Financial Statements

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Consolidated Financial Statements

Consolidated Income Statement

in thousands of EUR	Notes	2016	2015
Revenue	7	3,316,077	3,204,886
Cost of sales and directly related costs	8	- 900,628	- 876,455
Gross profit		2,415,449	2,328,431
Selling and marketing costs	8	- 1,668,417	- 1,616,602
General and administrative costs	8	- 392,741	- 363,286
Share of result of Associates and Joint Ventures	9	3,851	4,620
Operating result		358,142	353,163
Finance income	10	8,864	4,849
Finance costs	10	- 19,278	- 23,997
Net financial result		- 10,414	- 19,148
Result before tax		347,728	334,015
Income tax	11	- 95,775	- 103,021
Result for the year		**251,953**	**230,994**
Attributable to:			
Equity holders		231,360	212,730
Non-controlling interests		20,593	18,264
		251,953	230,994
Earnings per share, basic (in EUR per share)	12	0.92	0.84
Earnings per share, diluted (in EUR per share)	12	0.91	0.84

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

Consolidated Statement of Other Comprehensive Income

in thousands of EUR	Notes	2016	2015
Result for the year		251,953	230,994
Other Comprehensive Income:			
Items that will not be reclassified to Income Statement			
Remeasurement of post-employment benefit obligations		- 9,232	5,127
Income tax relating to this item		2,887	- 1,764
		- 6,345	3,363
Items that may be subsequently reclassified to Income Statement			
Currency translation differences		- 30,953	- 17,982
Share of Other Comprehensive Income of Associates and Joint Ventures	18	- 65	5,112
Cash flow hedges		1,678	1,656
Income tax		- 459	- 377
		- 29,799	- 11,591
Other Comprehensive Income/ loss (net of tax)		- 36,144	- 8,228
Total comprehensive income for the year (net of tax)		**215,809**	**222,766**
Attributable to:			
Equity holders		198,465	205,167
Non-controlling interests		17,344	17,599
		215,809	222,766

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

Consolidated Balance Sheet

in thousands of EUR	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	13	443,820	431,312
Goodwill	14	1,012,059	1,025,213
Other intangible assets	15	445,645	454,418
Deferred income tax assets	27	74,617	67,186
Investments in Associates and Joint Ventures	18	36,345	40,438
Other non-current assets	17	45,291	44,680
		2,057,777	2,063,247
Current assets			
Inventories	19	292,979	264,014
Trade and other receivables	20	291,494	266,916
Current income tax receivables		6,145	5,622
Derivative financial instruments	32	5,223	1,201
Cash and cash equivalents	21	181,101	198,302
		776,942	736,055
Total assets		**2,834,719**	**2,799,302**
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	22	58,140	51,815
Other reserves	23	- 92,618	- 59,723
Retained earnings	24	981,384	786,428
		946,906	778,520
Non-controlling interests	25	**59,667**	**53,255**
Total equity		**1,006,573**	**831,775**
Non-current liabilities			
Borrowings	26	388,253	775,744
Deferred income tax liabilities	27	134,040	142,565
Post-employment benefits	28	75,693	64,704
Provisions	29	12,332	11,282
Derivative financial instruments	32	4,169	1,039
Other non-current liabilities	31	13,310	16,075
		627,797	1,011,409
Current liabilities			
Trade and other payables	33	588,424	533,609
Current income tax liabilities		41,827	32,544
Borrowings	26	543,190	361,737
Derivative financial instruments	32	865	2,045
Provisions	29	26,043	26,183
		1,200,349	956,118
Total liabilities		**1,828,146**	**1,967,527**
Total equity and liabilities		**2,834,719**	**2,799,302**

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-controlling interest	Total equity
At 1 January 2015		**254**	**61,281**	**-**	**- 54,775**	**616,130**	**622,890**	**45,327**	**668,217**
Result for 2015		-	-	-		212,730	212,730	18,264	230,994
Cash flow hedge reserve	23,25	-	-	-	1,232	-	1,232	47	1,279
Remeasurement of post-employment benefit obligations	23,25	-	-	-	3,355	-	3,355	8	3,363
Cumulative currency translation reserve	23,25	-	-	-	- 12,150	-	- 12,150	- 720	- 12,870
Total comprehensive income		-	-	-	- 7,563	212,730	205,167	17,599	222,766
Acquisitions of non-controlling interest	23-25	-	-	-	- 151	- 2,492	- 2,643	1,202	- 1,441
Purchase of treasury shares	22	-	-	- 51,074	-	-	- 51,074	-	- 51,074
Change of pension plan		-	-	-	2,766	- 2,766	-	-	-
Share-based payments		-	32,531	8,823	-	- 1,847	39,507	-	39,507
Dividends	24,25	-	-	-	-	- 35,327	- 35,327	- 10,873	- 46,200
Total transactions with equity holders		-	32,531	- 42,251	2,615	- 42,432	- 49,537	- 9,671	- 59,208
At 31 December 2015		**254**	**93,812**	**- 42,251**	**- 59,723**	**786,428**	**778,520**	**53,255**	**831,775**
At 1 January 2016		**254**	**93,812**	**- 42,251**	**- 59,723**	**786,428**	**778,520**	**53,255**	**831,775**
Result for 2016		-	-	-	-	231,360	231,360	20,593	251,953
Cash flow hedge reserve	23,25	-	-	-	1,302	-	1,302	- 83	1,219
Remeasurement of post-employment benefit obligations	23,25	-	-	-	- 6,248	-	- 6,248	- 97	- 6,345
Cumulative currency translation reserve	23,25	-	-	-	- 27,949	-	- 27,949	- 3,069	- 31,018
Total comprehensive income		-	-	-	- 32,895	231,360	198,465	17,344	215,809
Purchase of treasury shares	22	-	-	- 2,411	-	-	- 2,411	-	- 2,411
Issue of share capital	22	4,835	- 4,835	-	-	-	-	-	
Share-based payments		-	- 2,196	10,932	-	- 1,077	7,659	-	7,659
Dividends	24,25	-	-	-	-	- 35,327	- 35,327	- 10,932	- 46,259
Total transactions with equity holders		4,835	- 7,031	8,521	-	- 36,404	- 30,079	- 10,932	- 41,011
At 31 December 2016		**5,089**	**86,781**	**- 33,730**	**- 92,618**	**981,384**	**946,906**	**59,667**	**1,006,573**

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

Consolidated Cash Flow Statement

in thousands of EUR	Notes	2016	2015
Cash flows from operating activities			
Cash generated from operations	34	533,577	462,009
Tax paid		- 103,016	- 80,094
Net cash from operating activities		**430,561**	**381,915**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	6	- 12,729	- 138,079
Purchase of property, plant and equipment	13	- 139,978	- 131,750
Proceeds from sales of property, plant and equipment		4,765	6,871
Purchase of intangible assets	15	- 35,935	- 30,057
Proceeds from sales of intangible assets		1,801	249
Investments in Associates and Joint Ventures	18	- 336	-
Proceeds from sales of investments in buildings		490	-
Other non-current receivables		- 905	5,699
Dividends received	18	8,215	4,261
Interest received		5,417	5,428
Net cash used in investing activities		**- 169,195**	**- 277,378**
Cash flows from financing activities			
Purchase of treasury shares	22	- 2,411	- 51,074
Proceeds from borrowings		505,344	424,703
Repayments of borrowings		- 578,690	- 542,877
Interest swap payments		- 2,993	- 2,762
Acquisition of non-controlling interest		-	- 1,440
Dividends paid to non-controlling interests	25	- 10,932	- 10,873
Dividends paid to shareholders	24	- 35,327	- 35,327
Interest paid		- 15,398	- 17,040
Net cash generated used in financing activities		**- 140,407**	**- 236,690**
Increase / (decrease) in cash and cash equivalents		**120,959**	**- 132,153**
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		- 81,806	54,405
Increase / (decrease) in cash and cash equivalents		120,959	- 132,153
Exchange gains/ (losses) on cash and cash equivalents		- 1,448	- 4,058
Cash and cash equivalents at end of year	21	**37,705**	**- 81,806**

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. 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. In 2015 GrandVision N.V. listed its shares on the Euronext Amsterdam stock exchange.

At 31 December 2016, 76.72% of the issued shares are owned by HAL Optical Investments B.V. and 22.15% by institutional and retail investors, with the remaining shares held by GrandVision's Management Board (0.48%) and in treasury (0.65%). 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 2016, the Group, including its associates and joint ventures, operated 6,516 (2015: 6,110) optical retail stores (including franchise stores) in Argentina, Austria, Bahrain, Belgium, Brazil, Bulgaria, Chile, China, Colombia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Luxembourg, Malta, Mexico, Monaco, the Netherlands, Norway, Oman, Peru, Poland, Portugal, Russia, Qatar, Saudi Arabia, Slovakia, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, the United States and Uruguay. At 31 December 2016 the number of average full-time equivalents within the Group (excluding associates and joint ventures) was 28,766 (2015: 27,510).

2. Summary of Significant Accounting Policies

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

2.1. Basis of Preparation

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

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

2.2. Changes in Accounting Policy and Disclosures

2.2.1. Change in Accounting Policy

Following a clarification by the IFRS Interpretation Committee in 2016, the accounting policy relating to the cash pool changed. The cash pool is reported as an asset and a liability instead of a net amount. Refer to note 21 for more details.

2.2.2. New and Amended Standards and Interpretations Adopted by the Group

The new and amended standards and interpretations effective for the current reporting period listed below are applicable to the Group and have been adopted by the Group and implemented as of 1 January 2016.

- IAS 1 *Disclosure Initiative - Amendments to IAS 1*, effective for annual periods beginning on or after 1 January 2016, clarify materiality requirements related to financial statements and certain presentation and disclosure aspects. These amendments have resulted in presenting the share of Other Comprehensive Income of the Group's associates and joint ventures accounted for using the equity method separately in the Consolidated Statement of Other Comprehensive Income.
- Annual Improvements to IFRSs 2012-2014 cycle, effective for annual periods beginning on or after 1 January 2016. Clarifications and minor interpretation changes for a set of IFRS financial statements. None of the improvements have a significant effect on the reporting or accounting policies of the Group.

2.2.3. 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 2016. These have not been applied in preparing these consolidated financial statements, and will be adopted by the Group at the moment they become effective.

- IFRS 16 *Leases*, the new leasing standard was published in January 2016. It will result in the majority of the leases being recognized on the Balance Sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The standard is effective for accounting periods beginning on or after 1 January 2019. GrandVision is currently assessing the impact of IFRS 16, but expects that it will have a significant impact on the financial ratios and presentation of its financial statements. The Group has non-cancellable operating lease commitments of €1,004 million at the balance sheet date, see note 35.2, and rental costs for stores, offices and other buildings for the year of €397 million, see note 8. These rental costs also include payments based on revenue. GrandVision is currently assessing to what extent these lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect its results, Balance Sheet and classification of cash flows. Some of these lease commitments may be covered by the exception under IFRS 16 for short-term and low-value leases, such as short-term vehicle rentals and low-value office equipment. In addition, some of the lease commitments may relate to arrangements that will not qualify as leases under IFRS 16, such as certain lease arrangements where the landlord controls the asset.
- IFRS 15 *Revenue from Contracts with Customers* establishes a five-step model to account for revenue arising from contracts with customers. Under the new standard, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard is effective for accounting periods beginning on or after 1 January 2018. Based on the Group's current processes for identifying customer contracts and performance obligations, as well as allocating transaction prices to performance obligations and related revenue recognition patterns, we only expect a limited impact as result of IFRS 15. GrandVision expects that as from 2018, the nature and extent of the Group's presentation and disclosures will change. The Group expects these changes to include the separate presentation of the Group's right of return and obligation to deliver future goods and services, i.e. contract liability, and expanded disclosures regarding the disaggregation of revenue and information about contract liability balances and performance obligations. GrandVision plans to adopt the new standard on the required effective date using the full retrospective method, using the practical expedients for significant financing components and completed contracts.

- IFRS 9 *Financial Instruments*. IFRS 9 retains but simplifies the mixed-measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The standard is effective for accounting periods beginning on or after 1 January 2018. Based on our current financial position, GrandVision does not expect a significant quantitative impact as result of IFRS 9. Furthermore, IFRS 9 better aligns the accounting for hedging instruments with the Group's risk management objectives. GrandVision expects that as from 2018 the nature and extent of the Group’s presentation and disclosures in particular with regard to hedge accounting, credit risk and expected credit losses will change as a result of IFRS 9.
- IAS 1 *Disclosure Initiative - Amendments to IAS 7 Statement of Cash Flows*, were issued in January 2016 and are effective for accounting periods beginning on or after 1 January 2017. The amendments to IAS 7 require disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. GrandVision is currently assessing the impact on its disclosures.
- Amendments to IFRS 2 *Share-based Payments*, were issued in June 2016 and are effective for accounting periods beginning on or after 1 January 2018. The amendments are intended to eliminate diversity in practice of certain share-based payment transactions, including the classification of net settlement arrangements for an entity's obligation under tax laws and regulations to remit its employees' personal taxes relating to share-based payments. GrandVision is currently assessing the impact of these amendments on its financial statements.
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*, was issued in December 2016 and is effective for accounting periods beginning on or after 1 January 2018. The interpretation clarifies the date on which a foreign currency transaction paid or received in advance should be translated in the entity's functional currency. GrandVision is currently assessing the impact on its financial statements.

2.3. Group Accounting

2.3.1. Subsidiaries

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

Apollo-Optik Holding GmbH & Co. KG is included in the consolidated financial statements of GrandVision N.V. and takes advantage of the exemption provision of Section 264 b HGB for financial year 2016. 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 are included in the consolidated financial statements of GrandVision N.V.

2.3.2. Business Combinations

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

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

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 in the Income Statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for in equity.

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

2.3.3. Common Control Acquisitions

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

2.3.4. Transactions with Non-Controlling Interests

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

2.3.5. Associates and Joint Ventures

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

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

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

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

Transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures.

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

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

2.4. Foreign Currency

2.4.1. General

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

2.4.2. Transactions, Balances and Translation

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

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

2.4.3. 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. Segmentation

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. These operating segments were defined based on geographic markets in line with their maturity, operating characteristics, scale and market presence. The operating segments' operating result is reviewed regularly by the CEO and CFO (the Management Board) – together, the chief operating decision-maker – which makes decisions as to the resources to be allocated to the segments and assesses their performance, based on discrete financial information available. All operating segments operate in optical retail and do not have additional significant lines of business or alternative sources of revenue from external customers other than optical retail.

2.6. Revenue Recognition

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

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

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

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

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

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

It is the Group's policy to sell its products to the retail customer with a right to return. Experience is used to estimate and provide for such returns at the time of sale as described in note 2.22.3.

2.7. Customer Loyalty

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

2.8. Operating Lease

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

2.9. Finance Income

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

2.10. Finance Costs

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

2.11. Property, Plant and Equipment

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

The useful lives used are:

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

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

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

Property, plant and equipment acquired via a financial lease is carried at the lower of fair value and the present value of the minimum required lease payments at the start of the lease, less cumulative depreciation and impairment (note 2.14). Lease payments are recognized in accordance with note 2.19. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.12. Goodwill

Goodwill arises from the acquisition of subsidiaries, chains and stores and represents the excess of the consideration transferred over the fair value of the Company's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, chain or store at the date of obtaining control. For the purpose of impairment testing, goodwill is allocated to those groups of cash-generating units expected to benefit from the acquisition. Each of those groups of cash-generating units represents the Group's investment in a country or group of countries, which is the lowest level at which the goodwill is monitored

for management purposes. Goodwill is not amortized but is subject to annual impairment testing (note 2.14). Any impairment is recognized immediately as an expense and is not subsequently reversed.

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

If a cash-generating unit is divested, the carrying amount of its goodwill is recognized in the Income Statement. If the divestment concerns part of cash-generating units, the amount of goodwill written off and recognized in income is determined on the basis of the relative value of the part divested compared to the value of the group of cash-generating units. Goodwill directly attributable to the divested unit is written off and recognized in the Income Statement.

2.13. Other Intangible Assets

2.13.1. Software

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

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

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

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

2.13.2. Key Money & Rights of Use

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

2.13.3. Trademarks

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

2.13.4. Customer Database

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

2.13.5. Reacquired Rights

As part of a business combination, an acquirer may acquire a right that it had previously granted to the acquiree to use one or more of the acquirer's recognized or unrecognized assets. An example of such rights include a right to use the acquirer's trade name under a franchise agreement. A reacquired right is an identifiable intangible asset that the acquirer recognizes separately from goodwill. Also, a right or an obligation disappearing because of a business combination is a reacquired right and is recognized separately from goodwill in a business combination. Reacquired rights are initially valued at the present value of the expected future cash flows, which is subsequently used as cost and amortized on a straight-line basis over its useful life, being the remaining contractual period without considering contractual extension possibilities, but not exceeding 10 years.

2.13.6. Franchise Contracts

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

2.14. Impairment of Non-Financial Assets

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

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

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

2.15. Financial Instruments

Financial assets

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

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

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

Loans and receivables

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

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

Financial assets at fair value through profit or loss

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

Impairment of financial assets

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

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

Financial liabilities

Derivative financial instruments

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

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

Derivative financial instruments are initially recognized in the Balance Sheet at fair value on the date a derivative contract is entered into (trade date), and are subsequently remeasured at their fair value. Applying IAS 39, the Group measures all derivative financial instruments based on fair values derived from external valuations performed by financial institutions, which use valuation techniques such as mathematical models (Black-Scholes).

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

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

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

Hedge accounting

The Company designates certain derivatives as either:

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

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

Cash flow hedge

The highly 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. This includes amounts that were removed from Other Comprehensive Income during the year and included in the carrying amount of the hedged items as a basis adjustment. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Other Comprehensive Income at that time remains in equity and is recognized when the projected transaction is ultimately recognized in the consolidated Income Statement. When a projected transaction is no longer expected to occur, the cumulative gain or loss that was reported in Other Comprehensive Income is immediately transferred to the consolidated Income Statement in finance costs or finance income. For the movements in the cash flow hedge reserve refer to the consolidated Statement of Changes in Shareholders' Equity.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement as financial costs or income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each statement of financial position date. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the Income Statement as financial income and costs.

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

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

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

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

Earn out obligations
The Group has earn out obligations on the interests held by management of the subsidiaries in the subsidiaries. These earn out obligations are recognized as financial liabilities in the Balance Sheet. Changes in the value of these earn out obligations held by management of the subsidiaries are recognized in the Income Statement.

2.16. Inventories

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

2.17. Cash and Cash Equivalents

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

2.18. Share Capital

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

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

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

2.19. Financial Leases

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

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

2.20. Current and Deferred Income Taxes

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

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

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

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

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

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

2.21. Employee Benefits

2.21.1. Pension Obligations

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

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

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

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

2.21.2. Other Post-Employment Obligations

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

2.21.3. Share-based payment plans

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

Equity plan
The equity plan provides for the purchase of shares in the Company by eligible participants, and is subject to a vesting term and holding conditions. Vesting of awards made under the equity plan is subject to a service condition that can vary between 3-5 years following the date of grant. The plan has been classified as an equity-settled share-based payment arrangement under IFRS 2.

The equity plan is no longer granted since the listing of the Company's shares in February 2015.

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, the majority of these plans were converted to equity-settled long-term incentive plans. Since the listing of the Company's shares, only equity-settled conditional share and option awards have been granted to eligible participants.

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

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

Under IFRS 2, for cash-settled share-based payment transactions, the fair value of the liability for the awards made is measured at each reporting date and at the settlement date. The fair value is recognized over the vesting period. The amount of expense recognized takes into account the best available estimate of the number of equity instruments expected to vest under the service and performance conditions underlying each share and option award granted.

2.22. Provisions

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

Provisions are classified as current liabilities unless the Group has an unconditional right to postpone settlement of the liability for at least 12 months after the balance sheet date.

2.22.2. Legal and Regulatory Provisions
Legal and regulatory provisions are recognized for possible claims mainly related to governmental institutions valued at the present value of the expected cash outflow.

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

2.22.4. Employee-Related Provisions

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

2.22.5. Other Provisions

Other provisions are mainly related to restructuring provisions.

Restructuring provisions comprise lease termination penalties, future lease payments for closed stores and offices, and costs related to returning a store or office to its original state. Restructuring expenses due more than 12 months after the end of the reporting period are discounted to their present value.

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

2.23. Trade Payables

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

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

2.24. 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, and bank overdrafts, as they are considered an integral part of the Group's cash management. In the Balance Sheet, bank overdrafts are included in borrowings in current liabilities. Cash flows in foreign currencies are translated at the rate of the transaction date. Interest paid and received is included under cash flow from financing activities and investing activities respectively. Cash flows arising from the acquisition or disposal of financial interests (subsidiaries and participating interests) are recognized as cash flows from investing activities, taking into account any cash and cash equivalents in these interests. Dividends paid out are recognized as cash flows from financing activities; dividends received are recognized as cash flows from investing activities.

3. Financial Risk Management

3.1. Financial Risk Factors

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

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

3.1.1. Market Risk

(i) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group treasury's risk management policy is to hedge the expected cash flows in most currencies, mainly by making use of derivative financial instruments as described in note 2.15. The Group has cash flow and fair value hedges.

The majority of the Group operations takes place in the 'eurozone', which comprises 60.95% (2015: 61.65%) of total revenue. Translation exposure to foreign exchange risk relates to those activities outside the eurozone; these activities were operations in the United Kingdom, United States, Latin America, Eastern Europe, Scandinavia, Russia, Turkey, China and India, 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 post-tax profit for the year would have been 0.8% lower (2015: 0.8% lower) of which 0.5% impact of GBP (2015: 0.6% lower) and equity would have been 3.2% lower (2015: 4.1% lower), of which 0.9% impact of GBP (2015: 1.4% lower)

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

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

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

	2016		2015	
	Impact on result before tax	Impact on Other Comprehensive Income	Impact on result before tax	Impact on Other Comprehensive Income
EURIBOR rate - increase 50 basis points	- 1,600	5,870	- 2,231	3,724
EURIBOR rate - decrease 50 basis points	498	- 3,942	52	- 2,771

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

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

3.1.2. Credit Risk

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

3.1.3. Liquidity Risk

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

The Group has a revolving credit facility of €1,200 million. In July 2016 the facility was extended for a second time and now has a final maturity date of 17 September 2021. The facility also includes a €100 million uncommitted accordion feature, which can be exercised during the life of the facility after all lenders have consented. The interest rate on the drawings consists of the margin and the applicable rate (i.e. for a loan in euros, the EURIBOR), however the applicable rate can never be below zero percent.

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

In August 2016 GrandVision began a commercial paper program under which it can issue commercial paper up to the value of €400 million. As of 31 December 2016 the amount outstanding under the commercial paper program was €342 million. The Group utilized the funding received from the commercial paper program to repay part of its bank borrowings.

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 2016					
Borrowings	202,493	1,015	392,080	-	595,588
Commercial paper	342,000	-	-	-	342,000
Derivative financial instruments	2,109	2,036	5,647	4,499	14,291
Contingent consideration	3,756	-	1,130	-	4,886
Financial leases	980	524	553	12	2,069
Trade, other payables and accrued expenses	443,901	-	-	-	443,901
31 December 2015					
Borrowings	368,471	5,209	790,249	-	1,163,929
Derivative financial instruments	3,280	1,236	3,633	3,362	11,511
Contingent consideration	1,717	3,052	2,653	-	7,422
Financial leases	778	561	663	-	2,002
Trade, other payables and accrued expenses	393,869	-	-	-	393,869

3.2. Capital Risk Management

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

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

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

in thousands of EUR	31 December 2016	31 December 2015
Equity attributable to equity holders	946,906	778,520
Net debt	750,153	941,062
Adjusted EBITDA	537,148	511,611
Leverage ratio	1.4	1.8

3.3. Fair Value Estimation

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

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

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

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

in thousands of EUR	Level 2	Level 3
At 31 December 2016		
Assets		
Derivatives used for hedging	5,223	-
Non-current assets	-	1,748
Total	**5,223**	**1,748**
Liabilities		
Contingent consideration - Other current and non-current liabilities	-	3,653
Derivatives used for hedging	5,034	-
Total	**5,034**	**3,653**
At 31 December 2015		
Assets		
Derivatives used for hedging	1,201	-
Non-current assets	-	2,841
Total	**1,201**	**2,841**
Liabilities		
Contingent consideration - Other current and non-current liabilities	-	6,410
Derivatives used for hedging	3,084	-
Total	**3,084**	**6,410**

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

Level 2 category
An instrument is included in level 2 if the financial instrument is not traded in an active market and if the fair value is determined by using valuation techniques based on the maximum use of observable market data for all significant inputs. For the derivatives, the Group uses the estimated fair value of financial instruments determined by using available market information and appropriate valuation methods, including relevant credit risks. The estimated fair value approximates to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Specific valuation techniques used to value financial instruments include:

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

Level 3 category
The level 3 category refers to investments held in buildings and contingent considerations. For the investments held in buildings, an external expert performed a valuation. The valuation technique is consistent compared to prior years and a valuation is undertaken on an annual basis. The contingent considerations are remeasured based on the agreed business targets.

4. Estimates and Judgments by Management

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

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

4.1. Estimated Impairment of Goodwill

The Group tests annually whether its goodwill is subject to impairment, as described in note 2.14. Goodwill is allocated to the Company's group of cash-generating units (CGUs) according to the country of presence. The recoverable amount is determined by the value in use, calculated using the discounted cash flow method applying a discount factor derived from the average cost of capital relevant for the CGUs. If the value in use is lower than the carrying value or the economic reality results in more realistic estimates, then the recoverable amount is based on the fair value less costs of disposal method, which is determined by a multiple on the average sales of the last three years. For recently acquired cash-generating units and cash-generating units with large investments in store openings to generate growth, the average sales of the last three years is adjusted to reflect these developments. The multiple is based on peers of GrandVision and recent market transactions, taking into account risk factors of the CGU for which the fair value less costs of disposal is calculated. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. These fair value calculations qualify as level 3 calculations.

In case of an impairment indication using the value in use method the Group will perform also the fair value less costs of disposal calculation. 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. In the fair value less costs of disposal method the sales multiple used is the most sensitive key assumption. A 10% reduction of the sales multiple used (see note 16 where applied) in the Group impairment test would result in an additional impairment of €1,900 (2015: €1,287).

4.2. Intangible Assets

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

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

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

4.3. Estimated Impairment of Key Money

The Group tests annually whether its non-amortized key money is subject to impairment as described in notes 2.13.2 and 2.14. The recoverable amount is the higher of the fair value less costs of disposal of the key money and the key money's value in use, which is calculated using the discounted cash flow method applying a discount factor derived from the weighted average cost of capital or the market value of the key money.

A reduction of the expected revenue growth to 0%, with all other factors used in calculating the value in use remaining unchanged, would lead to an additional impairment of €4,783 (2015: €3,833).

4.4. Income Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the total provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period for which such determination is made.

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

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

4.5. Consolidation of the Synoptik Group

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

this assessment, the Company concluded that it has control and the Synoptik Group is consolidated. At each reporting date this assessment is reconsidered.

4.6. Provisions and contingencies

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

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

4.7. Post-Employment Benefits

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

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

5. Segments

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

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

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

The Group’s reportable segments are defined as follows:

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

Since 1 January 2016, GrandVision reports the French Solaris business in the G4 segment (instead of Other Europe) and Spain in the Other Europe segment (instead of the G4), reflecting the transfer of management responsibility for the two businesses. In accordance with this transfer, the comparative information disclosed hereafter for the G4 and Other Europe segments was restated.

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 2016 and 2015. The adjusted EBITDA is defined as EBITDA excluding other reconciling items and exceptional non-recurring items. The non-recurring items in 2016 relate to acquisition costs for recently acquired businesses and integration costs following the merger of the Italian business. Further costs relate to legal and regulatory provisions as well as corrections related to prior years. The non-recurring items in 2015 were mainly related to legal and regulatory provisions, costs related to the IPO in 2015, including its effect on the valuation of the share-based payment plans, and some other items, partially offset by the benefit related to the changed pension arrangements in the Netherlands. 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	Notes	G4	Other Europe	Americas & Asia	Total
2016					
Total net revenue		1,969,474	906,614	439,989	3,316,077
Adjusted EBITDA		422,513	138,456	10,575	571,544
Other reconciling items					- 34,396
Total adjusted EBITDA					**537,148**
Non-recurring items					- 15,614
Depreciation	13				- 110,069
Amortization and impairments	14,15				- 53,323
Operating income/loss					**358,142**
Non-operating items:					
Net financial result	10				- 10,414
Earnings before tax					**347,728**
2015					
Total net revenue		1,968,304	882,679	353,903	3,204,886
Adjusted EBITDA		402,467	133,177	8,186	543,830
Other reconciling items					- 32,219
Total adjusted EBITDA					**511,611**
Non-recurring items					- 5,468
Depreciation	13				- 107,158
Amortization and impairments	14,15				- 45,822
Operating income/loss					**353,163**
Non-operating items:					
Net financial result	10				- 19,148
Earnings before tax					**334,015**

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

in thousands of EUR	2016	2015
France	600,725	586,753
Germany	473,216	451,227
United Kingdom	413,415	457,900
Other countries	1,828,721	1,709,006
	3,316,077	3,204,886

Revenue in the Netherlands, the Group's country of domicile, is €247,535 (2015: €245,700). There are no customers that comprise 10% or more of revenue in any year presented.

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

in thousands of EUR	31 December 2016	31 December 2015
The Netherlands	100,474	101,745
France	491,938	491,321
United Kingdom	202,779	246,293
Italy	197,100	198,340
Other countries	990,869	958,362
	1,983,160	1,996,061

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

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

The following acquisitions and adjustments to the purchase price allocation were done in 2016.

Store and chain acquisitions

During 2016 the Group acquired 22 stores in the segments G4 and Other Europe. In the Americas & Asia segment, the Group acquired in April 2016 the optical retail chain Optica Lux in Uruguay consisting of 9 stores and in Mexico, the Group acquired in July 2016, 181 small points of sale from Walmart Mexico. 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 2016, an amount of €7,597 was identified as provisional goodwill. The goodwill is attributable to the high profitability of the acquired businesses and the expected synergies following the integration of the acquired businesses into our existing organization. The goodwill mainly comprises the skilled employees and the locations of the acquired stores and chain, which cannot be recognized as separately identifiable assets.

For Eyes and other adjustments to purchase price allocation

The Group finalized the purchase price allocation for For Eyes and other acquisitions done in 2015. This resulted in a change in the value of recognized intangibles and recognition and derecognition of certain assets and liabilities and accordingly the recognized goodwill decreased by €3,647. This also includes a reduced purchase price of €2,827 related to the For Eyes chain in the United States resulting from the finalization of the valuation of working capital at acquisition date.

in thousands of EUR	Stores and chain acquisitions	Adjustments to purchase price allocation	Total
Property, plant and equipment	1,699	- 197	1,502
Other intangibles assets	7,101	3,103	10,204
Deferred income tax assets	5	123	128
Other non-current assets	10	-	10
Inventories	1,634	-	1,634
Trade and other receivables	1,157	- 552	605
Cash and cash equivalents	129	-	129
Deferred income tax liabilities	- 1,391	- 1,739	- 3,130
Trade and other payables	- 2,415	383	- 2,032
Current borrowings	- 163	-	- 163
Fair value of acquired net assets and liabilities	7,766	1,121	8,887
Consideration paid in cash and cash equivalents	15,363	- 2,526	12,837
Cash and cash equivalents and bank overdrafts at acquired subsidiary	- 108	-	- 108
Outflow of cash and cash equivalents net of cash acquired	**15,255**	**- 2,526**	**12,729**
Total consideration transferred or to be transferred	15,363	- 2,526	12,837
Fair value of acquired net assets and liabilities	7,766	1,121	8,887
Goodwill	**7,597**	**- 3,647**	**3,950**

The goodwill amortization in the United States is not tax-deductible.

The acquisitions in 2016 contributed the following in revenue and net result for the Group:

in thousands of EUR	Stores and chain acquisitions	Adjustments to purchase price allocation	Total
Revenue	11,016	-	11,016
Net result	- 1,847	-	- 1,847

Had the acquisitions in 2016 been consolidated for the full year, revenue and net result would be:

in thousands of EUR	Stores and chain acquisitions	Adjustments to purchase price allocation	Total
Revenue	19,978	-	19,978
Net result	- 3,144	-	- 3,144

Aquisitions costs for the above acquisitions amount to €1,502 and are included in the general and administrative costs in the Income Statement.

7. Revenue

The Group's revenue can be further specified as follows:

in thousands of EUR	2016	2015
Own store sales	3,086,468	2,983,899
Merchandise revenue	134,967	131,233
Franchise royalties and contributions	69,037	67,940
Other revenues	25,605	21,814
	3,316,077	3,204,886

8. Cost of Sales and Directly Related Costs

The following costs have been included in the operating result:

in thousands of EUR	Notes	2016	2015
Direct materials		772,508	756,180
Employee costs		1,100,583	1,038,248
Occupancy costs		479,990	468,247
Marketing & publicity costs		162,798	155,952
Depreciation	13	110,069	107,158
Amortization and impairments	14,15	53,323	45,822
Distribution costs		68,472	69,631
Other costs		214,043	215,105
Total costs		2,961,786	2,856,343

Occupancy costs include fixed and variable rent for stores, offices and other buildings under operating lease contracts of €396,585 (2015: €378,835).

The employee costs can be specified as follows:

in thousands of EUR	Notes	2016	2015
Salaries & wages		782,743	745,703
Social security		169,501	164,396
Pension costs - Defined benefit plans	28	3,520	-12,107
Pension costs - Defined contribution plans		15,686	13,366
Share-based payments	30	15,303	17,670
Other employee-related costs		113,830	109,220
		1,100,583	1,038,248

The average number of employees within the Group during 2016 (excluding the associates and joint ventures) in full-time equivalents was 28,766 (2015: 27,510).

9. Share of Result of Associates and Joint Ventures

in thousands of EUR	2016	2015
Visilab S.A.	4,673	5,372
Reliance-Vision Express Private Ltd and Reliance-GrandVision India Supply Private Ltd	- 822	- 752
	3,851	4,620

10. Finance Income and Costs

in thousands of EUR	2016	2015
Finance costs		
- Bank borrowings	- 10,108	-12,622
- Result on interest derivatives	- 2,652	-4,269
- Commitment and utilisation fee	- 2,587	-3,275
- Other	- 3,146	-2,177
Total finance costs	- 18,493	-22,343
Finance income		
- Interest income	7,935	3,938
- Interest loans to management	344	542
- Interest deposits	585	369
Total finance income	8,864	4,849
Net foreign exchange results	- 785	-1,654
Net financial result	- 10,414	-19,148

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

There has not been any ineffectiveness on the cash flow hedges in 2016 and 2015.

11. Income Tax

in thousands of EUR	2016	2015
Current income tax	111,307	97,772
Deferred income tax	- 15,532	5,249
Charge in Income Statement	95,775	103,021

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	2016	%	2015	%
Result before tax	347,728	100.0%	334,015	100.0%
Computed weighted average tax rate	94,639	27.2%	94,980	28.4%
Expenses not deductible for tax purposes	6,845	2.0%	9,432	2.8%
Incentive tax credits	- 8,911	-2.6%	-7,784	-2.3%
Effect of (de)recognition of tax losses	9,152	2.6%	6,623	2.0%
Changes in tax rate	- 7,122	-2.0%	-617	-0.2%
(Over)/Under provided in prior years	1,172	0.3%	387	0.1%
Tax charge	95,775	27.5%	103,021	30.8%

The weighted average applicable tax rate amounts to 27.2% (2015: 28.4%). The effective tax rate for the Group is 27.5% (2015: 30.8%).

The changes in tax rate in 2016 relate mainly to France. The changes in tax rate in 2015 were mainly in France, the United Kingdom and Chile.

12. Earnings per Share

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

in thousands of EUR (unless stated otherwise)	2016	2015
Result for the year attributable to equity holders of the parent	231,360	212,730
Average number of outstanding ordinary shares	252,623,738	252,427,917
Diluted average number of outstanding ordinary shares	254,367,168	254,443,792
Earnings per share, basic (in EUR per share)	0.92	0.84
Earnings per share, diluted (in EUR per share)	0.91	0.84

13. Property, Plant and Equipment

in thousands of EUR	Notes	Buildings and leasehold improvements	Machinery and equipment	Furniture and vehicles	Total
At 1 January 2015					
Cost		479,399	535,356	329,128	1,343,883
Accumulated depreciation and impairment		-289,181	-406,116	-240,860	-936,157
Carrying amount		190,218	129,240	88,269	407,727
Movements in 2015					
Acquisitions		3,499	2,096	307	5,902
Additions		53,482	40,778	37,490	131,750
Disposals / retirements		- 2,397	- 1,893	- 854	- 5,144
Depreciation charge	8	- 38,732	- 40,172	- 28,254	- 107,158
Reclassification		160	- 688	485	- 43
Exchange differences		- 607	- 460	- 655	- 1,722
At 31 December 2015		**205,623**	**128,901**	**96,788**	**431,312**
At 1 January 2016					
Cost		516,903	552,036	358,287	1,427,226
Accumulated depreciation and impairment		-311,280	-423,135	-261,499	-995,914
Carrying amount		205,623	128,901	96,788	431,312
Movements in 2016					
Acquisitions	6	125	1,434	- 57	1,502
Additions		61,777	39,055	39,146	139,978
Disposals / retirements		- 2,512	- 2,444	- 2,349	- 7,305
Depreciation charge	8	- 41,673	- 39,571	- 28,825	- 110,069
Reclassification		179	- 5,566	5,144	- 243
Impairment loss		-	- 39	- 159	- 198
Exchange differences		- 5,989	- 3,553	- 1,615	- 11,157
At 31 December 2016		**217,530**	**118,217**	**108,073**	**443,820**
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

Leased assets included under machinery and equipment and furniture and vehicles, where the Group is a lessee under a financial lease, comprise mainly furniture and fixtures. The carrying amount of assets leased is €2,046 (2015: €1,958).

The impairment loss in 2016 represents the write-down of certain items of furniture and fixtures in the Other Europe segment. This was recognized in the Income Statement within general and administrative costs.

14. Goodwill

in thousands of EUR	Notes	2016	2015
At 1 January		1,025,213	885,855
Acquisitions	6	7,597	145,384
Adjustment to purchase price allocation	6	- 3,647	- 3,239
Reclassification		- 118	-
Impairment		- 2,324	- 367
Exchange differences		- 14,662	- 2,420
At 31 December		1,012,059	1,025,213
Costs		1,053,233	1,064,975
Accumulated impairment		- 41,174	- 39,762
Carrying amount		1,012,059	1,025,213

The impairment charge in 2016 mainly relates to an impairment in Peru and Argentina, which operate in the Americas & Asia segment. The impairment charge in 2015 relates to an impairment in Italy, which operates in the Other Europe segment.

The table below shows goodwill per segment:

in thousands of EUR	31 December 2016	31 December 2015
G4	410,970	429,875
Other Europe	379,634	374,286
Americas & Asia	221,455	221,052
	1,012,059	1,025,213

15. Other Intangible Assets

in thousands of EUR	Notes	Key money	Trademarks	Software	Other	Total
At 1 January 2015						
Cost		218,775	274,436	144,253	78,402	715,866
Accumulated amortization and impairment		- 9,063	- 121,476	- 101,080	- 36,007	- 267,626
Carrying amount		209,712	152,960	43,173	42,395	448,240
Movements in 2015						
Acquisitions		1,312	16,808	358	10,276	28,754
Adjustment to purchase price allocation & earn-outs		-	- 4,924	-	1,638	- 3,286
Additions		1,485	722	26,759	1,091	30,057
Disposals		- 220	-	- 200	-	- 420
Amortization charge	8	-	- 16,243	- 14,162	- 9,643	- 40,048
Impairment	8	- 1,541	- 3,866	-	-	- 5,407
Reclassification		90	-	42	66	198
Exchange differences		- 2,151	- 1,725	- 474	680	- 3,670
At 31 December 2015		**208,687**	**143,732**	**55,496**	**46,503**	**454,418**
At 1 January 2016						
Cost		218,061	277,927	172,762	91,433	760,183
Accumulated amortization and impairment		- 9,374	- 134,195	- 117,266	- 44,930	- 305,765
Carrying amount		208,687	143,732	55,496	46,503	454,418
Movements in 2016						
Acquisitions	6	1,904	699	11	4,487	7,101
Adjustment to purchase price allocation & earn-outs	6	-	- 2,259	-	5,362	3,103
Additions		1,672	8	33,389	866	35,935
Disposals		- 657	-	- 1,367	- 69	- 2,093
Amortization charge	8	-	- 18,198	- 16,778	- 11,113	- 46,089
Impairment	8	- 1,860	- 3,050	-	-	- 4,910
Reclassification		-	-	275	89	364
Exchange differences		1,539	- 2,363	- 293	- 1,067	- 2,184
At 31 December 2016		**211,285**	**118,569**	**70,733**	**45,058**	**445,645**
Cost		221,617	272,571	187,694	99,296	781,178
Accumulated amortization and impairment		- 10,332	- 154,002	- 116,961	- 54,238	- 335,533
Carrying amount		211,285	118,569	70,733	45,058	445,645

Key money

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

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

During 2016 the impairment test on key money resulted in an impairment in France and Brazil of €1,860 (2015: €1,541) as a result of a decrease in value in use and external valuations performed for each store individually.

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

in thousands of EUR	31 December 2016	31 December 2015
France	204,222	202,242
Brazil	7,063	6,445
	211,285	208,687

Key assumptions used to determine the recoverable amount:

	2016	2015
Revenue growth rate	1.5%-14.0%	2.0% - 13.0%
Discount rate (pre tax)	9.03%-19.30%	9.80%-14.86%

Trademarks
The impairment of trademarks is related to the full impairment of trademark in Brazil €3,050 (2015: €2,573) following the periodic review of the trademarks in use. In 2015 this also related to Mexico to the amount of €1,293.

Software
In 2013, the business project iSynergy was initiated to implement a global ERP system in all countries. In 2016, the Group capitalized €20,008 (2015: €10,158) worth of licenses and expenses related to this global ERP project.

Other
The other intangible assets mainly comprise of customer databases €38,319 (2015: €37,262).

16. Impairment Tests for Goodwill

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

Pursuant to IAS 36 *Impairment of Assets*, in 2016 the goodwill relating to the French Solaris business and Spain was reallocated between G4 and Other Europe, reflecting the transfer of management responsibility for the two businesses in 2016. Refer to note 5 for more information on this transfer.

Key assumptions used to determine the recoverable amount in 2016:

	Revenue growth rate (average)	EBITA percentage (average)	Discount rate (pre tax)	Sales multiple (when used)
G4	3.3% - 3.8%	11.5% - 22.2%	8.51% - 10.27%	-
Other Europe	2.1% - 8.0%	2.9% - 19.7%	8.65% - 17.62%	1
Americas & Asia	0.7% - 20.8%	2.1% - 14.8%	10.17% - 20.99%	0.6 – 1.5

Key assumptions used to determine the recoverable amount in 2015:

	Revenue growth rate (average)	EBITA percentage (average)	Discount rate (pre tax)	Sales multiple (when used)
G4	2.1% - 4.8%	13.4% - 20.5%	9.43% - 11.27%	-
Other Europe	2.1% - 11.1%	2.0% - 18.6%	8.74% - 16.47%	1
Americas & Asia	6.4% - 33.8%	2.6% - 17.5%	11.8% - 34.04%	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 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 rate are based on historical performance as well as our assessment of the development of these rates in the upcoming years. The discount rates used are pre-tax and reflect the country-specific risks relating to our industry. For details on sensitivity analysis for the key assumptions refer to note 4.1.

For recognized impairment losses during the periods please refer to note 14.

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

17. Other Non-Current Assets

in thousands of EUR	Notes	31 December 2016	31 December 2015
Rental deposits and key money		34,200	29,503
Loans to management	37.2	7,029	9,916
Other		4,062	5,261
		45,291	44,680

The carrying value less impairment provision approximates the fair value of these non-current assets. There is no provision on the loans to management at the end of 2016 and 2015. Key money is subject to amortization in line with the related rental contracts. 'Other' mainly includes investments in buildings where stores are operated and receivables from franchisees.

During 2016 the Group disposed of and adjusted the value of some of its investments in buildings for an amount of €1,065 (2015: 0). Refer to note 3.3 for details on the valuation of investments in buildings.

18. Associates and Joint Ventures

in thousands of EUR	31 December 2016	31 December 2015
Visilab S.A.	34,366	37,589
Reliance-Vision Express Private Ltd and Reliance-GrandVision India Supply Private Ltd	1,979	2,849
	36,345	40,438

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

in thousands of EUR	2016	2015
At 1 January	40,438	34,967
Capital contributions in Associates and Joint Ventures	336	-
Share of result of Associates and Joint Ventures	3,851	4,620
Currency translation differences	- 65	5,112
Dividend received	- 8,215	- 4,261
At 31 December	36,345	40,438

The financial information of the Associates and Joint Ventures is as follows:

in thousands of EUR	31 December 2016	31 December 2015
Summarized Balance Sheet:		
Non-current assets	73,508	74,968
Current assets	33,535	34,874
Equity	73,044	83,882
Non-current liabilities	9,120	799
Current liabilities	24,879	25,161
Commitments	58,522	60,380

in thousands of EUR	2016	2015
Revenue	165,583	170,341
Result for the year	13,835	15,889

19. Inventories

in thousands of EUR	31 December 2016	31 December 2015
Finished goods	309,124	285,356
Raw materials	2,527	2,539
Provision for obsolete inventory	- 18,672	- 23,881
	292,979	264,014

An amount of €9,031 (2015: €13,817) has been recognized in the Income Statement relating to obsolete inventories in 'Cost of sales and directly related costs'.

20. Trade and Other Receivables

in thousands of EUR	Notes	31 December 2016	31 December 2015
Trade receivables		161,532	158,842
Less: provision for impairment of trade receivable		- 10,075	-7,677
Trade receivables – net		151,457	151,165
Receivables from related parties	37.1	8,937	9,145
Taxes and social security		25,380	22,441
Other receivables		69,092	46,825
Prepayments		36,628	37,340
		291,494	266,916

The Group's historical experience in collection of accounts receivable is considered in the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables. The Group has recognized a provision of €10,075 (2015: €7,677) for the impairment of its trade receivables. The addition to and release of the provision for impaired receivables have been included in the selling and marketing costs in the Income Statement.

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

in thousands of EUR	2016	2015
At 1 January	7,677	9,118
Additions to provision for bad and doubtful debts	4,485	3,433
Receivables written off during the year as uncollectible	- 1,227	- 3,980
Unused amounts reversed	- 860	- 809
Exchange differences	-	- 85
At 31 December	10,075	7,677

As of 31 December 2016 €47,181 of the net trade receivables were past due but not impaired (2015: €49,657). The past due date of these receivables with no recent history of default, varies from 1 month to more than 9 months.

The ageing analysis for the trade receivables is as follows:

in thousands of EUR	31 December 2016	31 December 2015
Up to 3 months	132,940	131,835
Between 3 and 6 months	13,764	11,349
Between 6 and 9 months	5,186	8,456
Over 9 months	9,642	7,202
	161,532	158,842

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

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

in thousands of EUR	31 December 2016	31 December 2015
Euro (EUR)	72,663	79,064
Brazilian Real (BRL)	16,529	12,258
British Pound Sterling (GBP)	11,532	15,888
Chilean Peso (CLP)	9,156	10,360
Danish Krone (DKK)	8,615	8,232
Turkish Lira (TRY)	7,413	6,557
Norwegian Krone (NOK)	6,818	6,224
Swedish Krona (SEK)	4,849	4,008
Other	13,882	8,574
Total	151,457	151,165

21. Cash and Cash Equivalents

in thousands of EUR	31 December 2016	31 December 2015
Cash at bank and in hand	171,902	192,397
Short-term bank deposits and marketable securities	9,199	5,905
	181,101	198,302

During 2016, the accounting policy relating to the cash pool has changed from net presentation to gross presentation and consequently, the Group is reporting assets and liabilities within the cash pool separately. The comparable figures at 31 December 2015 changed and the impact is an increase of €99,554 in both 'Cash and cash equivalents' and in short-term 'Borrowings'.

Cash and cash equivalents by currency:

in thousands of EUR	31 December 2016	31 December 2015
Euro (EUR)	118,475	117,457
British Pound Sterling (GBP)	13,202	20,565
United States Dollar (USD)	12,362	5,587
Turkish Lira (TRY)	8,116	5,233
Chilean Peso (CLP)	4,913	1,545
Brazilian Real (BRL)	4,560	3,287
Chinese Yuan (CNY)	3,236	5,480
Mexican Peso (MXN)	3,041	3,686
Norwegian Krone (NOK)	2,283	6,373
Polish Zloty (PLN)	2,276	9,536
Other	8,637	19,553
	181,101	198,302

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

in thousands of EUR	Notes	31 December 2016	31 December 2015
Cash and bank balances		181,101	198,302
Bank overdrafts	26	- 143,396	- 280,108
		37,705	- 81,806

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

22. Share Capital

	Number of shares outstanding	Ordinary shares (in thousands of EUR)	Share premium (in thousands of EUR)	Total (in thousands of EUR)
At 1 January 2015	12,722,187	254	61,281	61,535
Issue of ordinary shares	241,721,653	-	-	-
Share-based payments	441,139	-	41,354	41,354
Purchase of treasury shares	- 2,547,000	-	- 51,074	- 51,074
At 31 December 2015	**252,337,979**	**254**	**51,561**	**51,815**
At 1 January 2016	252,337,979	254	51,561	51,815
Issue of ordinary shares	-	4,835	- 4,835	-
Share-based payments	546,629	-	8,736	8,736
Purchase of treasury shares	- 100,000	-	- 2,411	- 2,411
At 31 December 2016	**252,784,608**	**5,089**	**53,051**	**58,140**

In 2016, the share-based payment plan movements within share capital of €8,736 relate to the periodic expenses and settlements of the plans (2015: €13,076). In 2015 the share-based payment plan movements also related to the conversion of cash-settled phantom plans into equity-settled long-term incentive plans in the IPO for €28,278. Refer to note 30 for more details.

During 2016 GrandVision purchased 100,000 shares to be held in treasury related to the share-based payment plans for a total amount of €2,411 and provided 546,629 shares following the vesting in 2016 (2015: 441,139 shares). The number of shares held in treasury at 31 December 2016 were 1,659,232 (2015: 2,105,861). At settlement of the IPO, on 10 February 2015, GrandVision purchased 0.98% of the shares, for a total amount of €50,000, to be held in treasury in order to hedge the price risk of grants made under share-based payment plans.

On 20 January 2015 the Group issued 241,721,553 ordinary shares and on 5 February 2015 the priority share was converted in 100 ordinary shares without an impact on the value of GrandVision.

23. Other Reserves

	Cash flow hedge reserve	Remeasurement of post-employment benefit obligations	Cumulative currency translation reserve	Total Other reserves
At 1 January 2015	- 2,201	- 15,650	- 36,924	- 54,775
Other Comprehensive Income	1,232	3,355	- 12,150	- 7,563
Change of pension plan	-	2,766	-	2,766
Acquisitions of non-controlling interest	-	-	- 151	- 151
At 31 December 2015	**- 969**	**- 9,529**	**- 49,225**	**- 59,723**
At 1 January 2016	- 969	- 9,529	- 49,225	- 59,723
Other Comprehensive Income	1,302	- 6,248	- 27,949	- 32,895
At 31 December 2016	**333**	**- 15,777**	**- 77,174**	**- 92,618**

24. Retained Earnings

in thousands of EUR	2016	2015
At 1 January	786,428	616,130
Acquisitions of subsidiaries and non-controlling interest	-	- 2,492
Result for the year	231,360	212,730
Dividends paid	- 35,327	- 35,327
Change of pension plan	-	- 2,766
Share-based payments	- 1,077	- 1,847
At 31 December	981,384	786,428

For 2016, it is proposed to the General Meeting to distribute a total dividend of €78,363 or EUR 0.31 per share. If the proposal is approved by the General Meeting, the dividend will be payable as from 11 May 2017.

A final dividend for 2015 of EUR 0.14 per share was paid out in the first half year of 2016 for a total of €35,327. An interim dividend for 2015 for an equal amount was paid out in September 2015.

Acquisition of subsidiaries and non-controlling interest in 2015 is mainly related to the purchase of the non-controlling shares in China.

25. Non-Controlling Interest

in thousands of EUR	2016	2015
At 1 January	53,255	45,327
Acquisitions of non-controlling interest	-	1,202
Result for the year	20,593	18,264
Dividends paid	- 10,932	- 10,873
Remeasurement of post-employment benefit obligation	- 97	8
Cash flow hedge reserve	- 83	47
Currency translation differences	- 3,069	- 720
At 31 December	59,667	53,255

Acquisition of non-controlling interest in 2015 is mainly related to the purchase of the non-controlling shares in China.

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

in thousands of EUR	31 December 2016	31 December 2015
Summarized Balance Sheet:		
Non-current assets	99,956	98,479
Current assets	71,790	46,814
Equity	113,254	97,093
Non-current liabilities	5,782	5,249
Current liabilities	52,710	42,951

The accumulated non-controlling interest for the Synoptik Group amounts to €41,575 (2015: €35,643).

26. Borrowings

in thousands of EUR	31 December 2016	31 December 2015
Non-current		
Bank borrowings	387,187	774,550
Financial leases	1,066	1,194
	388,253	775,744
Current		
Bank overdrafts	143,396	280,108
Commercial paper	342,000	-
Bank and other borrowings	56,876	80,903
Financial leases	918	726
	543,190	361,737
Total borrowings	**931,443**	**1,137,481**

Bank facilities

The Group has a revolving credit facility of €1,200 million. In July 2016 the facility was extended for a second time and now has a final maturity date of 17 September 2021. The facility includes also a €100 million uncommitted accordion feature, which can be exercised during the life of the facility after all lenders have consented. 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 €268 million.

At the end of 2016 the Group also has multiple bank guarantee facilities for a total amount of €59 million (2015: €59 million).

Commercial paper

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

The Group utilized the funding received from the commercial paper program to repay part of its bank borrowings.

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

in thousands of EUR	Within 1 year	1-2 years	2-5 years	After 5 years	Total
At 31 December 2016					
Borrowings	200,272	-	387,187	-	587,459
Commercial paper	342,000	-	-	-	342,000
Financial leases	918	505	549	12	1,984
	543,190	505	387,736	12	931,443
At 31 December 2015					
Borrowings	361,011	357	774,193	-	1,135,561
Financial leases	726	538	656	-	1,920
	361,737	895	774,849	-	1,137,481

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

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

	2016	2015
Borrowings and commercial paper	0.92%	1.39%

Interest rates on variable-rate borrowings are 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 2016	31 December 2015
- Expiring within one year	172,193	28,471
- Expiring beyond one year	810,964	422,970
	983,157	451,441

Financial lease commitments

The largest part of the financial lease commitments relate to furniture and fixtures in Turkey and Peru.

The financial lease commitments fall due as follows:

	31 December 2016			31 December 2015		
in thousands of EUR	Payment	Interest	Principal	Payment	Interest	Principal
Within 1 year	980	62	918	778	52	726
1 - 2 years	524	19	505	561	23	538
2 - 5 years	553	4	549	663	7	656
After 5 years	12	-	12	-	-	-
Total	2,069	85	1,984	2,002	82	1,920

27. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences arising, in the various countries, between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The liability method is applied, using tax rates prevailing at the balance sheet dates in the different jurisdictions.

in thousands of EUR	Notes	2016	2015
The gross movement on the deferred income tax assets is as follows:			
At 1 January		67,186	80,912
Acquisitions	6	128	2,407
Income Statement charge		4,744	- 8,374
Change because of income rate change		- 1,856	- 318
Processed through Other comprehensive income		3,607	- 2,246
Reclassification		6	- 2,864
Exchange differences		802	- 2,331
At 31 December		74,617	67,186
Analysis of the deferred income tax assets is as follows:			
- Deferred income tax asset to be recovered after more than 12 months		51,279	42,466
- Deferred income tax asset to be recovered within 12 months		23,338	24,720
		74,617	67,186
The gross movement on the deferred income tax liability is as follows:			
At 1 January		142,565	141,378
Acquisitions	6	3,130	9,046
Income Statement charge		- 3,664	- 2,473
Change because of income rate change		- 8,980	- 970
Processed through Other Comprehensive Income		1,179	- 105
Reclassification		- 50	- 2,394
Exchange differences		- 140	- 1,917
At 31 December		134,040	142,565
Analysis of the deferred income tax liabilities is as follows:			
- Deferred income tax liability to be settled after more than 12 months		121,189	130,389
- Deferred income tax liability to be settled within 12 months		12,851	12,176
		134,040	142,565
Net deferred income taxes		59,423	75,379

Deferred income tax assets

in thousands of EUR	31 December 2016	31 December 2015
Property, plant and equipment	5,449	4,878
Goodwill	224	1,249
Other intangible assets	5,738	5,075
Inventories	3,758	4,698
Post-employment benefits	14,419	11,587
Provisions	9,466	9,453
Derivative financial instruments	1,197	391
Deferred revenue and to be invoiced amounts	6,787	7,552
Trade and other payables	4,242	3,073
Deferred taxes on temporary differences	51,280	47,956
Deferred taxes on carry forward losses	23,337	19,230
Total deferred income tax assets	74,617	67,186

Deferred income tax liabilities

in thousands of EUR	31 December 2016	31 December 2015
Property, plant and equipment	10,248	10,839
Goodwill	38,476	33,524
Other intangible assets	74,951	90,804
Inventories	28	1
Post-employment benefits	77	49
Provisions	7,926	5,107
Derivative financial instruments	1,202	3
Deferred revenue and to be invoiced amounts	842	842
Trade and other payables	290	1,396
Total deferred income tax liabilities	134,040	142,565

Deferred income tax assets on carryforward losses have been recognized for an amount of €23,337 (2015: €19,230). 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 €80,317.

Unrecognized income tax losses amount to €251,882 (2015: €208,401). These tax losses expire as follows:

in thousands of EUR	31 December 2016	31 December 2015
Expiring within one year	5,890	6,607
Expiring between one and two years	5,782	4,056
Expiring between two and five years	22,840	25,695
Expiring after more than five years	10,726	8,337
Offsettable for an unlimited period	206,644	163,706
	251,882	208,401

The unrecognized tax losses offsettable for an unlimited period mainly relate to entities in Spain and Brazil. Based on their history of recent losses and the Group's assessment of the availability of expected future taxable results, deferred tax assets have been recognized only to the extent of taxable temporary differences.

28. Post-Employment Benefits

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

in thousands of EUR	31 December 2016	31 December 2015
Present value of benefit obligation	4,521	4,599
Fair value of plan assets	- 1,939	- 2,505
Net position	2,582	2,094
Present value of unfunded obligation	73,111	62,610
Provision in the Balance Sheet	75,693	64,704

The most recent actuarial valuations were performed in December 2016.

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 (2016: €55.5 million; 2015: €47.0 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 (2016: €5.4 million; 2015: €5.7 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 (2016: €11.9 million; 2015: €9.6 million). This is based on service years and calculated according to the estimated remuneration in the last year of employment.

These three plans are unfunded and thus both the pay-out and the actuarial risks are the responsibility of the Company. The risks of these plans are mainly related to changes in the discount rate applied to determine the defined benefit obligation.

The amounts recognized in the Income Statement are as follows:

in thousands of EUR	Notes	2016	2015
Current service costs		1,964	4,037
Interest expense		1,597	1,527
Plan amendments/curtailments/settlements		- 15	- 10
Administrative costs		- 26	6
Change of pension plan		-	- 17,667
Total defined benefit costs	8	3,520	- 12,107

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 2015	239,440	- 153,591	85,849
Current service costs	4,037	-	4,037
Interest expense/ (income)	2,530	- 1,003	1,527
Employee contributions	642	- 642	-
Employer contributions	-	- 3,944	- 3,944
Experience adjustments	1,151	-	1,151
Change in financial assumptions	6,787	-	6,787
Change in demographic assumptions	- 21	-	- 21
Plan amendments and curtailments	- 10	-	- 10
Return on plan assets, excluding amounts in interest	-	- 13,044	- 13,044
Benefits paid	- 2,063	2,063	-
Change of pension plan	- 185,071	167,404	- 17,667
Other	- 6	187	181
Exchange effect	- 207	65	- 142
At 31 December 2015	**67,209**	**- 2,505**	**64,704**
At 1 January 2016	67,209	- 2,505	64,704
Current service costs	1,964	-	1,964
Interest expense/ (income)	1,760	- 163	1,597
Employer contributions	-	- 1,503	- 1,503
Experience adjustments	593	-	593
Change in financial assumptions	8,521	-	8,521
Change in demographic assumptions	- 15	-	- 15
Plan amendments and curtailments	- 15	-	- 15
Return on plan assets, excluding amounts in interest	-	134	134
Benefits paid	- 1,783	1,783	-
Exchange effect	- 602	315	- 287
At 31 December 2016	**77,632**	**- 1,939**	**75,693**

During 2015, the Group has amended the pension plan in the Netherlands. This resulted in a change of classification from defined benefit to defined contribution. The pension provision for the employee benefit arrangement in the Netherlands was accordingly released in the Income Statement for an amount of €17,667.

Assumptions

The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate	1.9%	2.6%
Expected return on plan assets	8.0%	7.3%
Future salary increases	2.9%	3.2%
Future inflation	1.8%	1.8%

The difference between the discount rate and the expected return on plan assets is caused by the weighted impact of funded and unfunded plans. The percentage on the expected return on plan assets originates from Mexico.

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

A 1% increase in the discount rate used to calculate the defined benefit obligation would result in 16% decrease in the defined benefit obligation. A 1% decrease in the discount rate used to calculate the defined benefit obligation would result in 21% increase in the defined benefit obligation. An increase of 0.25% in salary would result in an increase of 1% in the defined benefit obligation. +1 year in life expectancy would result in an increase of 3% in the defined benefit obligation. An increase of 1% in inflation would result in an 11% increase in the defined benefit obligation.

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

Plan assets are comprised as follows:

in thousands of EUR	2016	2015
Equities	848	369
Debt instruments	1,091	2,136
Total	1,939	2,505

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

in thousands of EUR	2016	2015
Less than 1 year	1,553	1,776
Between 1 and 2 years	2,620	2,609
Between 2 and 5 years	7,535	6,796
Over 5 years	115,340	119,537
Total	127,048	130,718

29. Provisions

in thousands of EUR	Legal and regulatory	Warranty	Employee-related	Share based payments	Other	Total
At 1 January 2015	4,650	7,613	4,354	37,276	2,677	56,570
Movements in 2015						
Addition to provision	18,804	3,502	1,457	2,440	911	27,114
Reversal of provision	- 1,353	- 468	- 479	- 28,278	- 565	- 31,143
Utilized during the year	- 134	- 2,412	- 964	- 9,809	- 511	- 13,830
Other movements	-	391	-	- 818	- 391	- 818
Exchange differences	- 294	6	- 74	65	- 131	- 428
At 31 December 2015	**21,673**	**8,632**	**4,294**	**876**	**1,990**	**37,465**
Non-current	1,870	5,810	2,750	-	852	11,282
Current	19,803	2,822	1,544	876	1,138	26,183
At 31 December 2015	21,673	8,632	4,294	876	1,990	37,465
At 1 January 2016	21,673	8,632	4,294	876	1,990	37,465
Movements in 2016						
Acquisitions	-	-	-	-	58	58
Addition to provision	4,373	2,692	3,759	95	580	11,499
Reversal of provision	- 1,237	- 1,215	- 491	-	- 238	- 3,181
Utilized during the year	- 3,134	- 2,134	- 928	- 755	- 594	- 7,545
Other movements	-	153	-	-	- 153	-
Exchange differences	130	- 7	- 49	-	5	79
At 31 December 2016	**21,805**	**8,121**	**6,585**	**216**	**1,648**	**38,375**
Non-current	1,987	5,055	4,871	-	419	12,332
Current	19,818	3,066	1,714	216	1,229	26,043
At 31 December 2016	21,805	8,121	6,585	216	1,648	38,375

Legal and regulatory

In June 2009, the French Competition Authority ("FCA") began investigations into certain optical suppliers and optical retailers active in the branded sunglasses and branded frames sector in France, including the Group. The authorities are investigating whether these parties have entered into vertical restraints in relation to the distribution of branded sunglasses and branded frames. In May 2015, the Company received a statement of objections ('notification de griefs') from the FCA, which contains the FCA's preliminary position on alleged anti-competitive practices and does not prejudice its final decision. If the FCA concludes that there was a violation, it will impose a fine, which may be contested in court. GrandVision has examined the FCA's preliminary findings reported in the statement of objections and an adequate provision has been booked by the Group determined by an assessment of the probability and amount of potential liability. The Company received an official report ("Rapport") from the FCA on 22 July 2016, reconfirming the accusation and confirming GrandVision's assumptions of the probability and amount of the potential liability. The Company responded to this report in a timely way 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 has not yet made its decision following this hearing.

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

Warranty

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

Employee-related
The provisions mostly relate to employee termination benefits. The additions in 2016 relate mainly to benefits for certain employees in the Netherlands.

Share-based payment plans
Refer to note 30.

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

30. Share-based Payment Plans

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

in thousands of EUR	Equity plan	Long-term incentive plan	
	Equity	Liability	Equity
At 1 January 2015	29,741	36,458	-
Incremental expense IAS 19 to IFRS 2	299	2,316	-
Conversion	-	- 28,278	28,278
Change in Income Statement	3,163	1,858	9,959
Settlements/ Vesting	- 7,663	- 9,809	- 8,370
Other	-	- 1,734	- 2,730
Exchange differences	-	65	65
At 31 December 2015	**25,540**	**876**	**27,202**
At 1 January 2016	25,540	876	27,202
Charges to Income Statement	1,523	95	13,685
Settlements/ Vesting	- 14,769	- 755	- 17,435
Exchange differences	-	-	29
At 31 December 2016	**12,294**	**216**	**23,481**

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

The number of participants of the share-based payment plans per year-end 2016 is 153 (2015: 139).

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. Most of these plans were settled in 2016 and 2015.

The incremental expenses in 2015 relate to the conversion of the plans resulting from the listing, which was recognized in general and administrative costs in the Income Statement during 2015 and reported as a non-recurring item.

No new shares were issued in 2016 related to the share-based-payment plans. In 2015 new shares were issued that increased the number of shares held by the participants without having an impact on the value of GrandVision N.V. and the plans.

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

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

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

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

	Th. A. Kiesselbach (CEO)	P.J. de Castro Fernandes (CFO)	Employees	Total
At 1 January 2015	50,693	12,551	118,233	181,477
Adjustment for the issue of share capital	963,167	238,469	2,246,427	3,448,063
Settled	- 992,260	-	- 556,256	- 1,548,516
At 31 December 2015	**21,600**	**251,020**	**1,808,404**	**2,081,024**
At 1 January 2016	21,600	251,020	1,808,404	2,081,024
Settled	- 9,600	- 125,510	- 881,362	- 1,016,472
At 31 December 2016	**12,000**	**125,510**	**927,042**	**1,064,552**

Of those shares outstanding under the equity plan at 31 December 2016, for 480,920 shares (2015:1,235,086) the vesting period has ended. In 2016, the shares that were vested and unrestricted have been settled.

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

	Th. A. Kiesselbach (CEO)	P.J. de Castro Fernandes (CFO)	Employees	Total LTIP awards
At 1 January 2015	11,603	4,870	176,278	192,751
Adjustment for the issue of share capital	220,463	92,534	3,349,274	3,662,271
Adjusted for performance conditions	15,546	53,764	200,568	269,878
Granted	23,412	11,578	264,940	299,930
Settled	- 5,316	-	- 1,223,306	- 1,228,622
Forfeited	-	-	- 256,316	- 256,316
At 31 December 2015	**265,708**	**162,746**	**2,511,438**	**2,939,892**
At 1 January 2016	265,708	162,746	2,511,438	2,939,892
Adjusted for performance conditions	22,234	13,536	226,838	262,608
Granted	23,125	10,580	366,634	400,339
Settled	- 76,175	- 26,242	- 980,477	- 1,082,894
Forfeited	-	-	- 221,104	- 221,104
At 31 December 2016	**234,892**	**160,620**	**1,903,329**	**2,298,841**

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

	Share awards	Option awards	Weighted average exercise price in EUR per share
At 1 January 2015	74,817	117,934	142.87
Adjustment for the issue of share capital	1,421,525	2,240,746	-
Adjusted for performance conditions	78,209	191,669	5.98
Granted	246,239	53,691	24.59
Settled	- 296,402	- 932,220	8.32
Forfeited	- 162,746	- 93,570	6.45
At 31 December 2015	**1,361,642**	**1,578,250**	**6.94**
At 1 January 2016	1,361,642	1,578,250	6.94
Adjusted for performance conditions	76,105	186,503	6.66
Granted	256,165	144,174	27.47
Settled	- 324,903	- 757,991	6.10
Forfeited	- 125,809	- 95,295	6.64
At 31 December 2016	**1,243,200**	**1,055,641**	**10.33**

The weighted average fair value of the share awards granted in 2016 at grant date is €23.32 (2015: €22.76). The weighted average fair value of the option awards granted in 2016 at grant date is €2.83 (2015: €3.38).

The weighted average share price used for the exercise of the option awards during 2016 was €24.97 (2015: €22.35).

Of those option awards outstanding at 31 December 2016, 130,232 were exercisable (2015: 126,200). The weighted average exercise price of these exercisable option awards was €5.99 (2015: €6.64). As of 31 December 2016 the weighted average remaining contractual life for outstanding option awards was 1.1 years (2015: 2.8 years).

As a result of plans being settled, 2,483,832 shares were delivered to participants or became unrestricted in 2016 (2015: 1,079,241).

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 2011 (equity settled)	LTIP 2012 (equity settled)	LTIP 2013 (equity settled)	LTIP 2013 (cash-settled)	LTIP 2015 (equity settled)	LTIP 2016 (equity settled)
Number of options outstanding	3,040	127,192	720,016	7,528	53,691	144,174
Exercise price in EUR	6.38	5.98	6.66	6.66	24.59	27.47
Share price in EUR	20.00	20.00	20.00	20.91	22.72	23.32
Volatility	23.8%	23.4%	22.1%	26.3%	24.0%	25.2%
Dividend yield	0.0%	0.7%	1.1%	1.3%	1.4%	1.6%
Expected remaining option life in years	2.30	3.30	4.30	2.41	5.00	5.00
Annual risk-free interest rate %	-0.19%	-0.19%	-0.18%	-0.79%	0.15%	-0.36%

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 weigthed average of historical volatility of closing prices of the company itself and, due to limited historical share price data of GrandVision N.V., its peer group.

There were no option awards granted in 2014.

The following tables summarize the status of the outstanding equity and LTIP plans during 2016 for the individual Management Board members:

Outstanding share-based awards	Award	Awards per 1 January 2016	Granted in 2016	Adjusted in 2016	Settled in 2016	Awards per 31 December 2016	Exercise price option awards	Fair value at grant	Share price at vesting
Th. A. Kiesselbach (CEO)									
GrandVision BV - Equity Plan 2012	Shares	21,600	-	-	- 9,600	12,000	-	8.12	23.32
GrandVision BV - LTIP 2011	Options	52,120	-	-	- 52,120	-	6.38	13.62	22.76
GrandVision BV - LTIP 2012	Shares	24,055	-	-	- 24,055	-	-	20.00	23.32
GrandVision BV - LTIP 2012	Options	58,961	-	-	-	58,961	5.98	13.81	23.32
GrandVision BV - LTIP 2013	Shares	17,900	-	6,444	-	24,344	-	20.00	-
GrandVision BV - LTIP 2013	Options	43,860	-	15,790	-	59,650	6.66	12.81	-
GrandVision BV - LTIP 2014	Shares	45,400	-	-	-	45,400	-	20.00	-
GrandVision NV - LTIP 2015	Shares	23,412	-	-	-	23,412	-	22.76	-
GrandVision NV - LTIP 2016	Shares	-	23,125	-	-	23,125	-	23.32	-
Total		**287,308**	**23,125**	**22,234**	**- 85,775**	**246,892**			

Outstanding share-based awards	Award	Awards per 1 January 2016	Granted in 2016	Adjusted in 2016	Settled in 2016	Awards per 31 December 2016	Exercise price option awards	Fair value at grant	Share price at vesting
P.J. de Castro Fernandes (CFO)									
GrandVision BV - Equity Plan 2012	Shares	251,020	-	-	- 125,510	125,510	-	8.12	23.32
GrandVision BV - LTIP 2012	Shares	26,242	-	-	- 26,242	-	-	20.00	23.32
GrandVision BV - LTIP 2012	Options	64,326	-	-	-	64,326	5.98	13.81	23.32
GrandVision BV - LTIP 2013	Shares	10,900	-	3,924	-	14,824	-	20.00	-
GrandVision BV - LTIP 2013	Options	26,700	-	9,612	-	36,312	6.66	12.81	-
GrandVision BV - LTIP 2014	Shares	23,000	-	-	-	23,000	-	20.00	-
GrandVision NV - LTIP 2015	Shares	11,578	-	-	-	11,578	-	22.76	-
GrandVision NV - LTIP 2016	Shares	-	10,580	-	-	10,580	-	23.32	-
Total		**413,766**	**10,580**	**13,536**	**- 151,752**	**286,130**			

The vested option awards under GrandVision BV - LTIP 2011 were exercised in 2016, resulting in the delivery of 39,096 shares. The vested share awards under the GrandVision BV - LTIP 2012 plan were exercised in 2016, resulting in the delivery of 50,297 shares.

The GrandVision BV - LTIP 2013 plans were adjusted for performance based on the achievement of 2015 Revenue and EBITA.

Outstanding share-based awards	Award	Status per 31 December 2016	Vesting year	Holding period end	Performance conditions
GrandVision BV - Equity Plan 2012	Shares	Vested	2016	2017 (50%)	No
GrandVision BV - LTIP 2011	Options	Vested	2015	-	0-200% on Revenue/EBITA 2013
GrandVision BV - LTIP 2012	Shares	Vested	2016	-	0-200% on Revenue/EBITA 2014
GrandVision BV - LTIP 2012	Options	Vested	2016	-	0-200% on Revenue/EBITA 2014
GrandVision BV - LTIP 2013	Shares	Unconditional	2017	-	0-200% on Revenue/EBITA 2015
GrandVision BV - LTIP 2013	Options	Unconditional	2017	-	0-200% on Revenue/EBITA 2015
GrandVision BV - LTIP 2014	Shares	Unconditional	2017	-	No
GrandVision NV - LTIP 2015	Shares	Conditional	2018	2020	0-150% on Revenue/EPS 2015-2017
GrandVision NV - LTIP 2016	Shares	Conditional	2019	2021	0-150% on Revenue/EPS 2016-2018

Outstanding share-based awards	Award	Minimum # of shares	Maximum # of shares	Minimum # of shares	Maximum # of shares
		Th. A. Kiesselbach (CEO)		P.J. de Castro Fernandes (CFO)	
GrandVision BV - Equity Plan 2012	Shares	12,000	12,000	125,510	125,510
GrandVision BV - LTIP 2012	Options	42,111	42,111	45,943	45,943
GrandVision BV - LTIP 2013	Shares	24,344	24,344	14,824	14,824
GrandVision BV - LTIP 2013	Options	40,652	40,652	24,747	24,747
GrandVision BV - LTIP 2014	Shares	45,400	45,400	23,000	23,000
GrandVision NV - LTIP 2015	Shares	23,412	35,118	11,578	17,367
GrandVision NV - LTIP 2016	Shares	23,125	34,688	10,580	15,870

The minimum and maximum numbers of shares resulting from option awards is calculated based on the share price ultimo 2016 (€20.91).

31. Other Non-Current Liabilities

in thousands of EUR	31 December 2016	31 December 2015
Contingent considerations	1,130	5,705
Rental incentives	7,587	8,513
Other	4,593	1,857
	13,310	16,075

Rental incentives relate to the straight-lining effect of operating lease payments over the lease term. Non-current contingent consideration reduced in 2016 mainly due to the reclassification to current liabilities as payments are due in 2017. 'Other' mainly includes the long-term portion of deferred insurance income.

32. Derivative Financial Instruments

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

in thousands of EUR	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives – cash flow hedges	-	4,243	-	1,922
Currency derivatives – cash flow hedges	5,223	675	1,201	1,162
Currency derivatives – fair value hedges	-	116	-	-
Total	5,223	5,034	1,201	3,084
Less non-current portion:				
Interest rate derivatives – cash flow hedges	-	4,169	-	1,039
Current portion	5,223	865	1,201	2,045

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

Interest rate derivatives
The nominal amount of the bank borrowings (see note 26) hedged by interest rate derivatives amounts to €300 million (2015: €470 million) which include €300 million (2015: €150 million) of 0% floors to hedge the impact of negative interest rates. The interest rate derivatives meet the requirements for hedge accounting in full.

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

Most of the currency derivatives meet the requirements for hedge accounting in full. The remaining currency derivatives that do not qualify for cash flow hedge accounting are carried at fair value through profit or loss as fair value derivatives.

At the end of 2016 the notional principal amounts of the outstanding forward foreign exchange contracts were:

in thousands of EUR	31 December 2016	31 December 2015
Currency		
United States Dollar (USD)	58,360	40,652
British Pound Sterling (GBP)	32,312	9,098
Swedish Krona (SEK)	20,253	10,101
Polish Zloty (PLN)	13,533	10,637
Norwegian Krone (NOK)	11,465	8,369
Chilean Peso (CLP)	4,804	-
Danish Krone (DKK)	4,280	6,002
Czech Koruna (CZK)	4,145	3,985
Turkish Lira (TRY)	3,936	5,221
Hungarian Forint (HUF)	3,896	4,099
Peruvian Sol (PEN)	1,660	-
Colombian Peso (COP)	1,122	-
Swiss Franc (CHF)	996	653
Brazilian Real (BRL)	721	-
Russian Ruble (RUB)	594	353

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

33. Trade and Other Payables

in thousands of EUR	Notes	31 December 2016	31 December 2015
Trade payables		180,889	134,032
Accrued expenses		108,019	97,792
Employee related payables		97,973	94,665
Other taxes and social security		76,501	70,174
Deferred income		64,266	67,849
Payables to related parties	37.1	23,414	17,937
Other payables		37,362	51,160
		588,424	533,609

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

34. Cash Generated from Operations

in thousands of EUR	Notes	2016	2015
Result before tax		347,728	334,015
Adjusted for:			
Depreciation	13	110,069	107,158
Amortization and impairments	14,15	53,323	45,822
Share-based payments expense	8	15,303	17,670
Result from sale of property, plant and equipment		2,541	- 1,727
Result from sale of intangibles		292	171
Net financial result	10	10,414	19,148
Share of result of Associates and Joint Ventures	9	- 3,851	- 4,620
Result from sale and valuation of investments in buildings		575	-
Changes in working capital:			
- Inventories		- 31,232	- 25,369
- Trade and other receivables		- 25,751	- 15,585
- Trade and other payables		52,731	4,069
Changes in provisions		1,435	- 18,743
Cash generated from operations		533,577	462,009

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

35. Contingencies

35.1. Contingent Liabilities

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

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 €19 million. Formalities are proceeding at this stage and did not result in changes in 2016.

35.2. Operating Lease Commitments

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

in thousands of EUR	31 December 2016	31 December 2015
Not later than 1 year	298,183	292,443
Later than 1 year and not later than 5 years	574,296	615,204
Later than 5 years	131,039	150,509
	1,003,518	1,058,156

The lease commitments, excluding the impact of renewal options, relate mainly to the lease of stores, offices and vehicles.

36. Auditor Fees

The general and administrative expenses include the fees and services provided by PricewaterhouseCoopers Accountants NV and its member firms.

in thousands of EUR	2016	2015
Audit fees	2,754	2,656
Tax advisory fees	130	240
Other non-audit fees	36	121
	2,920	3,017

37. Related Parties

37.1. Transactions and positions with Related Parties

During 2016 GrandVision acquired goods from Safilo (a group company of HAL Holding N.V.) for an amount of €79,900 (2015: €77,183).

Other positions with Related Parties are as follows:

in thousands of EUR	Notes	2016	2015
Trade receivables:			
Safilo		8,540	9,020
Other HAL subsidiaries		397	125
	20	8,937	9,145
Trade payables:			
Safilo		21,116	15,477
HAL Investments B.V		2,153	2,460
Other HAL subsidiaries		145	-
	33	23,414	17,937

37.2. Loans to Related Parties

The Group has granted loans to members of the management as part of the share-based payment plans. For more details refer to note 17.

Management of the Group and its subsidiaries:

in thousands of EUR	2016	2015
At 1 January	9,916	16,769
Redemptions	- 3,231	- 7,390
Accrued interest	344	537
At 31 December	7,029	9,916

The table below shows the loans to key management (in thousands of euros) with the following terms and conditions:

Name of key management	Term	Interest rate, %	31 December 2016	31 December 2015
P.J. de Castro Fernandes	June 2012 - unlimited	4.00%	1,555	1,524

No advance payments, guarantees or other loans have been provided to key management.

All loans have been granted to senior managers of the Company as part of various share-based payment plans. Upon sale of shares the managers will have to redeem their loans. The shares awarded under equity plan are pledged as security on the loans.

37.3. Remuneration

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

in thousands of EUR	2016	2015
Th. A. Kiesselbach (CEO)		
Salary and other short-term benefits	797	785
Post-employment benefits	142	140
Short-term variable remuneration	262	420
Share-based payments	1,360	1,100
	2,561	2,445
P.J. de Castro Fernandes (CFO)		
Salary and other short-term benefits	539	530
Post-employment benefits	98	94
Short-term variable remuneration	164	463
Share-based payments	853	1,159
	1,654	2,246

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 2016 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 Company's non-financial performance and/or to individual performance.

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

37.4. Supervisory Board Remuneration

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

in thousands of EUR	2016	2015
C.J. van der Graaf	73	73
J.A. Cole	60	60
M.F. Groot	60	60
P. Bolliger	60	60
W. Eelman	60	60
	313	313

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

38. Non-GAAP Measures

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

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

in thousands of EUR	2016	2015
Adjusted EBITDA	537,148	511,611
Non-recurring items	- 15,614	- 5,468
EBITDA	**521,534**	**506,143**
Depreciation & amortization software	- 126,847	- 121,320
EBITA	**394,687**	**384,823**
Amortization & impairments	- 36,545	- 31,660
Operating result	**358,142**	**353,163**
Adjusted earnings per share, basic (in EUR per share)	0.96	0.87
Adjusted earnings per share, diluted (in EUR per share)	0.96	0.86

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

39. Principal Subsidiaries, Joint Ventures and Associates

Company	2016	2015	Country of incorporation
MasVision Latinoamerica Argentina S.A.	100%	100%	Argentina
Pearle Österreich GmbH	100%	100%	Austria
Grand Opticiens Belgium N.V.	100%	100%	Belgium
Fototica 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 Group Franchise S.A.S.	100%	100%	France
Solaris S.A.S.	100%	100%	France
Apollo Optik Holding GmbH & Co KG	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
Reliance-GrandVision India Supply Private Ltd**	50%	50%	India
GrandVision Italy Srl.	100%	100%	Italy
GrandVision Luxembourg S.a.r.l.	100%	100%	Luxembourg
Grupo Óptico Lux, S.A. de C.V.	70%	70%	Mexico
GVMV S.A. de C.V.	70%	70%	Mexico
Tide Ti, S.A. de C.V.	70%	70%	Mexico
Brilleland AS	63.29%	63.29%	Norway
Interoptik AS	63.29%	63.29%	Norway
Topsa Holding SA	62%	62%	Peru
Vision Express SP Sp.z.o.o.	100%	100%	Poland
GrandVision Portugal Unipessoal, Lda	100%	100%	Portugal
Lensmaster OOO	100%	100%	Russia
GrandOptical Slovakia s.r.o	100%	100%	Slovakia
Masvision Grupo Optico S.A.	100%	100%	Spain
Synoptik Sweden AB	63.29%	63.29%	Sweden
Visilab S.A.*	30.19%	30.19%	Switzerland
Brilmij Groep B.V.	100%	100%	The Netherlands
GrandVision Finance B.V.	100%	100%	The Netherlands
GrandVision Group Holding 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 Sanayi ve Ticaret Limited Şirketi	100%	100%	Turkey

Company	2016	2015	Country of incorporation
Vision Express Ltd.	100%	100%	United Kingdom
Tylor S.A.	100%	-	Uruguay
For Eyes Optical Company	100%	100%	United States

* associate
** joint venture

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

Parent Company Financial Statements

Income Statement

in thousands of EUR	Notes	2016	2015
Net income	2	15,136	14,300
General and administrative costs	3	-15,134	- 14,139
Share-based payment plan conversion	4	-	17,974
Operating result		2	18,135
Net financial result	5	-530	- 3,380
Result before tax		-528	14,755
Income tax		-323	469
Result from subsidiaries after income tax		232,211	197,506
Result for the year		231,360	212,730

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 2016	31 December 2015
ASSETS			
Non-current assets			
Financial fixed assets	6	933,839	762,410
Deferred income tax assets		30	1,851
		933,869	764,261
Current assets			
Trade and other receivables		26,553	36,321
Cash and cash equivalents		227	44
		26,780	36,365
Total assets		**960,649**	**800,626**
EQUITY AND LIABILITIES			
Equity			
Share capital	7	5,089	254
Share premium	7	73,606	80,637
Treasury shares	7	- 33,730	- 42,251
Legal reserves	7,8	- 19,390	10,267
Retained earnings	7,9	689,971	516,883
Result for the year	7,9	231,360	212,730
		946,906	778,520
Current liabilities			
Borrowings	10	997	6,851
Other liabilities		12,746	15,255
		13,743	22,106
Total equity and liabilities		**960,649**	**800,626**

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	2016	2015
Salaries & wages	4,371	5,295
Share-based payments	6,331	3,382
Social security	334	537
Pension costs	101	310
Other employee-related costs	805	542
Professional fees	1,487	1,743
IPO related costs	-	1,606
Other costs	1,705	724
	15,134	14,139

Refer to Note 28 to the consolidated financial statements regarding defined benefit pension costs and the change in pension plan in 2015.

4. Share-based Payment Plan Conversion

As a result of the IPO process and the conversion of the share-based payment plans, a one-off gain of €17,974 was recognized during 2015 in the Income Statement of the parent company financial statements of GrandVision N.V. and was subsequently charged to the Group's subsidiaries.

Refer to Note 30 to the consolidated financial statements for more details regarding share-based payment plans.

5. Net Financial Result

For more details on the interest income included in net financial result refer to note 37.2 to the consolidated financial statements. As during 2015 the Company repaid its loan from a subsidiary, no interest expense was incurred in 2016 (2015: €1,996).

6. 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 2016	752,494	9,916	762,410
Movements in 2016			
Additions	-	344	344
Dividends	- 25,000	-	- 25,000
Repayment	-	- 3,231	- 3,231
Exchange differences	- 27,949	-	- 27,949
Other Comprehensive Income	- 4,946	-	- 4,946
Net result for current year	232,211	-	232,211
At 31 December 2016	**926,810**	**7,029**	**933,839**

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

Company	2016	2015
GrandVision Group Holding B.V., The Netherlands	100%	100%
Central Vision II B.V., the Netherlands	100%	100%
GrandVision France SAS, France	100%	100%

7. 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 2016	254	80,637	- 42,251	10,267	516,883	212,730	778,520
Appropriation of the result	-	-	-	-	212,730	- 212,730	-
Result for 2016	-	-	-	-	-	231,360	231,360
Dividends paid	-	-	-	-	- 35,327	-	- 35,327
Issue of ordinary shares	4,835	- 4,835	-	-	-	-	-
Purchase of treasury shares	-	-	- 2,411	-	-	-	- 2,411
Other direct equity movements	-	-	-	- 29,657	- 3,238	-	- 32,895
Share-based payments	-	- 2,196	10,932	-	- 1,077	-	7,659
Total movements	4,835	- 7,031	8,521	- 29,657	173,088	18,630	168,386
At 31 December 2016	**5,089**	**73,606**	**- 33,730**	**- 19,390**	**689,971**	**231,360**	**946,906**

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

The movement in legal reserves mainly results from currency translation adjustments of indirect foreign subsidiaries related to the British Pound Sterling.

8. Legal Reserve

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

in thousands of EUR	31 December 2016	31 December 2015
Reserves - subsidiaries	- 26,419	351
Loans to shareholders (LTIP)	7,029	9,916
	- 19,390	10,267

9. Appropriation of Result

In accordance with the resolution of the General Meeting of Shareholders held on 29 April 2016, the result for 2015 has been appropriated in conformity with the proposed appropriation of result stated in GrandVision's 2015 Annual Report.

The net result for 2016 amounts to €231,360 and €152,997 will be added to the retained earnings reserve.

For 2016, it is proposed to the General Meeting to distribute a total dividend of €78,363 or EUR 0.31 per share. If the proposal is approved by the General Meeting, the dividend will be payable as from 11 May 2017.

For 2015, the General Meeting of Shareholders approved a total dividend of €70,655 or EUR 0.28 per share on 29 April 2016. Subsequently, the final dividend of €35,327 or EUR 0.14 per share was paid on 11 May 2016, considering that an interim dividend of €35,327 or EUR 0.14 per share was declared by the Management Board on 4 September 2015 and paid on 8 September 2015.

10. Borrowings

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

11. Employees

The average number of employees of the Company in full-time equivalents during 2016 was 9.8 (2015: 9.7). Of these employees, 4 were employed outside the Netherlands (2015: 2).

12. Contingencies

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

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

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

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

Schiphol, 17 February 2017

Management Board
Th. A. Kiesselbach, 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

There are no subsequent events to report.

The right fitting for you.

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Other information

Independent Auditor’s Report

To: the General Meeting of shareholders and Supervisory Board of GrandVision N.V.

Report on the financial statements 2016

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of GrandVision N.V. as at 31 December 2016 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;

- the parent company financial statements give a true and fair view of the financial position of GrandVision N.V. as at 31 December 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of GrandVision N.V., Haarlemmermeer (‘the Company’). The financial statements include the consolidated financial statements of GrandVision N.V. and its subsidiaries (together: ‘the Group’) and the parent company financial statements.

The consolidated financial statements comprise:

- the consolidated Balance Sheet as at 31 December 2016;
- the following statements for 2016: the consolidated Income Statement and the consolidated Statements of Other Comprehensive Income, the Statement of Changes in Shareholders’ Equity and Cash Flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The parent company financial statements comprise:

- the parent company Balance Sheet as at 31 December 2016;
- the parent company Income Statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the parent company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of GrandVision N.V. in accordance with the ‘Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten’ (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview and context
GrandVision N.V. is a global (optical) retail company. The Group comprises several components and therefore we considered our group audit scope and approach as set out in the scope of our group audit section. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

In section 4 of the notes to the consolidated financial statements the Company describes the areas of estimates and judgment in applying accounting policies and the key sources of estimation uncertainty. All these areas require significant management judgment, of which we consider the valuation of goodwill, uncertain tax and legal positions and intangible assets as part of acquisitions to be key audit matters as set out in the key audit matter section of this report.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a global (optical) retail company. We therefore included specialists in the areas of IT, valuations, taxes and actuarial expertise in our team.

The outlines of our audit approach were as follows:

Materiality	Overall materiality: €17.4 million which represents 5% of profit before tax.
Audit scope	We conducted audit work in 15 locations covering 18 countries. Site visits were conducted by the group audit team to seven locations: Apollo (Germany), Vision Express (United Kingdom), GrandVision Benelux (The Netherlands), GrandVision France, Synoptik (Denmark), GrandVision Italy and For Eyes (United States). Audit coverage: 84% of consolidated revenue and 85% of consolidated total assets.
Key audit matters	Assessment of goodwill valuation Accounting for uncertain tax and legal positions Assessment of the valuation of intangible assets as part of the final purchase price allocation of For Eyes

Materiality
The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibility for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€17.4 million (2015: €16.7 million).
How we determined it	5% of profit before tax (2015: 5% of profit before tax).
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Company.
Component materiality	To each component in our audit scope we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between € 0.5 million and € 10 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above € 250,000 (2015: € 250,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit
GrandVision N.V. is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of GrandVision N.V.

The Group focussed on the significant components: Apollo (Germany), Vision Express (United Kingdom), GrandVision Benelux (the Netherlands) and GrandVision France. These four components were subject to audits of their complete financial information as those are individually significant to the Group. Additionally, 11 components were selected for full scope audit procedures to achieve appropriate coverage on the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	84%
Total assets	85%
Profit before tax	91%

None of the remaining locations represented more than 4% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those locations.

For all Dutch holding entities, as included in note 39 of the consolidated financial statements, the group engagement team performed the audit work. For all other locations that are in scope of the group audit, we used component auditors who are familiar with the local laws and regulations to perform this audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the related audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The group engagement team attended all meetings of the component teams with local and group management where the outcome of the component audit was discussed by visiting the component auditor or through conference calls. The group team engagement leader and the senior members of the group

engagement team reviewed all reports regarding the audit approach and findings of the component auditors.

The group engagement team visited local management and the component auditors of Apollo (Germany), Vision Express (United Kingdom), GrandVision Benelux (the Netherlands) and GrandVision (France) given the relative size of the locations. For each of these locations we reviewed the audit files of the component auditors and determined the sufficiency and appropriateness of the work performed by component auditors. In addition the group engagement team visited local management and the component auditors Synoptik (Denmark), GrandVision Italy and For Eyes (United States).

The group consolidation, financial statement disclosures and a number of group specific items are audited by the group engagement team at the Company’s head office. These include, the accounting for the long term incentive plan and the tax position.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

The key audit matters ‘Assessment of goodwill valuation’ and ‘Accounting for uncertain tax and legal positions’ are similar in nature to the key audit matters we reported in 2015 due to the nature of the Company’s business and its environment. Last year’s key audit matter on the ‘Accounting for acquisitions’ is specified to the 'Assessment of the valuation of intangible assets as part of the final purchase price allocation of For Eyes’ as the provisional purchase price allocation of 2015 has been finalized in 2016.

Key audit matter	How our audit addressed the matter
Assessment of goodwill valuation *Refer to note 2.14, 4.1, 14 and 16 of the financial statements for the accounting policies and underlying assumptions.* The goodwill on the balance sheet of GrandVision N.V. concerns €1,012 million. Of this, €411 million relates to the countries in segment 'the G4' and €380 million to 'Other Europe'. The risk that we focused on in our audit is the risk of impairment of the remaining balance of €221 million relating to the 'Americas & Asia' segment. The measurement of the carrying amount including goodwill in this segment is based on the highest of the value in use (VIU) or the fair value less cost of disposal (FVLCOD). The most important VIU's assumptions are the growth rates of revenue and anticipated profit improvements, which would not be appropriate if those rates and improvements are not achievable in the future. The FVLCOD's key assumption is the used sales multiple. Given the high level of management judgement regarding those assumptions in the impairment assessment we considered this area to be important for our audit. In 2016 an impairment of € 2.3 million on goodwill was recognised, relating to Peru and Argentina.	We evaluated and challenged the Management Board's future cash flow forecasts and the process by which they were drawn up and tested the underlying VIU calculations. We tested these values by comparing the prior year's forecast with the company's actual performance in 2016, given this would be an indicator of the quality of the Company's forecasting process. The key assumption in the 'Americas & Asia' forecast is that for most countries' revenue exceeds growth rates in the 'G4' and 'Other Europe' segments. We compared the growth rates to Management Board's proven track record of improving performance by economies of scale and marketing. For the cash generating units within 'Americas & Asia', the Management Board also prepared a FVLCOD valuation by applying a multiple on average three years' sales. We evaluated the reasonableness of applied sales multiple by comparison with recent market transactions and listed peer companies.

Key audit matter	How our audit addressed the matter
Accounting for uncertain tax and legal positions *See note 4.4, 4.6, 29 and 35.1 to the financial statements for the Management Board's disclosures of the related accounting policies, judgements and estimates* As a multinational company, GrandVision N.V. is present in many different tax and legal jurisdictions. At balance sheet date, GrandVision N.V. has different disputes. The disputes we focused on in our audit relate to tax audit by the German Tax authorities (note 35.1), the investigations by the French Competition Authority (note 29) and the claim from supplier Zeiss (note 35.1). The accounting for these uncertain tax and legal positions comprise significant judgement by the Management Board mainly in the area whether to only disclose these uncertain positions as a contingent liability or to recognise a liability as a provision. Given the high level of management judgement we considered this area to be important for our audit.	We evaluated these tax and legal cases on an individual basis by evaluating the reports issued by the different authorities and the claim received from Zeiss. We gained an understanding of the process management followed to assess the impact of the tax and legal cases. We especially focussed on the current facts and circumstances for these tax and legal cases, the arguments of the different authorities and status pending legal proceedings. In addition we have evaluated the tax and legal opinions of management's experts which have been obtained by GrandVision N.V. on the respective cases. We evaluated the competency and objectivity of these management's experts. Furthermore specific focus has been set on the consistency in approach, similarities and differences of the situation at GrandVision N.V. and comparable tax and legal cases. Based on the above we evaluated the reasonableness of management's assessment for the accounting of this uncertain tax and legal positions. In addition we have tested the adequacy of the related disclosures.

Key audit matter	How our audit addressed the matter
Assessment of the valuation of intangible assets as part of the final purchase price allocation of For Eyes	
See notes 2.3.2, 2.13 and 6 to the financial statements for the Management Board's disclosures of the related accounting policies, judgements and estimates. In 2016 GrandVision N.V. completed the accounting of the 2015-acquisition of the retail chain For Eyes. This resulted in a change in the value of recognized (intangible) assets and liabilities and a reduced purchase consideration. The acquisition accounting for intangible assets comprise significant judgement of the Management Board mainly in relation to the valuation of trademarks and customer database. Given the high level of management judgement we considered this area to be important for our audit.	We tested the completed accounting of the acquisition of For Eyes. We tested the identification and valuation of the (in)tangible assets and liabilities assumed against available market data, in particular for the trademarks and customer databases. We tested that GrandVision N.V. applies a consistent and generally accepted valuation method for their fair value assessment. We evaluated the competency and objectivity of the external appraiser engaged by the Company. We particularly focussed on changes compared with the provisional accounting of the acquisition. In addition we have tested the adequacy of the related disclosures.

Responsibilities of the Management Board and the Supervisory Board

The Management Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Management Board report which includes the sections 'Message from the CEO', 'Business and strategy', 'Business performance', 'Corporate governance' and 'Shareholder information';
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures were substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our report on the Management Board report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Management Board report and other information):

- We have no deficiencies to report as a result of our examination whether the Management Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Management Board report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of GrandVision N.V. on 14 October 2014 by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on 14 October 2014 for a total period of uninterrupted engagement appointment of 2 years.

Rotterdam, 17 February 2017

PricewaterhouseCoopers Accountants N.V.

J.G. Bod RA

Appendix to our auditor's report on the financial statements 2016 of GrandVision N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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