CHAPTER

Financial statements

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Consolidated Financial Statements

Consolidated Income Statement

in thousands of EUR	Notes	2018	2017
Revenue	6	3,720,976	3,449,857
Cost of sales and directly related costs	7	- 1,003,547	- 923,561
Gross profit		2,717,429	2,526,296
Selling and marketing costs	7	- 1,899,119	- 1,749,313
General and administrative costs	7	- 480,284	- 452,137
Share of result of Associates and Joint Ventures	14	- 702	1,932
Operating result		337,324	326,778
Fair value gain on remeasurement of Associate		-	37,949
Finance income	8	1,873	3,995
Finance costs	8	- 20,229	- 18,700
Net financial result		- 18,356	- 14,705
Result before tax		318,968	350,022
Income tax	10	- 81,672	- 101,055
Result for the year		**237,296**	**248,967**
Attributable to:			
Equity holders		216,278	227,929
Non-controlling interests		21,018	21,038
		237,296	248,967
Earnings per share, basic and diluted (in EUR per share)	9	0.85	0.90

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

Consolidated Statement of Other Comprehensive Income

in thousands of EUR	Notes	2018	2017
Result for the year		237,296	248,967
Other Comprehensive Income:			
Items that will not be reclassified to Income Statement			
Remeasurement of post-employment benefit obligations		7,750	2,204
Income tax relating to this item		- 2,130	- 661
		5,620	1,543
Items that may be subsequently reclassified to Income Statement			
Currency translation differences		- 15,136	- 42,092
Reclassification of currency translation reserve to Income Statement		-	- 13,162
Share of Other Comprehensive Income of Associates and Joint Ventures	14	- 31	- 96
Cash flow hedges	20	2,308	- 6,761
Income tax	20	- 586	1,664
		- 13,445	- 60,447
Other Comprehensive Income/ loss (net of tax)		- 7,825	- 58,904
Total comprehensive income for the year (net of tax)		**229,471**	**190,063**
Attributable to:			
Equity holders		207,361	171,585
Non-controlling interests		22,110	18,478
		229,471	190,063

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

Consolidated Balance Sheet

in thousands of EUR	Notes	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	516,782	488,579
Goodwill	12	1,052,282	1,065,467
Other intangible assets	13	563,267	588,871
Deferred income tax assets	10	46,706	17,341
Investments in Associates and Joint Ventures	14	1,091	1,195
Non-current receivables	16	38,656	32,550
Other non-current assets	17	10,451	11,745
		2,229,235	2,205,748
Current assets			
Inventories	15	330,502	349,736
Trade and other receivables	16	253,933	279,819
Other current assets	17	49,800	48,441
Current income tax receivables	10	8,944	6,416
Derivatives	24	3,459	1,427
Cash and cash equivalents	18	138,257	164,679
		784,895	850,518
Total assets		**3,014,130**	**3,056,266**
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	19	60,476	59,512
Other reserves	20	- 157,048	- 148,962
Retained earnings	21	1,259,026	1,128,524
		1,162,454	1,039,074
Non-controlling interests	22	90,011	81,480
Total equity		1,252,465	1,120,554
Non-current liabilities			
Borrowings	23	362,953	377,200
Deferred income tax liabilities	10	71,547	80,946
Post-employment benefits	25	96,199	99,301
Provisions	27	17,003	22,688
Derivatives	24	2,605	3,135
Contract liabilities	6	7,776	5,094
Other non-current liabilities	28	6,294	26,325
		564,377	614,689
Current liabilities			
Trade and other payables	29	542,978	563,687
Contract liabilities	6	77,674	75,861
Current income tax liabilities	10	40,389	47,587
Borrowings	23	515,262	612,945
Derivatives	24	4,144	4,389
Provisions	27	16,841	16,554
		1,197,288	1,321,023
Total liabilities		1,761,665	1,935,712
Total equity and liabilities		**3,014,130**	**3,056,266**

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 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	20, 22	-	-	-	- 5,394	-	- 5,394	297	- 5,097
Remeasurement of post-employment benefit obligations	20, 22	-	-	-	1,560	-	1,560	- 17	1,543
Cumulative currency translation reserve	20, 22	-	-	-	- 39,348	-	- 39,348	- 2,840	- 42,188
Reclassification of currency translation reserve to Income Statement	20	-	-	-	- 13,162	-	- 13,162	-	- 13,162
Total comprehensive income		-	-	-	- 56,344	227,929	171,585	18,478	190,063
Total transactions with equity holders:									
Acquisition of subsidiary	22	-	-	-	-	-	-	14,678	14,678
Acquisition of non-controlling interest	21, 22	-	-	-	-	- 651	- 651	109	- 542
Share-based payments		-	- 14,605	15,977	-	- 1,775	- 403	-	- 403
Dividends	21, 22	-	-	-	-	- 78,363	- 78,363	- 11,452	- 89,815
		-	- 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**
At 1 January 2018		**5,089**	**72,176**	**- 17,753**	**- 148,962**	**1,128,524**	**1,039,074**	**81,480**	**1,120,554**
Result for 2018		-	-	-	-	216,278	216,278	21,018	237,296
Cash flow hedge reserve	20, 22	-	-	-	1,663	-	1,663	59	1,722
Remeasurement of post-employment benefit obligations	20, 22	-	-	-	4,862	-	4,862	758	5,620
Cumulative currency translation reserve	20, 22	-	-	-	- 15,442	-	- 15,442	275	- 15,167
Total comprehensive income		-	-	-	- 8,917	216,278	207,361	22,110	229,471
Hedge results transferred to the carrying value of inventory purchased during the year	20	-	-	-	831	-	831	- 262	569
Total transactions with equity holders:									
Acquisition of non-controlling interest	21, 22	-	-	-	-	- 4,539	- 4,539	2,704	- 1,835
Share-based payments		-	- 2,721	3,685	-	- 90	874	-	874
Dividends	21, 22	-	-	-	-	- 81,147	- 81,147	- 16,021	- 97,168
		-	- 2,721	3,685	831	- 85,776	- 83,981	- 13,579	- 97,560
At 31 December 2018		**5,089**	**69,455**	**- 14,068**	**- 157,048**	**1,259,026**	**1,162,454**	**90,011**	**1,252,465**

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

Consolidated Cash Flow Statement

in thousands of EUR	Notes	2018	2017
Cash flows from operating activities			
Cash generated from operations	30	585,311	460,531
Tax paid		- 136,982	- 119,324
Net cash from operating activities		**448,329**	**341,207**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	4	- 13,736	- 131,883
Settlement of contingent consideration		- 26,129	-
Purchase of property, plant and equipment	11	- 161,904	- 155,225
Proceeds from sales of property, plant and equipment		8,618	5,274
Purchase of intangible assets	13	- 48,290	- 42,272
Proceeds from sales of intangible assets		1,203	1,724
Investments in Associates and Joint Ventures	14	- 629	-
Proceeds from sales of investments in buildings		151	275
Other non-current receivables		- 578	3,222
Dividends received	14	-	6,090
Interest received		1,816	4,184
Net cash used in investing activities		**- 239,478**	**- 308,611**
Cash flows from financing activities			
Proceeds from borrowings	23	205,939	381,347
Repayments of borrowings	23	- 233,301	- 330,306
Interest swap payments	23	- 2,752	- 2,056
Acquisition of non-controlling interest	21, 22	- 1,835	- 542
Dividends paid to non-controlling interests	22	- 16,021	- 11,452
Dividends paid to shareholders	21	- 81,147	- 78,363
Interest paid		- 10,004	- 11,360
Net cash generated used in financing activities		**- 139,121**	**- 52,732**
Increase / (decrease) in cash and cash equivalents		**69,730**	**- 20,136**
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		12,236	37,705
Increase / (decrease) in cash and cash equivalents		69,730	- 20,136
Exchange gains/ (losses) on cash and cash equivalents		- 10,347	- 5,333
Cash and cash equivalents at end of year	18	**71,619**	**12,236**

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 2018, 76.72% of the issued shares are owned by HAL Optical Investments B.V. and 22.92% by institutional and retail investors, with the remaining shares held by GrandVision's Management Board (0.09%) and in treasury (0.27%). 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 2018, the Group, including its associates and joint ventures, operated 7,095 (2017: 7,001) 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, 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 2018 the number of average full-time equivalents within the Group (excluding associates and joint ventures) was 32,400 (2017: 31,802).

2. Basis of Preparation

2.1. Statement of Compliance

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 accounting policies based on IFRS have been applied consistently for the years presented by all entities. There were no changes in the accounting policies applied compared to the previous year, except as described in note 2.7.1.

2.2. Basis of Measurement

The IFRS financial statements have been prepared under the historical cost convention except for derivatives, share-based payment plans, contingent considerations, certain non-current assets and post-employment benefits.

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 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 2.8.

2.3. Significant Accounting Policies

The Group's significant accounting policies are included in the relevant individual notes to the consolidated financial statements as well as the significant accounting estimates and judgments made, where applicable, as described in note 2.8.

2.4. 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.

2.5. Foreign Currency

2.5.1. Functional and Presentation Currency
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. Amounts are shown in thousands of euros unless otherwise stated.

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, excluding foreign operations in hyperinflationary economies, are recognized in the consolidated Income Statement, except when deferred in Other Comprehensive Income as qualifying cash flow hedges.

Foreign currency exchange gains and losses are presented in the consolidated 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.

2.5.4. Hyperinflation Accounting
The Group applies hyperinflation accounting for its operations in Argentina. The effects of this hyperinflation accounting on the consolidated financial figures of the Group are limited, since the operations in Argentina represent a limited part of the total assets and the operating result of GrandVision.

The index used to apply hyperinflation accounting is the Retail Price Index published by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE).

2.6. 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 consolidated 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.

2.7. Changes in Accounting Policy and Disclosures

2.7.1. New and Amended Standards and Interpretations Adopted by the Group
A number of new or amended standards and interpretations became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The nature and effect of these changes are disclosed below.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under the five-step model, revenue is recognized at an amount that reflects the allocated transaction price to which an entity expects to be entitled in exchange for transferring control of a good or service identified as a performance obligation in a contract with a customer.

The standard became effective for accounting periods beginning on or after 1 January 2018. The Group adopted IFRS 15 using the fully retrospective method of adoption.

The Group used the practical expedient upon transition for completed contracts. Furthermore, the Group has applied the practical expedients of IFRS 15 related to certain disclosures of the allocation of the transaction price to remaining performance obligations.

Impact of adoption

The application of IFRS 15 resulted in the separate presentation in the consolidated Balance Sheet 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 and refund liability balances. Contract liabilities mainly include prepayments made by customers, vouchers for rebates on future purchases given as part of an initial sales transaction and unfulfilled extended (service-type) warranties. At 31 December 2017, this resulted in the separate presentation of non-current and current Contract liabilities, of €5.1 million and €75.9 million, and a resulting decrease in Other non-current liabilities and Trade and other payables, respectively.

Based on the Group's processes for identifying customer contracts and performance obligations, as well as allocating transaction prices to performance obligations and related revenue recognition patterns, the impact of IFRS 15 on revenue recognition is not significant to the consolidated Income Statement.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual 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.

In accordance with the transitional provisions in IFRS 9 on classification, measurement and impairment, comparative figures have not been restated.

The changes to the Group's accounting policies resulting from the adoption of IFRS 9, are described below.

Impact of adoption

Classification and measurement

Under IFRS 9, financial assets should be classified as either measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). IFRS 9 introduced new criteria for determining a financial asset's classification, which is now based on the Group’s business model for managing the asset and the contractual cash flow characteristics of the asset.

Based on the characteristics and purpose of the Group's financial assets, the measurement categories did not change. The accounting for the Group’s financial liabilities remains the same as it was under IAS 39.

Impairment of financial assets

The adoption of IFRS 9 has changed the Group’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach.

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses on financial assets measured at amortized cost. The Group applies the full lifetime expected credit loss method to trade and other receivables that have a maturity of one year or less. The Group uses a provision matrix in determining expected credit losses on trade receivables.

The application of the expected credit risk model under IFRS 9 did not result in an equity impact at 1 January 2018.

Hedge accounting

The Group has applied the hedge accounting requirements of IFRS 9 since it is better aligned with the Group's risk management objectives. All of the Group's existing hedging relationships at 1 January 2018 have been continued under IFRS 9.

When forward contracts are used to hedge forecast transactions, the Group designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. The Group has selected to recognize the costs of hedging for forward contracts within the consolidated Income Statement.

The adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group.

Presentation

The application of IFRS 9 resulted in changes in presentation of the following items in the consolidated financial statements:

- Financial assets at amortized cost and financial assets at fair value through profit or loss are presented in the consolidated Balance Sheet as Non-current receivables and Trade and other receivables. Other assets outside of the scope of IFRS 9 (e.g. prepayments) are separately presented in the consolidated Balance Sheet as Other non-current assets and Other current assets
- As from 2018, hedge results transferred from the cash flow hedge reserve to the carrying value of non-financial items are presented separately from other comprehensive income in the consolidated Statement of Changes in Equity

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 was issued in 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 did not have a significant impact on the consolidated financial statements of the Group as only a limited number of entities within the Group pay or receive consideration in advance for foreign currency transactions.

2.7.2. 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 2018. 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*

IFRS 16 *Leases*, the new leasing 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 consolidated Balance Sheet, as the distinction between operating and finance leases is removed for leases where the entity is a lessee. Further, IFRS 16 introduces stricter criteria for classification of subleases where the entity is a lessor. The standard will affect the accounting for the Group's operating leases and subleases. The majority of the Group's lease portfolio relates to property leases for its stores.

Transition to IFRS 16 Leases

GrandVision has substantially completed its implementation process, amongst others the implementation of the lease accounting tool, data collection, provided internal training and determined the accounting policies under the new standard as well as the discount rates at 1 January 2019. GrandVision is in process of finalizing its review of the data collected and as such also the below estimates of the effect of IFRS 16 on the consolidated Balance Sheet of GrandVision are subject to change until the Group presents its first financial statements in 2019 under the new standard.

GrandVision will adopt the new standard on the required effective date using the modified retrospective transition approach, with the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity on 1 January 2019. GrandVision will therefore not restate comparative amounts for the year prior to first adoption.

GrandVision will measure the right-of-use assets as follows on 1 January 2019:

- For its property leases, which make up the majority of the Group's leases, at its carrying amount as if IFRS 16 had been applied since the commencement date
- For other leases, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Balance Sheet immediately before the date of initial application

Expected impact from adopting IFRS 16 Leases

Based on the Group's current lease portfolio and assessments undertaken to date, the adoption of IFRS 16 is expected to have the following effect on the consolidated Balance Sheet at 1 January 2019:

in millions of EUR	Adoption of IFRS 16
Right-of-use asset (initial recognition)	1,410
Finance lease receivable (initial recognition)	70
Lease liability (increase)	- 1,370
Key money intangible assets (reclassification)	- 210
Deferred tax (increase)	30
Equity (decrease)	70

For GrandVision, IFRS 16 will result in the recognition of right-of-use assets and lease liabilities in the consolidated Balance Sheet. GrandVision will recognize finance lease receivables for most of its subleases. In addition, key money previously presented as Intangible assets qualify as initial direct costs under IFRS 16 and will therefore be reclassified and historically depreciated, following the measurement approach of right-of-use assets for property leases. This historical depreciation is included in the expected Equity effect above.

One of GrandVision's strategic strengths is the flexibility of its lease portfolio. This flexibility means that GrandVision has up to 10,000 leases in its current lease portfolio that require processing on an annual basis, approximately two thirds of which are modified due to changes in indexation, closure, opening or renewal. GrandVision estimates that the occupancy costs in the consolidated Income Statement will decrease in a range between 50-80% and accordingly (adjusted) EBITDA will increase, offset by an increase in depreciation and an increase in finance charges. The large majority of this EBITDA increase will be reported as depreciation of the right-of-use assets in the consolidated Income Statement. This depreciation charge is constant over the lease period, but finance charges decrease as the remaining lease liability decreases, resulting in a reduction in result for the year during the early part of a lease arrangement but a positive profit impact towards the end of the contract. As such, result before tax will be impacted by the progression of the Group's leases in comparison to the lease term.

Rental costs related to payments based on variables (e.g. revenue) are excluded under IFRS 16 from the measurement of lease liabilities and right-of-use assets, and will therefore remain in EBITDA. Rental costs related to arrangements where the landlord controls the asset will not qualify as leases under IFRS 16 and will therefore also remain in EBITDA.

Net cash from operating activities is expected to increase due to certain lease expenses no longer being presented as operating cash outflows, as the majority of the cash movement related to the Group's leases will be presented in net cash used in financing activities, representing repayment of lease liabilities. Net cash flow will remain unchanged.

Net debt is expected to increase due to the recognition of lease liabilities which are considered financial liabilities.

The Group's revolving credit 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 (see note 3.1.3 for more details). In terms of the facility agreement, the calculation of these ratios are based on constant accounting standards and as such will not be impacted by the implementation of IFRS 16.

Key judgements and estimates

Key judgements and estimates to apply IFRS 16 mainly include determining the lease term, i.e. when renewal and termination options are reasonably certain to be exercised, and the determination of the discount rate in order to calculate the present value of the lease liabilities and finance lease receivables.

Accounting policy choices and practical expedients

The Group has elected to use the exemptions in IFRS 16 on lease contracts with a duration of less than 12 months and lease contracts for which the underlying asset, when new, has a value of below €5,000. This relates mainly to short-term vehicle rentals and low-value office equipment.

As permitted by IFRS 16, the Group has elected to use certain practical expedients and as such will apply a single discount rate to a portfolio of leases with similar characteristics, account for lease and non-lease components (e.g. fixed service costs) as a single component and as part of the transition, adjust the right of use assets recognized as of 1 January 2019 with the amount of any provision for onerous lease contracts recognized in the consolidated Balance Sheet as of 31 December 2018.

Reconciliation to operating lease commitments as per 31 December 2018

The following reconciliation to the expected opening balance of lease liabilities at 1 January 2019 is based on the operating lease commitments as per 31 December 2018 (see note 31.2):

in millions of EUR	At 1 January 2019
Reported operating lease commitments at 31 December 2018 (undiscounted)	**1,420**
Less: Short-term leases and low-value leased assets	- 1
Less: Future, committed operating lease commitments	- 5
Operating lease commitments at 31 December 2018 under IFRS 16 (undiscounted)	**1,414**
Less: Effect of discounting	- 85
Add: Non-lease components (fixed service costs) (discounted)	40
Lease liabilities due to initial application of IFRS 16 at 1 January 2019	**1,369**
Add: Lease liabilities from finance leases at 1 January 2019	1
Total lease liabilities at 1 January 2019	**1,370**

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 was issued in 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*. Based on the Group's current methodology for the accounting of uncertain tax positions, GrandVision does not expect a significant quantitative impact as result of IFRIC 23.

Amendments to IAS 19 *Employee Benefits: Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 on plan amendment, curtailment or settlement were issued in 2018 and are effective for accounting periods beginning on or after 1 January 2019. If a defined benefit plan amendment, curtailment or settlement occurred during the reporting period, the amendments require an entity to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period. Furthermore, the amendments clarify the resulting effect on the asset ceiling. As from 2019, the Group will apply these amendments if and when such events occur.

Annual Improvements to IFRS Standards 2015-2017 cycle

These annual improvements were issued in 2017, are effective for annual periods beginning on or after 1 January 2019 and relate to clarifications of certain requirements of IFRS standards. These annual improvements will have a limited impact on the Group's financial statements.

Amendments to IFRS 3 *Business Combinations*

The amendments to IFRS 3 on the definition of a business were issued in 2018 and are effective for accounting periods beginning on or after 1 January 2020. The amendments clarify whether an acquired set of activities and assets is a business or not, which is a key consideration in determining whether a transaction is accounted for as a business combination or an asset acquisition. As from 2020, the Group will apply these amendments.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* on the definition of "Material" were issued in 2018 and are effective for accounting periods

beginning on or after 1 January 2020. The amendments were issued to align the definition of 'material' across the IFRS standards and to clarify certain aspects of the definition. As from 2020, the Group will apply these amendments.

2.8. Significant Accounting Estimates and Judgments

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 and assumptions serve as the basis for assessing the value of recognized assets and liabilities whose amounts cannot currently be determined from other sources. The Group makes estimations and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates made and the related assumptions are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the given circumstances. 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described together with the applicable note, as follows:

Acquisition accounting	Note 4
Uncertain tax positions	Note 10
Impairment test of Goodwill	Note 12
Impairment test of Key Money	Note 13
Consolidation of the Synoptik Group	Note 22
Post-Employment Benefits	Note 25
Provisions and contingencies	Note 27

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 derivatives as described in note 24.

The majority of the Group operations takes place in the 'eurozone', which comprises 57% (2017: 60%) 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 0.8% lower (2017: 0.5% higher) of which 1.8% lower impact of mainly currencies in Europe (HUF, SEK, PLN) offset by 1% higher impact of mainly USD (2017: 0.3% lower impact of GBP offset by 1.6% higher impact of USD) and equity would have been 3.3% lower (2017: 3.8% lower), of which 0.9% lower impact of GBP and 0.4% lower impact of USD (2017: 1.1% 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.

The Group designates the spot component of foreign forward exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The Group's policy is for the critical terms of the forward exchange contracts to align with the

hedged item. Based on the Group's 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 forecasted transaction is highly probable. Fair value hedge accounting is applied when the invoice is received.

GrandVision is exposed to the risk that the exchange rate related to its Argentenian operations will further devalue. Because the Argentenian peso-denominated assets, liabilities, income and expenses of the Argentenian operations are translated into euros for consolidation purposes, a further devaluation of the Argentenian peso going forward could result in lower translated results, assets and liabilities in GrandVision's consolidated figures, which are presented in euros. As the Argentenian operations represent a limited part of the Group, the effects of a devaluation would be limited.

(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 based on a rolling 12-month forecast, which have the economic effect of converting interest rates from floating rates to fixed rates. The Group's policy is to maintain a minimum of 60% of its net debt on a forward looking 12 months basis, related to interest rate risk at fixed rate. 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 Group also uses 0% floors to hedge its exposure to negative interest rate risk. The Group applies a hedge ratio of 1:1.

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

	2018		2017	
	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	-2,323	6,367	- 2,166	8,235
EURIBOR rate - decrease 50 basis points	2,279	-4,236	1,913	- 5,985

Note 24 provides more detail on the 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, derivatives and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, retail customers, health insurance institutions and credit card companies, including outstanding receivables and committed transactions. Refer to note 16 for details of expected credit losses for financial assets measured at amortized cost.

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 consumer credit risk as a result of the nature of its retail operations. In addition, in some countries all or part of the consumer 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 often 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, which has a 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.

GrandVision has a commercial paper program under which it can issue commercial paper up to the value of €500 million. As of 31 December 2018 the amount outstanding under the commercial paper program was €418.0 million (2017: €398.8 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 2018					
Borrowings	100,803	1,876	364,396	-	467,075
Commercial paper	417,122	-	-	-	417,122
Derivatives	2,644	2,581	5,694	2,629	13,548
Contingent consideration	20,599	-	-	-	20,599
Financial leases	448	257	255	-	960
Trade, other payables and accrued expenses	457,615	-	-	-	457,615
31 December 2017					
Borrowings	217,501	1,904	381,737	-	601,142
Commercial paper	398,242	-	-	-	398,242
Derivatives	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

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, derivatives and cash and cash equivalents.

in thousands of EUR	31 December 2018	31 December 2017
Equity attributable to equity holders	1,162,454	1,039,074
Net debt	743,248	831,563
Adjusted EBITDA	576,423	551,512
Leverage ratio	1.3	1.5

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 24) 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 2018		
Assets		
Derivatives used for hedging	3,459	-
Non-current assets	-	1,406
Total	**3,459**	**1,406**
Liabilities		
Contingent consideration - Other current and non-current liabilities	-	19,676
Derivatives used for hedging	6,749	-
Total	**6,749**	**19,676**
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**

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 discounted back to present value

Level 3 category
The level 3 category mainly refers to contingent considerations. The contingent considerations are remeasured based on the agreed business targets. Refer to note 4 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. Acquisitions of Subsidiaries, Associates and Non-Controlling Interests

Accounting Policy

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 consolidated 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 are recognized in accordance with IFRS 9 in the consolidated Income Statement. Contingent considerations qualify for the level 3 fair value category. See note 3.3 for a description of the different levels of valuation categories. The valuation techniques and fair value levels are consistent compared with prior year.

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

Significant Accounting Estimates and Judgments

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 Group, 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

The following acquisitions and adjustments to the purchase price allocation were done in 2018

Store acquisitions

During 2018 the Group acquired 46 stores across all segments, but mainly in the G4 segment. 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 2018, an amount of €4,458 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, the locations of the acquired stores and other items, which cannot be recognized as separately identifiable assets.

Adjustments to purchase price allocation

The Group finalized the purchase price allocation for acquisitions done in 2017. This did not result in a change in the value of recognized goodwill relating to stores.

The finalization of the purchase price allocation for Visilab S.A. and Tesco Opticians resulted in an increase in the value of recognized goodwill of €1,670 (CHF 1,931) and €647 (GBP 578) respectively, resulting from the reassessment of the consideration to be paid and the fair value of net assets acquired.

Visilab S.A.

At 31 December 2018, contingent consideration to the value of €19,630 (CHF 22,121) (31 December 2017: €38,339 (CHF 44,864)) relates to the Group's obligation to increase its shareholding in Visilab S.A. from 70% to 79% in 2019 in terms of the purchase agreement. This represents the last step of the increase of the Group's shareholding in Visilab S.A. The contingent consideration is presented within Trade and Other Payables (see note 29).

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 and expected dividend payments.

In 2018, the contingent consideration increased with €2,477 (CHF 2,825) and relates to an update of the Group's estimate of agreed business targets by Visilab S.A., expected dividend payments and the progression of time value of money. Further, the contingent consideration increased with €978 due to the effect of foreign currency exchange differences. Besides the effect of time value of money and foreign currency exchange differences which are recognized in Financial costs, the update of the Group's estimates of EBITDA and expected dividend payments were recognized as a purchase price allocation adjustment.

In July 2018, an amount of €22,164 (CHF 25,568) was paid which related to the increase of the Group's shareholding in Visilab S.A. from 60% to 70%.

Tesco Opticians

At 31 December 2017, the Group recognized contingent consideration to the value of €5,636 (GBP 5,000), relating to its obligation to pay an additional amount in 2018 based on the achievement of agreed business targets of Tesco Opticians. In 2018, based on the realization of certain agreed business targets, the contingent consideration decreased and an amount of €1,624 (GBP 1,458) was recognized as a gain in the consolidated Income Statement. Subsequently, the Group mostly settled the contingent consideration.

Details of the net assets acquired, related consideration and adjustments to purchase price allocation are set out below:

in thousands of EUR	Notes	Store acquisitions	Adjustments to purchase price allocation	Total
Property, plant and equipment	11	2,048	-	2,048
Other intangibles assets	13	7,741	-	7,741
Deferred income tax assets	10	-	1,465	1,465
Other non-current assets		81	-	81
Inventories		381	- 493	- 112
Trade and other receivables		474	-	474
Cash and cash equivalents		26	-	26
Deferred income tax liabilities	10	- 992	-	- 992
Non-current borrowings	23	- 426	-	- 426
Trade and other payables		- 346	163	- 183
Current borrowings		- 6	-	- 6
Total identifiable net assets and liabilities at fair value		8,981	1,135	10,116
Consideration paid in cash and cash equivalents		13,439	317	13,756
Cash and cash equivalents and bank overdrafts at acquired subsidiary		- 20	-	- 20
Outflow of cash and cash equivalents net of cash acquired		**13,419**	**317**	**13,736**
Consideration paid in cash and cash equivalents		13,439	317	13,756
Consideration to be transferred		-	3,135	3,135
Total consideration transferred or to be transferred		13,439	3,452	16,891
Minus: Identifiable net assets and liabilities at fair value		- 8,981	- 1,135	- 10,116
Goodwill	12	**4,458**	**2,317**	**6,775**

The acquisitions in 2018 contributed the following in revenue and net result for the Group:

in thousands of EUR	Store acquisitions
Revenue	7,444
Net result	1,468

Had the acquisitions in 2018 been consolidated for the full year, revenue and net result would be:

in thousands of EUR	Store acquisitions
Revenue	19,881
Net result	3,347

5. Segments

An operating segment is defined as a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker ('CODM') to make decisions about resources to be allocated to the segment, assess its performance and for which discrete financial information is available. The CEO and CFO (the Management Board) forms the CODM. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. 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 Management Board – together, the CODM – which makes decisions as to the resources to be allocated to the segments and assesses their performance, based on discrete financial information available. All geographic segments are involved in the optical retail industry, and there are no other significant product lines or sources of revenue for the Group.

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 2018 and 2017. 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 2018 these items are mainly related to restructuring, legal provisions, VAT risks, software impairment as well as corrections related to prior years. For 2017 these items mainly relate to some exceptional acquisition related costs, integration activities and software impairment. 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
2018				
Total net revenue	2,131,381	1,130,209	459,386	3,720,976
Adjusted EBITDA	411,473	175,641	19,836	606,950
Other reconciling items				- 30,527
Total adjusted EBITDA				**576,423**
Non-recurring items				- 19,847
Depreciation				- 123,175
Amortization and impairments				- 96,077
Operating income/loss				**337,324**
Non-operating items:				
Net financial result				- 18,356
Earnings before tax				**318,968**
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**

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

in thousands of EUR	2018	2017
France	616,568	596,549
Germany	527,012	487,542
United Kingdom	477,465	398,890
Other countries	2,099,931	1,966,876
	3,720,976	3,449,857

Revenue in the Netherlands, the Group's country of domicile, is €250,449 (2017: €252,501). There are no customers that comprise 10% or more of revenue in any year presented.

Refer to note 6 for details on the disaggregation of the Group's revenue from contracts with customers per reportable segment.

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

in thousands of EUR	31 December 2018	31 December 2017
France	500,209	498,160
United Kingdom	282,895	280,325
Switzerland	221,673	222,210
The Netherlands	164,761	158,477
Other countries	1,012,991	1,029,235
	2,182,529	2,188,407

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. Revenue

Accounting Policy

Revenue from contracts with customers is recognized in the period in which the performance obligation in the underlying contract has been satisfied. In most sales transactions this is at the point in time when control over a product or service has been transferred to the customer. Revenue is shown net of value-added tax, expected returns, rebates, discounts and amounts collected on behalf of third parties. Intercompany revenues within the Group are eliminated.

A contract with a customer may comprise of multiple distinct performance obligations. The total consideration under the contract is allocated to performance obligations based on stand-alone selling prices. The stand-alone selling price of products sold is determined on the basis of the retail price. For other performance obligations, experience is used to estimate stand-alone selling prices. The timing of revenue recognition depends on the type of performance obligation, as described below.

Optical product revenues are recognized when the product is sold to the customer and control over the product has been transferred to the customer in return for a (right to) payment. Revenue recognition generally coincides with the physical transfer of the product to the customer. Any prepayments by customers are short-term in nature and are not considered revenue but are accounted for as contract liabilities.

Income from optical products related services include extended (service-type) warranties and commissions on consumer insurances is recognized based upon the duration of the underlying contracts, over a period of between 12 or 24 months. Extended warranties are considered services to be rendered and therefore a distinct performance obligation and included under contract liabilities until revenue is recognized. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

Rights issued under a customer loyalty program through vouchers for rebates on future purchases are considered a separate performance obligation and a contract liability is recognized as a reduction to revenue. The stand-alone selling price of the vouchers is estimated using past experience and the likelihood of redemption. Revenue allocated to

the vouchers is recognized based on (anticipated) expiration and when the vouchers are redeemed, generally less than 12 months.

For sales to franchisees and wholesale partners, revenue is recognized upon delivery to the customer, when the risks of obsolescence and loss have been transferred to and the products have been accepted by the customer.

Franchise rights are accounted for as rights to access the franchisor's intellectual property. Franchise royalties that are based on a percentage of sales are recognized at the time of the sale. Contributions from franchisees are generally recognized based upon the duration of the contractually agreed-upon term.

Revenue is reduced and a refund liability is recognized where the customer has a right to return a product in which the transaction price is refunded. A return asset is recognized and cost of sales is reduced where returns can be resold. Experience is used to estimate such returns at the time of sale.

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 of these purchases.

A receivable is recognized when all performance obligations in the contract have been satisfied and payment has become unconditional. No element of financing is deemed present as payment terms are consistent with market practice.

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers per reportable segment 2018 and 2017, respectively.

Franchise revenues include sales to franchisees and franchise royalties and contributions. Other merchandise revenues comprise mainly wholesale to trade partners. Other revenues comprise mainly supplier allowances.

in thousands of EUR	G4	Other Europe	Americas & Asia	Total
2018				
Revenue from contracts with customers				
Own store sales	1,913,768	1,111,103	440,583	3,465,454
Franchise revenues	213,099	14,224	4,866	232,189
Other merchandise revenues	163	15	11,769	11,947
	2,127,030	1,125,342	457,218	3,709,590
Revenue from other sources				
Other revenues	4,351	4,867	2,168	11,386
	2,131,381	**1,130,209**	**459,386**	**3,720,976**
2017				
Revenue from contracts with customers				
Own store sales	1,773,250	972,321	457,848	3,203,419
Franchise revenues	195,855	13,244	4,467	213,566
Other merchandise revenues	788	12	15,310	16,110
	1,969,893	985,577	477,625	3,433,095
Revenue from other sources				
Other revenues	10,833	4,611	1,318	16,762
	1,980,726	**990,188**	**478,943**	**3,449,857**

Contract liabilities

Contract liabilities relate to the Group's obligation to deliver future goods and services for contracts with its customers and mainly include prepayments made by customers, vouchers for rebates on future purchases given as part of an initial sales transaction and unfulfilled extended (service-type) warranties.

At 31 December 2018, an amount of €7.8 million (2017:€5.1 million) and €77.7 million (2017: €75.9 million) was recognized as non-current and current Contract liabilities respectively.

Revenue recognized during 2018 that was included in these contract liability balances at the beginning of the period amounts to €74.8 million (2017: €62.3 million). Contract liabilities increased in 2017 for an amount of €10.7 million resulting from the acquisition of Visilab and Tesco Opticians. This mainly related to customer prepayments and unfulfilled extended (service-type) warranties.

At 31 December 2018, an amount of of €30.3 million relates to the transaction price allocated to long-term contract liabilities of unfulfilled extended (service-type) warranties. It is expected that an amount of €22.7 million will be recognized as revenue during 2019 and an amount of €7.6 million in 2020. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to unsatisfied performance obligations as of 31 December 2017 is not disclosed.

All other contract liabilities are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Refund liabilities and return assets

The Group recognized a refund liability for the amount of consideration received related to when customer has a right to return product within a given period, for which the entity does not expect to be entitled for an amount of €596 (2017: €446). This is included in Trade and Other Payables.

The Group also recognized as a return asset, a right to the returned goods related to the refund liabilities of €55 (2017: €92). This is included in Other Current Assets.

7. Cost of Sales, Directly Related Costs and Other Operating expenses

Accounting Policy

Cost of sales, directly related costs and other operating expenses are recognized in the consolidated Income Statement when occurred.

Short-term employee benefits such as wages, salaries, social security contributions, bonuses, annual and sick leave are recognized in the year in which the related services are rendered by employees.

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 consolidated Income Statement on a straight-line basis over the period of the lease.

For accounting policies related to share-based payments and pensions please refer to notes 26 and 25, respectively. For accounting policies related to depreciation, amortization and impairments please refer to notes 11, 13 and 12, respectively.

The following costs have been included in the operating result:

in thousands of EUR	Notes	2018	2017
Direct materials		848,533	792,680
Employee costs		1,278,302	1,162,720
Occupancy costs		515,335	498,079
Marketing & publicity costs		190,818	177,952
Depreciation and impairments	11	124,195	117,055
Amortization and impairments	12, 13	101,611	92,606
Distribution costs		81,020	65,809
Other costs		243,136	218,110
		3,382,950	3,125,011

Occupancy costs include fixed and variable rent for stores, offices and other buildings under operating lease contracts of €402,193 (2017: €398,566).

The employee costs can be specified as follows:

in thousands of EUR	Notes	2018	2017
Salaries & wages		919,713	830,338
Social security		184,928	175,617
Pension costs - Defined benefit plans	25	7,624	4,434
Pension costs - Defined contribution plans		20,247	16,902
Share-based payments	26	3,770	11,274
Other employee-related costs		142,020	124,155
		1,278,302	1,162,720

The average number of employees within the Group during 2018 (excluding the associates and joint ventures) in full-time equivalents was 32,400 (2017: 31,802).

8. Finance Income and Costs

Accounting Policy
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.

Finance costs comprise interest due on funds drawn and commercial paper calculated using the effective interest method, interest due on VAT risks, 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.

Finance income and costs include:

in thousands of EUR	2018	2017
Finance costs		
- Bank borrowings	- 5,546	-6,256
- Result on interest derivatives	- 3,391	-2,276
- Commitment and utilization fee	- 1,778	-1,551
- Other	- 5,796	-6,218
Total finance costs	- 16,511	-16,301
Finance income		
- Interest income	783	3,102
- Interest loans to management	32	121
- Interest deposits	1,058	772
Total finance income	1,873	3,995
Net foreign exchange results	- 3,718	-2,399
Net financial result	**- 18,356**	**-14,705**

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

The other finance costs mainly relate to the unwinding of discount on the contingent consideration related to Visilab S.A. and interest due to tax authorities on VAT positions.

9. Earnings per Share

Accounting Policy
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)	2018	2017
Result for the year attributable to equity holders of the parent	216,278	227,929
Average number of outstanding ordinary shares	253,702,033	253,285,780
Diluted average number of outstanding ordinary shares	254,282,866	254,311,910
Earnings per share, basic and diluted (in EUR per share)	0.85	0.90

10. Current and Deferred Income Taxes

Accounting Policy
The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated 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 and unused incentive tax credits 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.

Significant Accounting Estimates and Judgments
The Group 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 caselaw 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 Group 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 and unused incentive tax credits 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.

Income Taxes

The following income tax was recognized in consolidated Income Statement:

in thousands of EUR	2018	2017
Current income tax	122,760	120,606
Deferred income tax	- 41,088	-19,551
Charge in Income Statement	81,672	101,055

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	2018	%	2017	%
Result before tax	318,968	100.0%	350,022	100.0%
Computed weighted average tax rate	93,509	29.4%	96,715	27.6%
(Exempt income)/expenses not deductible for tax purposes	7,520	2.4%	-412	-0.1%
Incentive tax credits	- 2,763	-0.9%	-9,089	-2.6%
Effect of (de)recognition of tax losses and unused incentive tax credits	- 23,504	-7.4%	23,651	6.8%
Changes in tax rate	80	0.0%	-5,754	-1.6%
(Over)/Under provided in prior years	6,831	2.1%	-4,056	-1.2%
Tax charge	81,672	25.6%	101,055	28.9%

In 2018, the decrease in income tax expense is mainly resulting from the recognition of deferred tax assets for unused incentive tax credits from the past available because of changes in the legal and financing structure in certain jurisdiction, partially offset by prior years effect driven by numerous effects across jurisdictions.

Current income tax assets and liabilities recognized on the consolidated Balance Sheet:

in thousands of EUR	2018	2017
Current income tax receivables	8,944	6,416
Current income tax liabilities	- 40,389	-47,587
Net amount at 31 December	- 31,445	-41,171

Current income tax liabilities include uncertain tax positions of €18,649 (2017: €5,000).

Deferred Income Tax

in thousands of EUR	Notes	2018	2017
The movement on the deferred income tax assets is as follows:			
Gross amount at 1 January		**78,501**	**74,617**
Acquisitions	4	1,465	6,533
Income Statement impact		32,863	4,279
Change because of income rate change		- 1,304	- 3,942
Processed through Other comprehensive income		- 2,467	162
Reclassification		- 314	- 225
Exchange differences		109	- 2,923
Gross amount at 31 December		**108,853**	**78,501**
Offset assets and liabilities		- 62,147	- 61,160
Net amount at 31 December		**46,706**	**17,341**
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		72,095	49,756
- Deferred income tax asset to be recovered within 12 months		36,758	28,745
		108,853	78,501
The movement on the deferred income tax liability is as follows:			
Gross amount at 1 January		**142,106**	**134,040**
Acquisitions	4	992	31,796
Income Statement impact		- 8,305	- 9,518
Change because of income rate change		- 1,224	- 9,696
Processed through Other Comprehensive Income		441	- 841
Reclassification		- 314	- 225
Exchange differences		- 2	- 3,450
Gross amount at 31 December		**133,694**	**142,106**
Offset assets and liabilities		- 62,147	- 61,160
Net amount at 31 December		**71,547**	**80,946**
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		124,282	127,962
- Deferred income tax liability to be settled within 12 months		9,412	14,144
		133,694	142,106
Net deferred income taxes		**24,841**	**63,605**

Specification of gross deferred income tax assets:

in thousands of EUR	31 December 2018	31 December 2017
Property, plant and equipment	6,500	5,873
Goodwill	457	240
Other intangible assets	5,486	7,938
Inventories	4,930	4,825
Post-employment benefits	18,567	18,457
Provisions	9,204	9,681
Derivatives	1,456	1,872
Contract liabilities and to be invoiced amounts	8,424	7,631
Trade and other payables	5,450	4,502
Deferred taxes on temporary differences	60,474	61,019
Deferred taxes on carry forward losses and unused incentive tax credits	48,379	17,482
Total deferred income tax assets	**108,853**	**78,501**

Specification of gross deferred income tax liabilities:

in thousands of EUR	31 December 2018	31 December 2017
Property, plant and equipment	10,323	9,709
Goodwill	37,654	38,021
Other intangible assets	79,505	89,962
Inventories	127	252
Post-employment benefits	211	427
Provisions	3,865	1,917
Derivatives	780	279
Contract liabilities and to be invoiced amounts	11	260
Trade and other payables	1,218	1,279
Total deferred income tax liabilities	**133,694**	**142,106**

Deferred income tax assets on carryforward losses have been recognized for an amount of €14,129 (2017: €17,482). 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 €84,053 (2017: €66,701). Further, in 2018, deferred income tax assets on unused tax credit incentives have been recognized for an amount of €34,250 (2017: €0), as a consequence of changes in legal and financing structure in certain jurisdiction. The related unused tax incentives credits amount to €75,122 (2017: €0).

Deferred tax assets of €19,892 (2017: €14,545) 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 €301,547 (2017: €280,814). These tax losses expire as follows:

in thousands of EUR	31 December 2018	31 December 2017
Expiring within one year	1,836	3,401
Expiring between one and two years	2,884	5,335
Expiring between two and five years	9,352	20,563
Expiring after more than five years	84,855	49,171
Offsettable for an unlimited period	202,620	202,344
	301,547	280,814

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.

11. Property, Plant and Equipment

Accounting Policy

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 consolidated 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. Lease payments on finance leases are recognized in accordance with note 23. 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.

Movements in property, plant and equipment are as follows:

in thousands of EUR	Notes	Buildings and leasehold improvements	Machinery and equipment	Furniture and vehicles	Total
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		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	7	- 47,379	- 37,311	- 31,897	- 116,587
Impairment	7	- 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**
At 1 January 2018					
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
Movements in 2018					
Acquisitions	4	877	445	726	2,048
Additions		64,258	65,350	32,296	161,904
Disposals / retirements		- 4,782	- 1,861	- 1,616	- 8,259
Depreciation charge	7	- 51,923	- 39,820	- 31,432	- 123,175
Impairment	7	- 302	- 81	- 637	- 1,020
Reclassification		- 2,421	- 269	2,447	- 243
Exchange differences		- 977	- 656	- 1,419	- 3,052
At 31 December 2018		**255,137**	**152,427**	**109,218**	**516,782**
Cost		616,647	547,877	392,398	1,556,922
Accumulated depreciation and impairment		- 361,510	- 395,450	- 283,180	- 1,040,140
Carrying amount		255,137	152,427	109,218	516,782

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 €914 (2017: 1,133).

The impairment loss in 2018 represents the write-down of certain leasehold improvements and furniture and fittings in the Other Europe and Americas & Asia segments (2017: certain leasehold improvements in the Americas & Asia segment). This was recognized in the consolidated Income Statement within general and administrative costs.

12. Goodwill

Accounting Policy

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

For the purpose of impairment testing, goodwill is allocated to those groups of cash-generating units (CGUs) 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.

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

Goodwill is not amortized but is subject to annual impairment testing.

Impairment Test of Non-amortized 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 or the economic reality results in more realistic estimates, then the recoverable amount is based on the fair value less costs of disposal method. 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 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 consolidated 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.

The Group performs its annual goodwill impairment test in the fourth quarter, in which it uses the next year budget and other assumptions, as described below.

Significant Accounting Estimates and Judgments

The Group tests annually whether its goodwill is subject to impairment. The recoverable amounts in impairment testing are determined based on the higher of the value in use of the CGU, calculated using the discounted cash flow method, and fair value less costs of disposal of the CGU. Fair value less cost of disposal is determined by a multiple on the average sales of the last three years, or discounted cash flow method, as appropriate.

When the discounted cash flow method is used to determine the value in use of the CGU, estimation techniques are based on the CGU's continuing use. This discounted cash flow method is based on a pre-tax calculation model, using financial plans as approved by management and a pre-tax discount rate.

When the discounted cash flow method is used to determine the fair value less costs of disposal, estimation techniques are based on the CGU's highest and best use from a market participant's perspective as far as they can reasonably be ascertained, taking financial plans as approved by management as a base (level 3). These estimates include potential business expansion and reorganizations, if applicable. This discounted cash flow method is based on a post-tax calculation model, using a post-tax discount rate, and the deferred tax positions and corresponding tax-related cash flows related to temporary differences are included in the carrying amount and recoverable amount, respectively.

The discounted cash flow method requires management to apply judgements around revenue growth, profit assumptions and the discount rate. The discount factor is derived from the average cost of capital relevant for the CGUs.

Where a sales multiple is used to determine fair value less cost of disposal, 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 key assumptions applied in the annual goodwill impairment test are further described below.

Movements in goodwill are as follow:

in thousands of EUR	Notes	2018	2017
At 1 January		**1,065,467**	**1,012,059**
Acquisitions	4	4,458	119,100
Adjustment to purchase price allocation	4	2,317	-
Impairment		- 19,331	- 38,045
Reclassification		- 243	2,179
Exchange differences		- 386	- 29,826
At 31 December		**1,052,282**	**1,065,467**
Costs		1,148,234	1,141,205
Accumulated impairment		- 95,952	- 75,738
Carrying amount		1,052,282	1,065,467

The table below shows goodwill per segment:

in thousands of EUR	31 December 2018	31 December 2017
G4	426,672	422,812
Other Europe	463,331	480,583
Americas & Asia	162,279	162,072
	1,052,282	1,065,467

Goodwill impairment

In 2018, the carrying amount of the CGU Italy has been reduced to its recoverable amount of €172,061 through recognition of an impairment loss against goodwill of €19,331. This mainly resulted from the lower profitability of the Italian business compared to previous projections as it took longer than expected to benefit from the integration of the merger of the two Italian businesses. The CGU Italy operates in the Other Europe segment.

The recoverable amount of CGU Italy is its fair value less costs of disposal, determined using the discounted cash flow method. Estimation techniques were based on CGU Italy's highest and best use from a market participant's perspective as far as they could have reasonably been ascertained, taking financial plans as approved by management as a base (level 3). These estimates included potential business expansion and reorganizations. This discounted cash flow method was based on a post-tax calculation model, using a post-tax discount rate of 8.89%, and the deferred tax positions and corresponding tax-related cash flows related to temporary differences were included in the carrying amount and recoverable amount, respectively. The key assumptions such as average revenue growth and average EBITA percentage are around midpoint of the ranges of Other Europe segment showed below. The details on sensitivity analysis are further described below.

In 2017, the impairment charge relates to an impairment of goodwill in the CGU United States, which operates in the Americas & Asia segment.

Other movements

In 2018, the adjustment to purchase price allocation relates mainly to Visilab (refer to note 4), which operates in the Other Europe segment.

In 2017, the acquisitions are mainly related to Visilab and Tesco Opticians. The exchange differences in 2017 are mainly related to the weakening of the US Dollar.

Key assumptions applied in annual goodwill impairment test

Key assumptions used to determine the recoverable amount in 2018:

	Revenue growth rate (average)	EBITA percentage (average)	Discount rate (pre tax)	Sales multiple (when used)
G4	3.5% - 5.8%	5.8% - 18.5%	9.13% - 11.74%	-
Other Europe	3.3% - 13.5%	3.6% - 21.7%	8.31% - 14.37%	-
Americas & Asia	3.2% - 21.0%	6.1% - 12.3%	11.14% - 25.16%	1 – 1.2

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

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 is based on the budget for these five years. 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 the optical retail industry.

The Group considered and incorporated the impact on the assumptions used in its goodwill impairment tests also in 2018 resulting from the outcome of the UK referendum in 2016 on European Union membership.

G4 segment

In the G4 in 2018 the higher end of the average revenue growth rate range mainly relates to the CGU of United Kingdom & Ireland and the lower end to the CGU of France. The CGU of the Netherlands & Belgium are at the higher

end of the average EBITA percentage range with the CGUs of Germany & Austria and France closely following. The lower end of the range relates to the CGU in United Kingdom & Ireland, as a result of the Tesco Opticians acquisition. The higher end of the pre-tax discount rate range relates to the CGU of Netherlands & Belgium while the lower end relates to the CGU of United Kingdom & Ireland. The CGUs of Germany & Austria and France are at the midpoint of the pre-tax discount rate range.

The carrying value of goodwill allocated to the CGU of France of €179,174 (2017: €180,873) 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 towards the higher end of the range of the G4 segment and a pre-tax discount rate of 10.67% (2017: 11.47%). 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 2018, the higher end of the average revenue growth rate range mainly relates to the CGU of Bulgaria and the lower end to the CGU of Finland & Estonia and Portugal. 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, Sweden 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 2018, the higher end of the average revenue growth rate range mainly relates to the CGU of the United States and the lower end relates to the CGU of Brazil. In 2018, the higher end of the average EBITA percentage range relates to the CGUs of Mexico, Chile & Uruguay and Turkey, and the lower end to the CGUs of Peru and the United States. In 2018, 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 the United States. 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.

Sensitivity

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 in the Group impairment test would result in a limited impairment (2017: €1,169).

For the discounted cash flow method used for the CGU Italy, a 1% decrease in revenue growth in next year and a 1% increase in the discount rate would result in an additional impairment of €24,851 and €18,959 respectively. A 1% terminal value growth rate and 1% decrease in the discount rate would result in a decrease in impairment of €15,979 and €23,882 respectively.

13. Other Intangible Assets

Accounting Policy
Other intangible assets contain key money and rights of use, customer databases, trademarks, software and others.

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, as described in note 12.

Customer databases

Customer databases are only recognized as an intangible asset if the Group has a practice of establishing relationships with its customers and when the Group 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.

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).

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 consolidated 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.

Other

Other intangible assets are mainly related to reacquired rights, franchise contracts and rights to open new optical stores.

A reacquired right is an identifiable intangible asset that the acquirer recognizes separately from goodwill. 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. 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.

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.

Rights to open new optical stores acquired in a business combination is an identifiable intangible asset that the acquirer recognizes separately from goodwill. These rights to open new locations 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 contractual period without considering contractual extension possibilities, but not exceeding 10 years.

Significant Accounting Estimates and Judgments

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.

Key assumptions applied are the revenue growth rate and the discount rate.

Movements in Other Intangible Assets are as follows:

in thousands of EUR	Notes	Key money	Customer databases	Trademarks	Software	Other	Total
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		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	7	-	- 9,705	- 17,999	- 19,844	- 3,757	- 51,305
Impairment	7	- 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**
At 1 January 2018							
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
Movements in 2018							
Acquisitions	4	4,024	-	-	2	3,715	7,741
Additions		3,814	658	-	43,737	81	48,290
Disposals		- 1,201	- 3	-	- 252	-	- 1,456
Amortization charge	7	-	- 18,557	- 15,580	- 27,002	- 5,330	- 66,469
Impairment	7	- 4,739	-	- 5,538	- 5,534	-	- 15,811
Reclassification		-	-	- 232	280	195	243
Exchange differences		- 479	2,035	551	- 166	- 83	1,858
At 31 December 2018		**212,944**	**128,581**	**104,143**	**103,281**	**14,318**	**563,267**
Cost		224,770	173,057	291,547	261,011	44,575	994,960
Accumulated amortization and impairment		- 11,826	- 44,476	- 187,404	- 157,730	- 30,257	- 431,693
Carrying amount		212,944	128,581	104,143	103,281	14,318	563,267

Key money
During 2018 the impairment test on key money resulted in an impairment in France and Brazil of €4,739 (2017:€1,322) as a result of a decrease in value in use and external valuations performed for each store individually.

Customer databases and trademarks
In 2018, €5,538 of trademarks was impaired in the Other Europe segment. In 2017, the increase mainly related to the acquisitions of Visilab and Tesco Opticians.

Software
In 2018, the additions mainly related to the ongoing deployment of the global ERP system, the development of omni-channel capabilities and other investments in IT systems.

In 2018, €5,534 of software was impaired in the G4 segment and at corporate level. In 2017, €1,934 of software was impaired in the G4 and Americas & Asia segments.

Other
The other intangible assets mainly comprise the Group's right to open additional optical stores in the Tesco store network of €8,389 (2017: €11,600).

Impairment Test of 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.

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 2018	31 December 2017
France	209,005	206,967
Brazil	3,939	4,558
	212,944	211,525

Key assumptions used to determine the recoverable amount:

	2018	2017
Revenue growth rate	1.6% - 13.7%	1.5%-13.0%
Discount rate	7.30% - 17.05%	7.84%-15.86%

Sensitivity

The most sensitive key assumption in the impairment test of key money relates to revenue growth. 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 €4,320 (2017: €5,285).

14. Associates and Joint Ventures

Accounting Policy
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.

Joint ventures and associates are accounted for using the equity method, which involves recognition in the consolidated Income Statement of the Group's share of the net result of the joint ventures and associates for the year. The Group's share of movements in other comprehensive income is recognized in Other Comprehensive Income. The Group's interest in a joint venture or associate is carried in the consolidated Balance Sheet at its share in the net assets of the joint venture or associate together with goodwill paid on acquisition, less any impairment loss.

The Group determines at each reporting date whether there is an objective evidence that the investments in its associates and joint ventures is impaired. When the share in the losses exceeds the carrying amount of an equity-

accounted company (including any other receivables forming part of the net investment in the company, net of expected credit losses), the carrying amount is written down to nil and recognition of further losses is discontinued, unless legal or constructive obligations relating to the company in question have been incurred. The related impairment charge is recognized in 'Share of result of Associates and Joint Ventures' in the consolidated Income Statement.

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 consolidated Income Statement where appropriate.

The Group's investments in the Associates and Joint Ventures:

in thousands of EUR	31 December 2018	31 December 2017
Reliance-Vision Express Private Ltd and Reliance-GrandVision India Supply Private Ltd	844	936
Other Associates	247	259
	1,091	1,195

Share of result of Associates and Joint Ventures:

in thousands of EUR	2018	2017
Visilab S.A.	-	2,853
Reliance-Vision Express Private Ltd and Reliance-GrandVision India Supply Private Ltd	- 675	- 949
Other Associates	- 27	28
	- 702	1,932

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

in thousands of EUR	2018	2017
At 1 January	**1,195**	**36,345**
Share of result of Associates and Joint Ventures	- 702	1,932
Capital contributions in Associates and Joint Ventures	629	-
Dividend received	-	- 6,090
Change in control of Visilab	-	- 31,129
Acquisitions	-	233
Currency translation differences	- 31	- 96
At 31 December	**1,091**	**1,195**

In 2017, GrandVision increased its shareholding in and obtained control of Visilab, which resulted in Visilab becoming a subsidiary of GrandVision. In 2017, the Group's share of result of Visilab represents the amount until the acquisition date.

15. Inventories

Accounting Policy
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.

The composition of the inventories is as follows:

in thousands of EUR	31 December 2018	31 December 2017
Finished goods	348,141	368,515
Provision for obsolete inventory	- 17,639	- 18,779
	330,502	349,736

An amount of €10,960 (2017: €9,773) has been recognized in the consolidated Income Statement relating to obsolete inventories in 'Cost of sales and directly related costs'.

16. Trade and Other Receivables

Accounting Policy

Financial assets: Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy under IAS 39. Only the areas of the previous accounting policies under IAS 39 that were changed, are described below.

Until 31 December 2017, the Group classified its financial assets in the categories: at fair value through profit or loss, and loans and receivables. The classification depended on the purpose for which the financial assets were acquired.

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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 had an impact on the estimated future cash flows of the financial asset or group of financial assets that could have been reliably estimated.

For the 'loans and receivables' category, the amount of the loss was 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 decreased and the decrease could be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss was recognized in the consolidated Income Statement.

Financial assets: Accounting policies applied from 1 January 2018

At initial recognition, financial assets are classified as either measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The classification depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The Group doesn't have any assets measured at fair value through other comprehensive income.

Financial assets are first recognized on the trade date, the date on which the Group commits to purchase the asset. 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. Upon derecognition any gains or loss are recognized in the consolidated Income Statement.

Financial assets at amortized cost

Financial assets at amortized cost are financial assets held within a business model aimed at holding the asset in order to collect contractual cash flows. The dates for these cash flows are determined in the contract and comprise solely payments of principle and interest. Assets measured at amortized cost are initially recognized at fair value plus any directly attributable transaction costs. For trade receivables the transaction price is deemed to their equal fair value. Subsequently, these assets are carried at amortized cost using the effective interest method less any allowance for expected credit losses.

Interest income on assets measured at amortized cost is recognized, using the effective interest method, in the consolidated Income Statement.

Financial assets at fair value through profit or loss

Assets that are not included in the financial assets at amortized cost or financial assets at fair value through other comprehensive income classes, are classified as fair value through profit or loss. These assets are initially measured and subsequently carried at fair value, with any related transaction costs expensed as incurred. Derivatives are also categorized as fair value through profit or loss unless they are designated as hedges. The Group owns certain limited shareholdings in buildings where it is operating stores. These shareholdings are accounted for against fair value, based on recent transactions. Changes in fair value are recorded in the consolidated Income Statement.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses on debt instruments measured at amortized cost and at fair value through other comprehensive income. The resulting allowance is generally based on a 12-month expected credit loss. When credit risk on an asset increases significantly the calculation of the expected credit loss is based on the full lifetime of the financial asset.

The Group applies judgement in its assessments of credit risk and expected credit losses based on current and historical data as well as forward-looking estimates. Changes in the allowance are recorded in the consolidated Income Statement with a reduction to the carrying value of financial assets measured at amortized cost, as an expected credit loss allowance.

The Group applies the full lifetime credit loss method to trade and other receivables that have a maturity of one year or less. The Group applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables (i.e. provision matrix).

For other financial assets measured at amortized cost, the Group applies the general approach under IFRS 9. The Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period since the date of initial recognition, also considering forward-looking information. A significant increase in credit risk is presumed if a debtor is past due in making a contractual payment for a period outside of normal business practices. A default on a financial asset occurs when the counterparty fails to make contractual payments for a period significantly outside of normal business practices.

When using the general approach, for financial assets measured at amortized cost other than trade receivables with a low risk of default and a strong capacity to meet contractual cash flows, a 12 month expected credit loss provision is recognized. For financial assets measured at amortized cost other than trade receivables with a significant increase in credit risk and debtors that have defaulted, the expected credit loss provision is recognized based on lifetime expected credit losses. 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 measured at amortized cost are written off when there is no reasonable expectation of recovery. This is generally the case when the Group determines that the debtor doesn't have any assets or other sources of income that could generate sufficient cash flows to repay the relevant amount.

Impairment losses on financial assets measured at amortized cost are included in the selling and marketing costs in the consolidated Income Statement. Subsequent recoveries of amounts previously written off are also credited against the same line item.

The table below shows trade and other receivables:

in thousands of EUR	Notes	31 December 2018		31 December 2017	
		Current	Non-current	Current	Non-current
Trade receivables		153,738	-	178,493	-
Less: provision for impairment of trade receivables		- 13,433	-	-11,247	-
Trade receivables – net		140,305	-	167,245	
Receivables related to consumer insurances		47,678	-	37,639	-
Taxes and social security		30,752	-	34,133	-
Supplier and other receivables		33,355	11,348	34,888	6,568
Rental deposits		577	24,340	814	22,966
Receivables from related parties	33.1	1,710	-	5,356	-
Loans to management	33.2	-	1,562	-	1,530
Less: provision for impairment of other receivables		- 444	-	-255	-
Other financial assets measured at amortized cost - net		113,628	37,250	112,574	31,064
Financial assets measured at amortized cost - total		253,933	37,250	279,819	31,064
Financial assets at fair value through profit or loss		-	1,406	-	1,486
		253,933	**38,656**	**279,819**	**32,550**

The carrying value less provision for impairment approximates the fair value of the assets. See notes 33.1 and 33.2 for more details on receivables from related parties and loans to management.

Impairment of Financial Assets

The Group has two types of financial assets that are subjective to the expected credit loss model:

- Trade receivables
- Other financial assets measured at amortized cost

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of a provision matrix to measure the lifetime expected losses.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on representative historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

The expected credit loss provision for trade receivables as at 31 December 2018 is determined as follows:

in thousands of EUR	Expected loss rate (%)	Gross Amount	Provision
Not past due	1%	120,449	1,325
Past due up to 3 months	12%	12,324	1,419
Past due between 3 and 6 months	21%	7,311	1,531
Past due between 6 and 9 months	58%	4,682	2,707
Past due after 9 months	72%	8,972	6,451
	9%	153,738	13,433

The application of the expected credit risk model under IFRS 9 did not result in an equity impact at 1 January 2018. The ageing analysis for the trade receivables and related provision for impairment as at 31 December 2017 as follows are comparative amounts under IAS 39:

in thousands of EUR	Gross Amount	Provision
Up to 3 months	161,834	1,260
Between 3 and 6 months	4,111	1,563
Between 6 and 9 months	3,782	1,715
Over 9 months	8,766	6,709
	178,493	11,247

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

Other financial assets measured at amortized cost

Other financial assets measured at amortized cost generally arise from transactions outside the usual operating activities of the Group and relate mainly to rental deposits, taxes and social security, other business receivables and loans to management. Business receivables include mainly receivables related to consumer insurance, representing commissions earned on consumer insurances sold and supplier receivables.

Management considers these exposures to have low credit risk since based on limited historical credit losses, these financial assets have low risk of default and also have a strong capacity to meet their contractual cash flow obligations in the near term. At reporting date, there is no significant increase of credit risk since initial recognition and as such the Group measured the expected credit loss provision at an amount equal to 12-month expected credit losses.

The low credit risk is also supported by the following:

- Rental deposits are paid to the landlord as a security for non-payment and are generally used to settle rent or other service charges at the end of the lease term
- For receivables related to taxes and social security, consumer insurances and suppliers, the Group has the ability to recover outstanding balances related to receivables through offsetting obligations towards the entities or government institutions involved
- Loans to management are granted to senior managers of the Group and its subsidiaries as part of various share-based payment plans. The loans are secured by pledges on the shares held by management

No significant changes to estimation techniques or assumptions were made during the reporting period.

Movements on the provision for the impairment of trade receivables and other financial assets measured at amortized cost are as follows:

in thousands of EUR	Trade receivables	Other financial assets at amortized cost	Trade receivables	Other financial assets at amortized cost
	2018		2017	
At 1 January	**11,247**	**255**	**9,826**	**249**
Additions to provision for expected credit losses	6,013	190	7,744	20
Receivables written off during the year as uncollectible	- 2,967	-	-3,823	-14
Unused amounts reversed	- 1,157	-	-1,730	-
Exchange differences	296	- 1	-770	-
At 31 December	**13,433**	**444**	**11,247**	**255**

Net impairment losses recognized within selling and marketing costs in the consolidated Income Statement amount to €7,091 (2017: €5,020), of which €7,064 (2017: €4,935) relates to trade receivables.

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 2018	31 December 2017
Euro (EUR)	66,543	84,475
Brazilian Real (BRL)	6,047	14,614
British Pound Sterling (GBP)	12,769	13,700
Chilean Peso (CLP)	8,314	11,691
Danish Krone (DKK)	8,303	7,933
Turkish Lira (TRY)	7,463	7,666
Norwegian Krone (NOK)	7,046	6,702
Swedish Krona (SEK)	5,275	5,423
United States Dollar (USD)	6,166	3,837
Other	12,379	11,204
Total	140,305	167,245

17. Other Current and Non-Current Assets

Accounting Policy
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 other current assets and amortized over the contractual lease period.

Other current and non-current assets can be specified as follows:

in thousands of EUR	31 December 2018		31 December 2017	
	Current	Non-current	Current	Non-current
Key money	3,439	10,451	3,757	11,745
Rent prepayments	19,278	-	18,387	-
Other prepayments and current assets	27,083	-	26,297	-
Total	49,800	10,451	48,441	11,745

18. Cash and Cash Equivalents

Accounting Policy
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 consolidated Balance Sheet at face value.

Cash and cash equivalents can be specified as follows:

in thousands of EUR	31 December 2018	31 December 2017
Cash at bank and in hand	121,932	152,747
Short-term bank deposits and marketable securities	16,325	11,932
	138,257	164,679

Cash and cash equivalents by currency:

in thousands of EUR	31 December 2018	31 December 2017
Euro (EUR)	58,339	71,786
Turkish Lira (TRY)	9,705	9,686
Polish Zloty (PLN)	9,682	2,886
United States Dollar (USD)	9,050	20,406
British Pound Sterling (GBP)	8,305	9,416
Chilean Peso (CLP)	7,985	6,129
Swiss Franc (CHF)	5,255	7,318
Brazilian Real (BRL)	5,215	2,256
Mexican Peso (MXN)	4,903	2,401
Other	19,818	32,395
	138,257	164,679

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

in thousands of EUR	Notes	31 December 2018	31 December 2017
Cash and bank balances		138,257	164,679
Bank overdrafts	23	- 66,638	- 152,443
		71,619	12,236

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

19. Share Capital

Accounting Policy

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.

The movements in the number of shares outstanding and share capital can be specified as follows:

	Number of shares outstanding	Ordinary shares (in thousands of EUR)	Share premium (in thousands of EUR)	Total (in thousands of EUR)
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**
At 1 January 2018	**253,583,420**	**5,089**	**54,423**	**59,512**
Share-based payments	184,228	-	964	964
At 31 December 2018	**253,767,648**	**5,089**	**55,387**	**60,476**

In 2018, the share-based payment plan movements within share capital of €964 relate to the periodic expenses and settlements of the share-based payment plans (2017: €1,372).

GrandVision provided 184,228 shares related to the share-based payment plans following the vesting in 2018 (2017: 798,812 shares). The number of shares held in treasury at 31 December 2018 were 676,192 (2017: 860,420 shares).

GrandVision did not purchase shares in 2018 and 2017.

20. Other Reserves

Accounting Policy

Other reserves include the cash flow hedge reserve, remeasurement of post-employment benefit obligations and the cumulative currency translation reserve.

The cash flow hedge reserve contains the effective part of the accumulated change in the fair value of cash flow hedges, net of tax, related to the foreign currency forwards and interest rate derivatives. See note 24 for more details on the Group's derivatives and hedge accounting.

Remeasurement of post-employment benefit obligations contains 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. See note 25 for more details on the Group's post-employment benefit obligations.

The cumulative currency translation reserve includes all exchange differences resulting from the translation of the financial statements of foreign entities.

The movements in Other Reserves can be specified as follows:

in thousands of EUR	Cash flow hedge reserve	Remeasurement of post-employment benefit obligations	Cumulative currency translation reserve	Total Other reserves
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**
At 1 January 2018	**- 5,061**	**- 14,217**	**- 129,684**	**- 148,962**
Other comprehensive income	1,663	4,862	- 15,442	- 8,917
Hedge results transferred to the carrying value of inventory purchased during the year	831	-	-	831
At 31 December 2018	**- 2,567**	**- 9,355**	**- 145,126**	**- 157,048**

Following the application of IFRS 9 *Financial Instruments,* from 2018 hedge results transferred from the cash flow hedge reserve to the carrying value of non-financial items are presented separately from Other Comprehensive Income.

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 consolidated Income Statement, following the change in control of Visilab.

The movement in the cash flow hedge reserve per risk category for 2018 can be specified as follows:

in thousands of EUR	Interest risk	Currency risk	Total	Attributable to the equity holders	Non- controlling interest
At 1 January 2018	**- 2,353**	**- 2,447**	**- 4,800**	**- 5,061**	**261**
Changes in fair value	- 6,160	5,531	- 629	- 686	57
Reclassified to profit or loss	3,947	- 1,026	2,921	2,914	7
Income tax	553	- 1,139	- 586	- 584	- 2
Exchange differences	-	16	16	19	- 3
Other comprehensive income	- 1,660	3,382	1,722	1,663	59
Amount transferred to the cost of inventory	-	761	761	1,093	- 332
Income tax	-	- 192	- 192	- 262	70
	-	569	569	831	- 262
At December 2018	**- 4,013**	**1,504**	**- 2,509**	**- 2,567**	**58**

21. Retained Earnings

Accounting Policy

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

The movements in Retained Earnings can be specified as follows:

in thousands of EUR	2018	2017
At 1 January	**1,128,524**	**981,384**
Result for the year	216,278	227,929
Dividends paid	- 81,147	- 78,363
Acquisition of non-controlling interest	- 4,539	- 651
Share-based payments	- 90	- 1,775
At 31 December	**1,259,026**	**1,128,524**

For 2018, it is proposed to the General Meeting to distribute a total dividend of €83,743 or EUR 0.33 per share. If the proposal is approved by the General Meeting, the dividend will be payable as from 6 May 2019.

For 2017, a total dividend of EUR 0.32 per share was paid out in the first half year of 2018 for a total of €81,147. 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.

Acquisition of non-controlling interest in 2018 is mainly related to the purchase of the non-controlling shares in the United Kingdom.

22. Non-Controlling Interest

Accounting Policy

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.

Significant Accounting Estimates and Judgments

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 Synoptik'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.

The movements in Non-Controlling Interest can be specified as follows:

in thousands of EUR	2018	2017
At 1 January	**81,480**	**59,667**
Result for the year	21,018	21,038
Dividends paid	- 16,021	- 11,452
Acquisition of subsidiary	-	14,678
Acquisition of non-controlling interest	2,704	109
Remeasurement of post-employment benefit obligation	758	- 17
Cash flow hedge reserve	59	297
Hedge results transferred to the carrying value of inventory purchased during the year	- 262	-
Currency translation differences	275	- 2,840
At 31 December	**90,011**	**81,480**

Acquisition of non-controlling interest in 2018 is mainly related to the purchase of the non-controlling shares in the United Kingdom.

The increase in non-controlling interests in 2017 relates mainly to the acquisition of Visilab.

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

in thousands of EUR	31 December 2018	31 December 2017
Summarized Balance Sheet:		
Non-current assets	97,734	97,971
Current assets	111,064	98,271
Equity	142,946	127,146
Non-current liabilities	4,828	5,493
Current liabilities	61,024	63,603

The accumulated non-controlling interest for the Synoptik Group amounts to €52,475 (2017: €46,675).

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

in thousands of EUR	31 December 2018	31 December 2017
Summarized Balance Sheet:		
Non-current assets	120,332	125,170
Current assets	24,922	27,440
Equity	66,736	73,195
Non-current liabilities	44,325	47,234
Current liabilities	34,193	32,181

The accumulated non-controlling interest for Visilab amounts to €14,157 (2017: €15,936).

The financial information for Mexico (non-controlling interest of 30%) is as follows:

in thousands of EUR	31 December 2018	31 December 2017
Summarized Balance Sheet:		
Non-current assets	65,067	56,859
Current assets	51,814	45,719
Equity	45,784	41,930
Non-current liabilities	39,752	33,784
Current liabilities	31,345	26,864

The accumulated non-controlling interest for Mexico amounts to €13,891 (2017: €12,726).

23. Borrowings

Accounting Policy

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 consolidated 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.

Finance leases

Lease contracts whereby the risks and rewards associated with the ownership lie wholly or primarily with the lessee are classified as finance leases. The minimum lease payments are recognized partly as finance costs and partly as settlement of the outstanding liability. The finance 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 consolidated Income Statement over the lease period and recognized as finance costs.

The corresponding rental obligations, net of finance 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.

Borrowings of the Group are as follows:

in thousands of EUR	31 December 2018	31 December 2017
Non-current		
Bank and other borrowings	362,492	376,616
Financial leases	461	584
	362,953	377,200
Current		
Bank overdrafts	66,638	152,443
Commercial paper	418,000	398,800
Bank and other borrowings	30,213	61,225
Financial leases	411	477
	515,262	612,945
Total borrowings	**878,215**	**990,145**

Bank facilities

The Group has a revolving credit facility of €1,200 million with a 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 €380 million.

At the end of 2018 the Group also has multiple bank guarantee facilities for a total amount of €67.6 million (2017: €68.4 million).

Commercial paper

GrandVision has a commercial paper program under which it can issue commercial paper up to the value of €500 million. As of 31 December 2018 the amounts outstanding under the commercial paper program totalled €418 million (2017: €398.8 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
At 1 January 2018	**433,923**	**1,061**	**398,800**	**3,918**	**3,220**	**840,922**
Changes from financing cash flows						
Proceeds from borrowings	186,397	342	19,200	-	-	205,939
Repayments of borrowings	- 232,374	- 570	-	- 357		- 233,301
Interest swap payments	-	-	-	-	- 2,752	- 2,752
Interest	- 2,642	- 47	1,010	-	-	- 1,679
Other movements						
Acquisitions	426	-	-	-	-	426
Amortization/interest accrual	2,703	47	- 1,010	266	2,752	4,758
Exchange differences	298	39	-	147	-	484
Other comprehensive income (before tax)	-	-	-	-	2,213	2,213
At December 2018	**388,731**	**872**	**418,000**	**3,974**	**5,433**	**817,010**
Non-current	359,137	461	-	3,355	2,605	365,558
Current	29,594	411	418,000	619	2,828	451,452
At December 2018	388,731	872	418,000	3,974	5,433	817,010

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, interest paid related to overdraft and cashpool facility.

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

in thousands of EUR	Within 1 year	1-2 years	2-5 years	Total
At 31 December 2018				
Borrowings	96,851	247	362,245	459,343
Commercial paper	418,000	-	-	418,000
Financial leases	411	230	231	872
	515,262	477	362,476	878,215
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

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 and the related hedges under the revolving credit facility, the commercial paper program and the bilateral overdraft and money market facilities at balance sheet date were as follows:

	2018	2017
Group borrowings	0.70%	0.89%

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 2018	31 December 2017
- Expiring within one year	380,442	265,558
- Expiring beyond one year	840,000	824,965
	1,220,442	1,090,523

Finance lease commitments
The finance lease commitments fall due as follows:

in thousands of EUR	31 December 2018			31 December 2017		
	Payment	Interest	Principal	Payment	Interest	Principal
Within 1 year	448	37	411	508	31	477
1 - 2 years	257	27	230	340	18	322
2 - 5 years	255	24	231	280	18	262
After 5 years	-	-	-	-	-	-
Total	960	88	872	1,128	67	1,061

24. Derivatives

Accounting Policy

The Group uses derivatives in the management of its interest and foreign currency cash flow risks. Derivatives are only used for economic hedging purposes and not as speculative investments.

Derivatives are initially recognized in the consolidated 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.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized immediately in the consolidated Income Statement as financial income and costs.

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 a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Hedge accounting

The Group designates certain derivatives as either:

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

The Group assesses and documents, both at the inception of the transaction and on an ongoing basis through periodic prospective effectiveness assessments, the existence of an economic relationship between the hedging instrument and hedged item based on the amount and timing of the respective cash flows. The Group also documents its risk management objective and strategy for undertaking various hedge transactions.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognizing interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

The Group only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. The changes in the forward element of the foreign currency forwards are recognized in the consolidated Income Statement.

Cash flow hedge

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

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 consolidated Income Statement. Amounts accumulated in Other Comprehensive Income are recycled in the consolidated 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 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 consolidated Income Statement or for a non-financial asset or liability, within the cost of the asset or liability. 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 consolidated Income Statement in finance costs or finance income.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated 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.

The fair value of the derivatives is as follows:

in thousands of EUR	31 December 2018		31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Interest rate derivatives – cash flow hedges	-	4,144	-	3,135
	-	4,144	-	3,135
Current				
Interest rate derivatives – cash flow hedges	-	2,828	-	85
Currency derivatives – cash flow hedges	3,459	1,316	1,427	4,304
	3,459	4,144	1,427	4,389
Total derivatives	**3,459**	**8,288**	**1,427**	**7,524**

In both 2018 and 2017, the derivatives met the requirements for hedge accounting in full. There has not been any ineffectiveness on the hedges in 2018 and 2017.

In note 3.1.3 the maturity of the expected cash flows of the derivatives to occur is shown.

Interest rate derivatives

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group's policy is to maintain a minimum of 60% of its net debt on a forward looking 12 months basis, related to interest rate risk at fixed rate, using floating-to-fixed interest rate swaps. The Group also uses 0% floors to hedge its exposure to negative interest rates.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the interest rate, reset dates, payment dates, maturities and notional amount. As the Group only hedges 60% of the cash flows related to interest rate risk, the hedged items are therefore identified as a proportion of the outstanding borrowings up to the notional amount of the swaps.

The nominal amount of the bank borrowings (see note 23) hedged by interest rate derivatives amounts to €400 million (2017: €400 million) which includes €375 million (2017: €375 million) of 0% floors to hedge the impact of negative interest rates.

The effects of the interest rate swaps on the Group's consolidated Balance Sheet and consolidated Income Statement are as follows:

in thousands of EUR	31 December 2018	31 December 2017
Carrying amount (liabilities)	- 5,433	- 3,220
Notional amount	400,000	400,000
Maturity Date	September 2020-December 2026	September 2020-December 2026
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	- 2,213	1,033
Change in value of hedged item used to determine hedge effectiveness	2,213	- 1,033
Weighted average hedged rate for the year	0.66%	0.68%

Currency derivatives
The Group has transactional cash flows relating to future commercial transactions and recognized assets and liabilities denominated in multiple currencies which are 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 using foreign currency forward contracts. Foreign currency forwards are aimed at reducing the exposure to adverse currency change by hedging the spot component.

In relation to the Brexit event in 2016, in 2018 the Group continued to hedge its British Pound Sterling transactional exposures to the higher end of this range.

For hedges of foreign currency purchases, the Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the notional amounts, the foreign currency spot components, payment dates and maturities.

The foreign currency related hedging instruments are as follows:

in thousands of EUR	31 December 2018	31 December 2017
Carrying amount (assets)	3,459	1,427
Carrying amount (liabilities)	- 1,316	- 4,304
Notional amount of outstanding foreign exchange contracts:		
-United States Dollar (USD)/Euro (EUR)	80,208	109,618
-British Pound Sterling (GBP)/ Euro (EUR)	33,060	30,159
-Norwegian Krone (NOK)/Danish Krone (DKK)	2,903	2,980
-Swedish Krona (SEK)/Danish Krone (DKK)	5,765	6,592
-Other/Euro (EUR)	52,025	37,485
-Other /United States Dollar (USD)	14,285	9,389
Maturity Date	January 2019 - December 2019	January 2018 - December 2018

The weighted average hedge rates for the 2018 and 2017 years can be specified as follows:

	2018	2017
-United States Dollar (USD)/Euro (EUR)	1.1941	1.1749
-British Pound Sterling (GBP)/ Euro (EUR)	0.8929	0.8854
-Norwegian Krone (NOK)/Danish Krone (DKK)	1.3049	1.2759
-Swedish Krona (SEK)/Danish Krone (DKK)	1.3892	1.3005

25. Post-Employment Benefits

Accounting Policy

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 consolidated Income Statement.

In a number of countries the Group 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.

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.

Significant Accounting Estimates and Judgments

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.

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

in thousands of EUR	31 December 2018	31 December 2017
Present value of benefit obligation	74,540	69,692
Fair value of plan assets	- 48,829	- 42,602
Net position	25,711	27,090
Present value of unfunded obligation	70,488	72,211
Provision in the Balance Sheet	96,199	99,301

The most recent actuarial valuations were performed in December 2018.

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 (2018: €53.2 million; 2017: €54.6 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 (2018: €4.5 million; 2017: €5.0 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 (2018: €12.6 million; 2017: €12.3 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 Group.

The net defined benefit obligation of the funded plans mainly relates to the pension arrangement of Visilab of €22.5 million (2017: €23.9 million). The assets of the plan at 31 December 2018 are €46.0 million (2017:€39.9 million) and the obligations of the plan at 31 December 2018 are €68.5 million (2017: €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 110.8% as at 31 December 2017.

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 consolidated Income Statement are as follows:

in thousands of EUR	Notes	2018	2017
Current service costs		5,819	3,005
Interest expense		1,612	1,429
Plan amendments/curtailments/settlements		15	-
Other		178	-
Total defined benefit costs	7	7,624	4,434

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 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**
At 1 January 2018	**141,903**	**- 42,602**	**99,301**
Current service costs	5,819	-	5,819
Interest expense/ (income)	2,020	- 408	1,612
Employee contributions	1,877	- 1,877	-
Employer contributions	-	- 2,061	- 2,061
Experience adjustments	- 1,090	-	- 1,090
Change in financial assumptions	- 6,809	-	- 6,809
Change in demographic assumptions	109	-	109
Plan amendments and curtailments	15	-	15
Return on plan assets, excluding amounts in interest	-	39	39
Benefits paid	- 2,130	252	- 1,878
Other	-	178	178
Exchange effect	3,314	- 2,350	964
At 31 December 2018	**145,028**	**- 48,829**	**96,199**

Assumptions

The principal actuarial assumptions used were as follows on a weighted average basis:

	2018	2017
Discount rate	1.7%	1.4%
Expected return on plan assets	1.0%	1.0%
Future salary increases	2.1%	2.1%
Future inflation	1.4%	1.4%

In 2018, the expected return on plan assets relates mainly to the post employment benefit plan of Visilab (2017: Visilab). 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.

The below 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.

Sensitivity analyses :

Assumptions	Increase (+)/ decrease (-) in defined benefit obligation
Change in discount rate of +1.00%	-16%
Change in discount rate of -1.00%	21%
Change in salary of +0.25%	1%
Change in life expectancy of +1 year	2%
Change in inflation of +1%	7%

Plan assets are comprised as follows:

in thousands of EUR	2018	2017
Insurance contracts	47,447	40,947
Debt instruments	1,038	1,054
Equities	344	595
Other	-	6
Total	48,829	42,602

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	2018	2017
Less than 1 year	4,829	3,811
Between 1 and 2 years	5,590	5,424
Between 2 and 5 years	14,856	13,383
Over 5 years	191,014	179,736
Total	216,289	202,354

The expected contributions in 2019 to the defined benefit plans amount to €2,060.

26. Share-based Payment Plans

Accounting Policy

Certain members of senior management participate in share-based payment plans. The Group operates two types of share-based payment plans.

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 Group 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.

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 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	Long-term incentive plan		Equity plan
	Liability	Equity	Equity
At 1 January 2017	**216**	**23,481**	**12,294**
Charges to Income Statement	76	10,259	939
Settlements/ Vesting	- 292	- 24,707	- 6,017
Exchange differences	-	18	-
At 31 December 2017	**-**	**9,051**	**7,216**
At 1 January 2018	**-**	**9,051**	**7,216**
Charges to Income Statement	760	2,720	290
Settlements/ Vesting	-	- 6,230	- 4,977
Exchange differences	26	- 5	-
At 31 December 2018	**786**	**5,536**	**2,529**

The long-term incentive plan (LTIP) represents conditional share and option awards. Option awards are in the form of equity-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.

In 2018, a new cash-settled plan was issued in a subsidiary to qualifying employees, representing conditional option awards. These option awards are in the form of cash-settled share appreciation rights, meaning that at exercise the participant receives cash which is in total equal in value to the total value of the exercised options.

No new shares were issued in 2018 (2017: none) related to the settlement of awards under the share-based-payment plans. The number of participants of the share-based payment plans per year-end 2018 is 163 (2017: 154).

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 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 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

Outstanding awards

The table below shows the movements in the number of shares of the equity plan for (former) key management and employees.

	P.J. de Castro Fernandes (CFO)	Th. A. Kiesselbach (former CEO)	Employees	Total
At 1 January 2017	**125,510**	**12,000**	**927,042**	**1,064,552**
Settled	- 125,510	- 12,000	- 467,292	- 604,802
At 31 December 2017	**-**	**-**	**459,750**	**459,750**
At 1 January 2018	**-**	**-**	**459,750**	**459,750**
Settled	-	-	- 314,340	- 314,340
At 31 December 2018	**-**	**-**	**145,410**	**145,410**

Until February 2018, Th. A. Kiesselbach was the CEO of GrandVision and until April 2018, a Management Board member.

Of those shares outstanding under the equity plan at 31 December 2018, for 145,410 shares (2017: 168,930 shares) the vesting period has ended. In 2018, the shares that were vested and unrestricted have been settled.

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

	S. Borchert (CEO)	P.J. de Castro Fernandes (CFO)	Th. A. Kiesselbach (former CEO)	Employees	Total LTIP awards
At 1 January 2017		**160,620**	**234,892**	**1,903,329**	**2,298,841**
Granted	-	63,433	-	564,362	627,795
Settled	-	- 138,462	- 69,744	- 1,292,324	- 1,500,530
Forfeited	-	-	-	- 161,403	- 161,403
At 31 December 2017	**-**	**85,591**	**165,148**	**1,013,964**	**1,264,703**
At 1 January 2018	**-**	**85,591**	**165,148**	**1,013,964**	**1,264,703**
Granted	120,538	75,589	10,396	553,051	759,574
Settled	-	- 16,719	- 152,419	- 163,106	- 332,244
Forfeited	-	-	- 23,125	- 236,944	- 260,069
At 31 December 2018	**120,538**	**144,461**	**-**	**1,166,965**	**1,431,964**

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 (equity settled)	Weighted average exercise price in EUR per share (cash settled)
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**	**-**
At 1 January 2018	**615,684**	**649,019**	**21.71**	**-**
Granted	415,289	344,285	20.61	242.43
Settled	- 192,508	- 139,736	6.37	-
Forfeited	- 142,109	- 117,960	22.77	242.43
At 31 December 2018	**696,356**	**735,608**	**24.05**	**242.43**

The weighted average share price used for the exercise of the option awards during 2018 was €19.42 (2017: €23.12).

Of those option awards outstanding at 31 December 2018, none were exercisable (2017: 139,736). As of 31 December 2018 the weighted average remaining contractual life for outstanding option awards was 3.4 years (2017: 3 years).

As a result of LTIP plans being settled, 286,321 shares were delivered to participants or became unrestricted in 2018 (2017: 1,291,032).

Fair value measurement

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 2015 (equity settled)	LTIP 2016 (equity settled)	LTIP 2017 (equity settled)	LTIP 2018 (equity settled)
Number of options outstanding	53,691	144,174	259,515	256,228
Exercise price in EUR	24.59	27.47	25.43	20.61
Share price in EUR	22.72	23.32	23.50	20.80
Volatility	24.0%	25.2%	24.1%	23.7%
Dividend yield	1.4%	1.6%	1.7%	1.9%
Expected remaining option life in years	1.37	2.37	3.37	4.37
Annual risk-free interest rate %	0.15%	-0.36%	-0.28%	-0.07%

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.

The GrandVision NV - LTIP 2018 cash-settled option awards relate to a share-based payment plan of a subsidiary of the Group. The main inputs used in the fair value measurement include the number of options outstanding of 22,000 with an expected remaining option life of 3.36 years, share price and excercise price of €165.94 and €242.43 respectively, as well as assumptions on certain future performance conditions. The share price and exercise prices represent those of the underlying subsidiary.

The weighted average fair value of the option awards granted at corporate level in 2018 at grant date is €3.32 (2017: €3.20). The weighted average fair value of the option awards granted at subsidiary level in 2018 at grant date is €333.73 (2017: none).

The weighted average fair value of the share awards granted in 2018 at grant date is €20.80 (2017: €23.50).

Key management

The following tables summarize the status of the outstanding LTIP plans during 2018 for the individual (former) Management Board members.

Outstanding share-based awards	Award	Awards per 1 January 2018	Granted in 2018	Settled in 2018	Awards per 31 December 2018	Exercise price option awards	Fair value at grant	Share price at vesting
S. Borchert (CEO)								
GrandVision NV - LTIP 2018	Shares	-	56,481	-	56,481	-	20.80	-
GrandVision NV - LTIP 2018	Options	-	64,057	-	64,057	20.61	3.32	-
Total		**-**	**120,538**	**-**	**120,538**			

Outstanding share-based awards	Award	Awards per 1 January 2018	Granted in 2018	Settled in 2018	Awards per 31 December 2018	Exercise price option awards	Fair value at grant	Share price at vesting
P.J. de Castro Fernandes (CFO)								
GrandVision NV - LTIP 2015	Shares	11,578	5,141	- 16,719	-	-	22.76	20.80
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	-
GrandVision NV - LTIP 2018	Shares	-	6,391	-	6,391	-	20.80	-
GrandVision NV - LTIP 2018	Options	-	64,057	-	64,057	20.61	3.32	-
Total		**85,591**	**75,589**	**- 16,719**	**144,461**			

Outstanding share-based awards	Award	Awards per 1 January 2018	Granted in 2018	Settled in 2018	Forfeited in 2018	Awards per 31 December 2018	Exercise price option awards	Fair value at grant	Share price at vesting
Th. A. Kiesselbach (former CEO)									
GrandVision BV - LTIP 2012	Options	58,961	-	- 58,961	-	-	5.98	13.81	23.32
GrandVision BV - LTIP 2013	Options	59,650	-	- 59,650	-	-	6.66	12.81	23.60
GrandVision NV - LTIP 2015	Shares	23,412	10,396	- 33,308	-	-	-	22.76	20.80
GrandVision NV - LTIP 2016	Shares	23,125	-	-	- 23,125	-	-	23.32	-
Total		**165,148**	**10,396**	**- 151,919**	**- 23,125**	**-**			

The vested option awards under GrandVision BV - LTIP 2012 and GrandVision BV - LTIP 2013 were exercised in 2017, resulting in the delivery of 79,964 shares. The vesting of the share awards under the GrandVision BV - LTIP 2015 in 2018, resulted in the delivery of 50,526 shares.

Outstanding share-based awards	Award	Status per 31 December 2018	Vesting year	Holding period end	Performance conditions
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
GrandVision NV - LTIP 2018	Shares	Conditional	2021	2023	0-150% on Rev/EPS 2018-2020
GrandVision NV - LTIP 2018	Options	Unconditional	2023	-	No

The option awards under GrandVision NV - LTIP 2018 and GrandVision NV - LTIP 2017 are not conditional on meeting performance targets.

27. Provisions

Accounting Policy
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.

Legal and regulatory provisions

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

Warranty provisions

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 consolidated Income Statement under cost of sales and directly related costs.

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.

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 landlord. 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.

Significant Accounting Estimates and Judgments
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.

Movements in provisions are as follows:

in thousands of EUR	Legal and regulatory	Warranty	Employee-related	Share based payments	Other	Total
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
At 1 January 2018	**18,677**	**8,784**	**9,031**	**-**	**2,750**	**39,242**
Movements in 2018						
Addition to provision	2,266	2,773	3,477	760	761	10,037
Reversal of provision	- 563	- 4,954	- 1,049	-	- 773	- 7,339
Utilized during the year	- 1,411	- 2,875	- 2,081	-	- 863	- 7,230
Exchange differences	- 455	- 1	- 446	26	10	- 866
At 31 December 2018	**18,514**	**3,727**	**8,932**	**786**	**1,885**	**33,844**
Non-current	11,397	330	4,019	786	471	17,003
Current	7,117	3,397	4,913	-	1,414	16,841
At 31 December 2018	18,514	3,727	8,932	786	1,885	33,844

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 Group received a statement of objections ('notification de griefs') from the FCA. The Group responded to this statement of objections and booked an adequate provision determined by an assessment of the probability and amount of potential liability. The Group 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 Group 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 Group expects that the procedure will continue beyond the initial anticipated period, the provision is presented within non-current provisions.

Secondly, the provision relates mainly 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 2018 and 2017 mainly relate to VAT and other tax risks in Germany and Austria.

Warranty

The reversals in 2018 relate mainly to Germany & Austria resulting from periodic reassessment of estimates.

Employee-related

The additions in 2018 relate mainly to severance costs of certain employees as part of restructuring activities.

Share-based payment plans

Refer to note 26.

28. Other Non-Current Liabilities

Accounting Policy
Rental incentives relate to the straight-lining effect of operating lease payments over the lease term. For the accounting policy related to contingent consideration assumed in a business combination, refer to note 4.

Other Non-Current Liabilities can be specified as follows:

in thousands of EUR	31 December 2018	31 December 2017
Contingent consideration	-	19,071
Rental incentives	5,939	6,739
Other	355	515
	6,294	26,325

In 2018, the decrease in non-current contingent consideration mainly relates to the reclassification of the amount related to Visilab to Trade and other payables since the payment for the additional shareholding in 2019 will occur within the next 12 months.

29. Trade and Other Payables

Accounting Policy
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.

For the accounting policy related to contingent consideration assumed in a business combination, refer to note 4.

Trade and Other Payables can be specified as follows:

in thousands of EUR	Notes	31 December 2018	31 December 2017
Trade payables		181,234	198,646
Accrued expenses		97,351	93,254
Employee related payables		100,886	108,462
Other taxes and social security		65,687	68,490
Payables to related parties	33.1	8,526	12,713
Contingent consideration		19,676	26,690
Other payables		69,618	55,431
		542,978	563,686

The contingent consideration mainly relates to the Group's obligation to increase its shareholding in Visilab S.A. in terms of the purchase agreement. Please see note 4 for more details.

The carrying value of the items in the above table is assumed to approximate the fair value due to their short-term nature.

30. Cash Generated from Operations

in thousands of EUR	Notes	2018	2017
Result before tax		318,968	350,022
Adjusted for:			
Depreciation and impairments	11	124,195	117,055
Amortization and impairments	12, 13	101,611	92,606
Share-based payments expense	7	3,770	11,273
Result from sale of property, plant and equipment		- 360	223
Result from sale of intangibles		253	- 990
Net financial result	8	18,356	14,705
Share of result of Associates and Joint Ventures	14	702	- 1,932
Fair value gain on remeasurement of Associate		-	- 37,949
Reassessment of the contingent consideration		- 1,660	-
Changes in working capital:			
- Inventories		14,284	- 51,534
- Trade and other receivables		18,244	- 40,892
- Trade and other payables and contract liabilities		- 16,738	5,426
Changes in provisions		3,686	2,518
Cash generated from operations		585,311	460,531

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

31. Contingencies

31.1. Contingent Liabilities

Accounting Policy
Contingent liabilities are possible or present obligations of sufficient uncertainty that it does not qualify for recognition as a provision, unless it is assumed in a business combination (note 4). Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable.

Summary of Group's contingent liabilities

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 €26 million. Formalities are proceeding at this stage and did not result in changes in 2018.

31.2. Operating Lease Commitments

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

in thousands of EUR	31 December 2018	31 December 2017
Not later than 1 year	353,152	312,280
Later than 1 year and not later than 5 years	825,704	630,462
Later than 5 years	241,085	198,024
	1,419,941	1,140,766

The lease commitments relate mainly to the lease of the Group's own stores and leases for stores that are subleased to the Group's franchisees. Lease commitments also include leases for offices, warehouses, vehicles and equipment. The Group has the option, under some of its leases, to lease the assets for an additional period or to terminate early. Some of the Group's leases include a clause to increase the fixed minimum rental charge based on achieved revenue targets. The rental charge is also affected by changes in indexation.

The amounts in 2018 contain lease extension options which are legally not yet exercised, but for which management has assessed that it is reasonably certain that these options will be exercised by the Group in the future.

32. 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	2018	2017
Audit fees	4,205	3,470
Tax advisory fees	88	205
Other non-audit fees	188	26
	4,481	3,701

33. Related Parties

33.1. Transactions and positions with Related Parties

During 2018 GrandVision acquired goods from Safilo (a group company of HAL Holding N.V.) for an amount of €52,371 (2017: €58,838).

Other positions with Related Parties are as follows:

in thousands of EUR	Notes	2018	2017
Other receivables:			
Safilo		1,595	5,164
Other HAL subsidiaries		115	192
	16	1,710	5,356
Trade and other payables:			
Safilo		6,436	10,699
HAL Investments B.V		1,886	1,885
Other HAL subsidiaries		204	129
	29	8,526	12,713

33.2. 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 €1,562 (2017: €1,530) of which interest income of €61 was accrued in 2018 (2017: €121). 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.

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 €3,356 (2017: €2,939), with interest rates ranging between 3.00% and 10.2%.

33.3. 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	2018	2017
S. Borchert (CEO)		
Salary and other short-term benefits	787	-
Post-employment benefits	14	-
Short-term variable remuneration	393	-
Share-based payments	196	-
Other short-term benefits	1,500	-
	2,890	-
P.J. de Castro Fernandes (CFO)		
Salary and other short-term benefits	560	524
Post-employment benefits	106	105
Short-term variable remuneration	93	54
Share-based payments	35	650
	794	1,333
Th. A. Kiesselbach (former CEO)		
Salary and other short-term benefits	264	808
Post-employment benefits	49	144
Share-based payments	- 224	1,143
Short-term variable remuneration	-	86
Termination benefits	244	-
	333	2,181

Until February 2018, Th. A. Kiesselbach was the CEO of GrandVision and until April 2018, a Management Board member.

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 2018 were partially 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 Group's non-financial performance and/or to individual performance.

The amounts included as share-based payment plan benefits represent the amounts recognized in the consolidated Income Statement. For the movements in the share-based payment plan please refer to note 26.

33.4. Supervisory Board Remuneration

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

in thousands of EUR	2018	2017
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.

34. 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	2018	2017
Adjusted EBITDA	576,423	551,512
Non-recurring items	- 19,847	- 17,475
EBITDA	**556,576**	**534,037**
Depreciation & amortization of software	- 150,177	- 136,431
EBITA	**406,399**	**397,606**
Amortization & impairments	- 69,075	- 70,828
Operating result	**337,324**	**326,778**
Adjusted earnings per share, basic (in EUR per share)	0.91	0.97
Adjusted earnings per share, diluted (in EUR per share)	0.91	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.

35. Principal Subsidiaries, Joint Ventures and Associates

Company	2018	2017	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
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
GrandVision Italy Srl.	100%	100%	Italy
Corner Optique 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

Company	2018	2017	Country of incorporation
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.a.r.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	90.31%	62.00%	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.	70%	60%	Switzerland
Visilab Magasins S.A.	70%	60%	Switzerland
Kochoptik GmbH	70%	60%	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

* joint venture

** 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 2018. 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.

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

Parent Company Financial Statements

Income Statement

in thousands of EUR	Notes	2018	2017
Net income	2	6,792	11,218
General and administrative costs	3	- 6,792	- 11,125
Operating result		-	93
Net financial result	4	-773	- 145
Result before tax		-773	- 52
Income tax		403	- 919
Result from subsidiaries after income tax		216,648	228,900
Result for the year		216,278	227,929

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 2018	31 December 2017
ASSETS			
Non-current assets			
Financial fixed assets	5	1,169,299	1,015,245
Deferred income tax assets		54	27
		1,169,353	1,015,272
Current assets			
Trade and other receivables		49,461	40,329
Cash and cash equivalents		65	1,783
		49,526	42,112
Total assets		**1,218,880**	**1,057,384**
EQUITY AND LIABILITIES			
Equity			
Share capital	6	5,089	5,089
Share premium	6	56,280	59,001
Treasury shares	6	- 14,068	- 17,753
Legal reserves	6, 7	- 102,717	- 84,199
Retained earnings	6, 8	1,001,592	849,007
Result for the year	6, 8	216,278	227,929
		1,162,454	1,039,074
Current liabilities			
Borrowings	9	-	41
Other liabilities		56,426	18,269
		56,426	18,310
Total equity and liabilities		**1,218,880**	**1,057,384**

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	2018	2017
Salaries & wages	4,851	3,220
Share-based payments	278	3,576
Social security	227	576
Pension costs	-1,098	338
Other employee-related costs	371	631
Professional fees	1,405	1,856
Other costs	758	928
	6,792	11,125

4. Net Financial Result

For more details on the interest income included in net financial result refer to note 33.2 to the consolidated financial statements. The interest expense relating to subsidiaries amounts to €693 (2017:€50).

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 2018	**1,013,715**	**1,530**	**1,015,245**
Movements in 2018			
Additions	-	61	61
Dividends	- 50,000	-	- 50,000
Repayment	-	- 29	- 29
Acquistion non-controlling interest	- 4,539	-	- 4,539
Exchange differences	- 15,442	-	- 15,442
Other Comprehensive Income	7,356	-	7,356
Net result for current year	216,648	-	216,648
At 31 December 2018	**1,167,739**	**1,562**	**1,169,301**

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

Company	2018	2017
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 2018	**5,089**	**59,001**	**- 17,753**	**- 84,199**	**849,007**	**227,929**	**1,039,074**
Appropriation of the result	-	-	-	-	227,929	- 227,929	-
Result for 2018	-	-	-	-	-	216,278	216,278
Dividends paid	-	-	-	-	- 81,147	-	- 81,147
Other direct equity movements	-	-	-	- 18,518	5,893	-	- 12,625
Share-based payments	-	- 2,721	3,685	-	- 90	-	874
Total movements	-	- 2,721	3,685	- 18,518	152,585	- 11,651	123,380
At 31 December 2018	**5,089**	**56,280**	**- 14,068**	**- 102,717**	**1,001,592**	**216,278**	**1,162,454**

For the share-based payment plan refer to note 26 to the consolidated financial statements. Refer to note 19 to the consolidated financial statements for details on the number of issued shares.

7. Legal Reserve

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

in thousands of EUR	31 December 2018	31 December 2017
Reserves - subsidiaries	- 104,279	- 85,729
Loans to shareholders (LTIP)	1,562	1,530
	- 102,717	- 84,199

8. Appropriation of Result

In accordance with the resolution of the General Meeting of Shareholders held on 26 April 2018, the result for 2017 has been appropriated in conformity with the proposed appropriation of result stated in GrandVision's 2017 Annual Report.

For 2018, it is proposed to the General Meeting to distribute a total dividend of €83,743 or EUR 0.33 per share. If the proposal is approved by the General Meeting, the dividend will be payable as from 6 May 2019. The net result for 2018 amounts to €216,278 and €132,535 will be added to the retained earnings reserve.

For 2017, a total dividend of EUR 0.32 per share was paid out in the first half year of 2018 for a total of €81,147.

9. Borrowings

The borrowings relate to the bank overdraft.

10. Employees

The average number of employees of the Company in full-time equivalents during 2018 was 9.3 (2017: 9.9). Of these employees, 3.5 were employed outside the Netherlands (2017: 5).

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 Supply Chain B.V.
Central Vision II B.V.	GrandVision Turkey B.V.
GrandVision Baltics B.V.	Optical Retail Group B.V.
GrandVision Benelux B.V.	The Vision Factory B.V.
GrandVision Finance B.V.	GrandVision Argentina & Uruguay B.V.
GrandVision Group Holding B.V.	GrandVision Brazil B.V.
GrandVision India B.V.	GrandVision Chile B.V.
GrandVision IT Services B.V.	GrandVision Colombia B.V.
GrandVision Italy B.V.	GrandVision Latam B.V.
GrandVision Portugal B.V.	GrandVision Mexico B.V.
GrandVision Retail Holding 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, 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, 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 23 of the consolidated financial statements.

Schiphol, 26 February 2019

Management Board
S. Borchert, CEO
P.J. de Castro Fernandes, CFO

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

On 28 January 2019, the Group announced that it acquired 100% of Charlie Temple, the leading online optical retailer in the Benelux, for a cash consideration of €22 million and an earn-out mechanism. This acquisition is an important step in digital roadmap for the Group and will enable the Group to build a stronger presence in segment of the online market at a much faster pace. The acquisition will form part of the G4 segment.

On 20 February 2019, the Group announced that it acquired 100% of Óptica2000 through its Spanish business, MasVision. The acquisition incorporates Óptica2000's network of 106 stores throughout Spain and two in Portugal, with the majority of these establishments in the El Corte Inglés department stores. With this acquisition the Group further strengthened its market position in Spain. The Group paid €79 million in cash for the acquisition. The acquisition will form part of the Other Europe segment.

Due to a short time frame between the date the transactions closed and the date the financial statements were authorized for issue, the purchase price allocations are at an early stage.