINGENT LIABILITIES

The Group has been in dispute with a lens manufacturer, Zeiss, who participated in, but did not win, the lens tender organized by the Group in 2012. Consequently Zeiss' existing lens-supply contract expired on the contractual expiration date of 31 October 2013. Zeiss subsequently claimed that GrandVision's termination of the agreement was unlawful. Zeiss formally sued GrandVision France before the Paris Commercial Court on 10 April 2014, claiming damages of approximately €57 million on the ground of unlawful termination of the lens purchase agreement. A number of hearings took place in 2015 and the Paris Commercial Court declared itself not competent to hear this matter in its 25 January 2016 decision. Zeiss appealed this decision and the French Court of Appeal confirmed the decision of the Paris Commercial Court in its 17 June 2016 decision. No additional procedural steps have been taken by Zeiss since 2016. As GrandVision is confident to sustain its legal position in this dispute, no provision was recognized in the consolidated financial statements. GrandVision is of the opinion that the probability of any further developments on this matter is remote and therefore deems this matter to be closed.

As a multinational company being present in many jurisdictions the Group is involved in a number of tax proceedings. In November 2015 the Group received a report from the German tax authorities following their tax audit covering Apollo-Optik in the years 2008-2012. This report included findings and viewpoints of the tax authorities on German VAT aspects. The Group is contesting the viewpoints of the German tax authorities on the tax position and will defend its position vigorously, if needed in court. As the Group is sufficiently confident to sustain its position on this matter, no provision has been recognized in the consolidated financial statements. If the Group is unsuccessful in resolving this matter, the exposure, including the period after 2012, is €22 million. Formalities are proceeding at this stage and did not result in changes in 2017.

35.2. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

in thousands of EUR	31 December 2017	31 December 2016
Not later than 1 year	312,280	298,183
Later than 1 year and not later than 5 years	630,462	574,296
Later than 5 years	198,024	131,039
	1,140,766	1,003,518

The lease commitments relate mainly to the lease of stores, offices and vehicles. The Group has the option, under some of its leases, to lease the assets for an additional period. Some leases include a clause to increase the annual rental charge based on achieved revenue targets. The increase in 2017 mainly relates to the acquisitions of Visilab and Tesco Opticians.

36. Auditor Fees

The general and administrative expenses include the fees and services provided by PricewaterhouseCoopers Accountants N.V. and its member firms. Fees for audit services include the audit of GrandVision N.V. consolidated and parent company financial statements, as well as the statutory financial statements of subsidiaries.

in thousands of EUR	2017	2016
Audit fees	3,470	2,754
Tax advisory fees	205	130
Other non-audit fees	26	36
	3,701	2,920

37. Related Parties

37.1. TRANSACTIONS AND POSITIONS WITH RELATED PARTIES

During 2017 GrandVision acquired goods from Safilo (a group company of HAL Holding N.V.) for an amount of €58,838 (2016: €79,900).

Other positions with Related Parties are as follows:

in thousands of EUR	Notes	2017	2016
Trade receivables:			
Safilo		5,164	8,540
Other HAL subsidiaries		192	397
	20	5,356	8,937
Trade payables:			
Safilo		10,699	21,116
HAL Investments B.V		1,885	2,153
Other HAL subsidiaries		129	145
	33	12,713	23,414

37.2. LOANS TO/ FROM RELATED PARTIES

The Group has granted loans to senior managers of the Group and its subsidiaries as part of various share-based payment plans of €1,530 (2016: €7,029) of which interest income was accrued of €121 (2016: €344). For more details refer to note 17. Upon sale of shares the managers will have to redeem their loans. The shares awarded under the equity plan are pledged as security on the loans.

The loan to key management relating to P.J. de Castro Fernandes was fully redeemed in 2017 (at 31 December 2016: €1,555), and had an interest rate of 4.00%. No advance payments, guarantees or other loans have been provided to key management.

The Group has received loans from senior managers of the Group and its subsidiaries of €2,939 (2016: none), with interest rates ranging between 3.00% and 9.53%.

37.3. REMUNERATION

Key management includes the Management Board, which consists of the CEO and CFO. The remuneration for key management comprises a fixed and a variable part and includes salary, post-employment benefits and share-based payment plan benefits.

in thousands of EUR	2017	2016
Th. A. Kiesselbach (CEO)		
Salary and other short-term benefits	808	797
Post-employment benefits	144	142
Short-term variable remuneration	86	262
Share-based payments	1,143	1,360
	2,181	2,561
P.J. de Castro Fernandes (CFO)		
Salary and other short-term benefits	524	539
Post-employment benefits	105	98
Short-term variable remuneration	54	164
Share-based payments	650	853
	1,333	1,654

Key management is entitled to an annual performance-related variable remuneration. The objective of the annual performance-related variable remuneration payment is to incentivize and reward strong short-term financial and personal performance and the implementation of strategic imperatives, and to facilitate rapid growth while continuing to focus on sustainable results. The Supervisory Board will define, on an annual basis, the performance ranges, the 'on target' value and the maximum at which the payout will be capped. For more details refer to the chapter 'Remuneration Report' of the Annual Report. The set targets for 2017 were mostly not achieved.

The performance conditions are set by the Supervisory Board on an annual basis at or prior to the beginning of the relevant calendar year. These performance conditions include criteria reflecting GrandVision's financial performance and may also include quantitative or qualitative criteria related to the Company's non-financial performance and/or to individual performance.

The amounts included as share-based payment plan benefits represent the amounts recognized in the Income Statement. For the movements in the share-based payment plan please refer to note 30.

37.4. SUPERVISORY BOARD REMUNERATION

The remuneration paid or payable to the Supervisory Board is shown below:

in thousands of EUR	2017	2016
C.J. van der Graaf	73	73
J.A. Cole	60	60
M.F. Groot	60	60
P. Bolliger	60	60
W. Eelman	60	60
	313	313

All the remuneration paid or payable to the Supervisory Board comprises short-term benefits. No loans, advance payments or guarantees have been provided to the Supervisory Board.

38. Non-GAAP Measures

In the internal management reports, GrandVision measures its performance primarily based on EBITDA and adjusted EBITDA (refer to note 5). These are non-GAAP measures not calculated in accordance with IFRS.

The table below presents the relationship with IFRS measures, the operating result and GrandVision non-GAAP measures, i.e. EBITDA.

in thousands of EUR	2017	2016
Adjusted EBITDA	551,512	537,148
Non-recurring items	- 17,475	- 15,614
EBITDA	**534,037**	**521,534**
Depreciation & amortization of software	- 136,431	- 126,847
EBITA	**397,606**	**394,687**
Amortization & impairments	- 70,828	- 36,545
Operating result	**326,778**	**358,142**
Adjusted earnings per share, basic (in EUR per share)	0.97	0.96
Adjusted earnings per share, diluted (in EUR per share)	0.96	0.96

Adjusted earnings per share is calculated by dividing the result for the year excluding the effect of non-recurring items (net of tax) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

39. Principal Subsidiaries, Joint Ventures and Associates

Company	2017	2016	Country of incorporation
La Optica S.A.	100%	100%	Argentina
Pearle Österreich GmbH	100%	100%	Austria
Grand Opticiens Belgium N.V.	100%	100%	Belgium
Fotoptica Ltda	100%	100%	Brazil
Superlente Franqueadora Ltda	100%	100%	Brazil
VE Bulgaria EOOD	100%	100%	Bulgaria
Opticas GrandVision Chile Ltda.	100%	100%	Chile
GrandVision Optical Commercial (China) Co., Ltd.	100%	100%	China
LAFAM S.A.S.	100%	100%	Colombia
GrandVision Cyprus Ltd.	100%	100%	Cyprus
Fotex Ceska Republika s.r.o.	100%	100%	Czech Republic
Synoptik A/S	63.29%	63.29%	Denmark
Instrumentarium Optika OÚ	100%	100%	Estonia
Instru Optiikka Oy	100%	100%	Finland
GrandVision France S.A.S.	100%	100%	France
Solaris S.A.S.	100%	100%	France
Apollo Optik Holding GmbH & Co KG	100%	100%	Germany
GrandVision TechCentre Deutschland GmbH	100%	100%	Germany

Company	2017	2016	Country of incorporation
Robin Look GmbH	100%	100%	Germany
GrandVision Hellas S.A.	100%	100%	Greece
LGL Ltd.	100%	100%	Guernsey
GrandVision Hungary Kft.	100%	100%	Hungary
Reliance-Vision Express Private Ltd**	50%	50%	India
Vision Express Ireland Ltd.	100%	100%	Ireland
Corner Optique Srl.	100%	100%	Italy
GrandVision Italy Srl.	100%	100%	Italy
GrandVision Luxembourg S.a.r.l.	100%	100%	Luxembourg
Administradora Lux, S.A de C.V.	70%	70%	Mexico
GVMV, S.A de C.V.	70%	70%	Mexico
Optica Lux, S.A de C.V.	70%	70%	Mexico
Precision Optica, S.A.	70%	70%	Mexico
Tide Ti, S.A. de C.V.	70%	70%	Mexico
GrandOptical Monaco S.ar.l.	100%	100%	Monaco
Solaris Monaco S.a.r.l.	100%	100%	Monaco
Brilleland AS	63.29%	63.29%	Norway
Interoptik AS	63.29%	63.29%	Norway
Topsa Peru SAC	62%	62%	Peru
Vision Express SP Sp.z.o.o.	100%	100%	Poland
GrandOptical Portugal S.A.	100%	100%	Portugal
GrandVision Portugal, Unipessoal Lda.	100%	100%	Portugal
GrandVision Supply Chain (Portugal) S.A.	100%	100%	Portugal
Solaris Portugal S.A.	100%	100%	Portugal
Lensmaster OOO	100%	100%	Russia
GrandOptical Slovakia s.r.o.	100%	100%	Slovakia
MasVision Grupo Optico S.A.	100%	100%	Spain
Solaris Gafas de Sol SL	100%	100%	Spain
Synoptik Sweden AB	63.29%	63.29%	Sweden
Visilab S.A.*	60%	30.19%	Switzerland
Visilab Magasins S.A.*	60%	30.19%	Switzerland
Kochoptik GmbH*	60%	30.19%	Switzerland
Brilmij Groep B.V.	100%	100%	The Netherlands
GrandVision Finance B.V.	100%	100%	The Netherlands
GrandVision IT Services B.V.	100%	100%	The Netherlands
GrandVision Retail Holding B.V.	100%	100%	The Netherlands
GrandVision Supply Chain B.V.	100%	100%	The Netherlands
Optical Retail Group B.V.	100%	100%	The Netherlands
Atasun Optik Perakende Ticaret Anonim Şirketi	100%	100%	Turkey
GrandVision Tech Centre UK Ltd.	100%	100%	United Kingdom
Vision Express (UK) Ltd.	100%	100%	United Kingdom
For Eyes Optical Co. of California, Inc.	100%	100%	United States
For Eyes Optical Co. of Coconut Grove, Inc	100%	100%	United States
For Eyes Optical Co., Inc.	100%	100%	United States
GrandVision USA Retail Holding Corporation	100%	100%	United States
Insight Optical Manufacturing Co. of Florida, Inc.	100%	100%	United States
Tylor S.A.	100%	100%	Uruguay

* In October 2017, GrandVision increased its shareholding and obtained control of Visilab S.A., which resulted in Visilab S.A. becoming a subsidiary of GrandVision. Before the transaction, Visilab S.A. was an associate of GrandVision.

** joint venture

The indicated shareholding reflects the legal ownership of the shareholding by GrandVision N.V. directly or indirectly in the subsidiary, joint venture and associate.

Parent Company Financial Statements

Income Statement

in thousands of EUR	Notes	2017	2016
Net income	2	11,218	15,136
General and administrative costs	3	- 11,125	- 15,134
Operating result		93	2
Net financial result	4	-145	- 530
Result before tax		-52	- 528
Income tax		-919	- 323
Result from subsidiaries after income tax		228,900	232,211
Result for the year		227,929	231,360

The accompanying notes are an integral part of these parent company financial statements.

Balance Sheet (Before Appropriation of Result)

in thousands of EUR	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Financial fixed assets	5	1,015,245	933,839
Deferred income tax assets		27	30
		1,015,272	933,869
Current assets			
Trade and other receivables		40,329	26,553
Cash and cash equivalents		1,783	227
		42,112	26,780
Total assets		**1,057,384**	**960,649**
EQUITY AND LIABILITIES			
Equity			
Share capital	6	5,089	5,089
Share premium	6	59,001	73,606
Treasury shares	6	- 17,753	- 33,730
Legal reserves	6,7	- 84,199	- 19,390
Retained earnings	6,8	849,007	689,971
Result for the year	6,8	227,929	231,360
		1,039,074	946,906
Current liabilities			
Borrowings	9	41	997
Other liabilities		18,269	12,746
		18,310	13,743
Total equity and liabilities		**1,057,384**	**960,649**

The accompanying notes are an integral part of these parent company financial statements.

Notes to the Parent Company Financial Statements

1. Accounting Principles

The parent company financial statements of GrandVision N.V. have been prepared in accordance with Generally Accepted Accounting Principles in The Netherlands and compliant with the requirements included in Part 9, Book 2 of the Dutch Civil Code.

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its parent company financial statements, GrandVision makes use of the option provided in Article 362(8) of Part 9, Book 2 of the Dutch Civil Code. This means that the principles for recognition and measurement of the parent company financial statements are the same as those applied for the consolidated IFRS financial statements.

Investments in consolidated subsidiaries are stated at net asset value. Net asset value is based on the measurement of assets (including goodwill), provisions, and liabilities and the determination of profit based on the principles applied in the consolidated financial statements.

For the accounting policies for the company Balance Sheet and Income Statement, reference is made to the notes to the consolidated Balance Sheet and Income Statement.

All amounts are presented in euros (€). Amounts are shown in thousands of euros unless otherwise stated.

2. Net Income

Net income relates to management fees received from subsidiaries.

3. General and Administrative Costs

in thousands of EUR	2017	2016
Salaries & wages	3,220	4,371
Share-based payments	3,576	6,331
Social security	576	334
Pension costs	338	101
Other employee-related costs	631	805
Professional fees	1,856	1,487
Other costs	928	1,705
	11,125	15,134

4. Net Financial Result

For more details on the interest income included in net financial result refer to note 37.2 to the consolidated financial statements. The interest expense relating to subsidiaries amounts to €50 (2016:€0).

5. Financial Fixed Assets

The movements in financial fixed assets are as follows:

in thousands of EUR	Investment in consolidated subsidiaries	Loans and receivables	Total
At 1 January 2017	926,810	7,029	933,839
Movements in 2017			
Additions	-	121	121
Dividends	- 85,000	-	- 85,000
Repayment	-	- 5,620	- 5,620
Acquistion non-controlling interest	- 651	-	- 651
Exchange differences	- 52,510	-	- 52,510
Other Comprehensive Income	- 3,834	-	- 3,834
Net result for current year	228,900	-	228,900
At 31 December 2017	**1,013,715**	**1,530**	**1,015,245**

The Company's direct investments in subsidiaries consist of the following:

Company	2017	2016
GrandVision Group Holding B.V., The Netherlands	100%	100%
Central Vision II B.V., the Netherlands	100%	100%
GrandVision France SAS, France	100%	100%

6. Shareholders' Equity

The shareholders' equity in the parent company financial statements equals the shareholders' equity presented in the consolidated financial statements, except that legal reserves and undistributed result are presented separately.

in thousands of EUR	Share capital	Share premium	Treasury shares	Legal reserve	Retained earnings	Result for the year	Total
At 1 January 2017	**5,089**	**73,606**	**- 33,730**	**- 19,390**	**689,971**	**231,360**	**946,906**
Appropriation of the result	-	-	-	-	231,360	- 231,360	-
Result for 2017	-	-	-	-		227,929	227,929
Dividends paid	-	-	-	-	- 78,363	-	- 78,363
Other direct equity movements	-	-	-	- 64,809	7,814	-	- 56,995
Share-based payments		- 14,605	15,977		- 1,775	-	- 403
Total movements	-	- 14,605	15,977	- 64,809	159,036	- 3,431	92,168
At 31 December 2017	**5,089**	**59,001**	**- 17,753**	**- 84,199**	**849,007**	**227,929**	**1,039,074**

For the share-based payment plan refer to note 30 to the consolidated financial statements. Refer to note 22 to the consolidated financial statements for details on the number of issued shares.

The movement in legal reserves mainly results from currency translation adjustments of indirect foreign subsidiaries.

7. Legal Reserve

The legal reserve cannot be used for dividend distribution and consists of:

in thousands of EUR	31 December 2017	31 December 2016
Reserves - subsidiaries	- 85,729	- 26,419
Loans to shareholders (LTIP)	1,530	7,029
	- 84,199	- 19,390

8. Appropriation of Result

In accordance with the resolution of the General Meeting of Shareholders held on 2 May 2017, the result for 2016 has been appropriated in conformity with the proposed appropriation of result stated in GrandVision's 2016 Annual Report.

For 2017, it is proposed to the General Meeting to distribute a total dividend of €81,147 or EUR 0.32 per share. If the proposal is approved by the General Meeting, the dividend will be payable as from 4 May 2018.

The net result for 2017 amounts to €227,929 and €146,782 will be added to the retained earnings reserve.

For 2016, a total dividend of EUR 0.31 per share was paid out in the first half year of 2017 for a total of €78,363.

9. Borrowings

The borrowings relate to the bank overdraft of GrandVision N.V.

10. Employees

The average number of employees of the Company in full-time equivalents during 2017 was 9.9 (2016: 9.8). Of these employees, 5 were employed outside the Netherlands (2016: 4).

11. Contingencies

The Company is liable, as intended in Article 403, Book 2, of the Dutch Civil Code for:

List of subsidiaries	
Brilmij Groep B.V.	GrandVision Turkey B.V.
Central Vision II B.V.	HAL Investments Asia B.V.
GrandVision Baltics B.V.	Optical Retail Group B.V.
GrandVision Benelux B.V.	The Vision Factory B.V.
GrandVision Finance B.V.	Vision Express Middle East B.V.
GrandVision Group Holding B.V.	GrandVision Argentina & Uruguay B.V.
GrandVision India B.V.	GrandVision Brazil B.V.
GrandVision IT Services B.V.	GrandVision Chile B.V.
GrandVision Italy B.V.	GrandVision Colombia B.V.
GrandVision Portugal B.V.	GrandVision Latam B.V.
GrandVision Retail Holding B.V.	GrandVision Mexico B.V.
GrandVision Supply Chain B.V.	GrandVision Peru B.V.

The Company forms an income tax group with GrandVision Group Holding BV, Central Vision II BV, GrandVision IT Services BV, GrandVision Supply Chain BV, GrandVision Finance BV, GrandVision Turkey BV, HAL Investments Asia BV, GrandVision Retail Holding BV, GrandVision Latam BV, GrandVision Brazil BV, GrandVision Chile BV, GrandVision Argentina & Uruguay BV, GrandVision Colombia BV, GrandVision Peru BV, GrandVision Mexico BV, GrandVision India BV, Vision Express Middle East BV, GrandVision Italy BV, GrandVision Portugal BV, GrandVision Benelux BV, The Vision Factory BV, Brilmij Groep BV and Optical Retail Group BV. Under the standard conditions, the members are liable for income taxes payable by the income tax group.

For bank guarantee facilities refer to note 26 of the consolidated financial statements.

Schiphol, 27 February 2018

MANAGEMENT BOARD
Th. A. Kiesselbach, CEO
P.J. de Castro Fernandes, CFO
S. Borchert, member (CEO elect)

SUPERVISORY BOARD
C.J. van der Graaf (Chairman)
M.F. Groot (Vice-Chairman)
P. Bolliger
J.A. Cole
W. Eelman

Other information

THE APPROPRIATION OF RESULTS

Pursuant to Article 10.1.4. of the Articles of Association of GrandVision N.V., the Management Board, subject to the prior approval of the Supervisory Board, may resolve to reserve the profits or a part of the profits. The remaining profits are at the free disposal of the General Meeting.

Subsequent events

Effective January 2018, Stephan Borchert was appointed as an additional member of the Management Board, following GrandVision's intention to appoint him as its next CEO as per 28 February 2018.