

GrandVision Half Year 2015 Financial Report

GrandVision N.V.

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Interim Report

Highlights

- HY15 Revenue grew by 16.9% or 15.5% at constant exchange rates to €1,611 million
- Comparable growth of 5.2%
- Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 17.2% or 15.7% at constant exchange rates to €259 million
- Adjusted EBITDA margin improved by 4 bps to 16.1%
- Net result attributable to equity holders rose by 22.4% to €109 million
- Earnings per share grew by 23.2% to €0.43
- Total number of stores grew to 5,871 (5,814 at year-end 2014)

Key figures

in millions of EUR (unless stated otherwise)	HY15	HY14	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,611	1,378	16.9%	15.5%	6.5%	8.9%
Comparable growth (%)	5.2%	3.7%				
Adjusted EBITDA	259	221	17.2%	15.7%	11.6%	4.1%
Adjusted EBITDA margin (%)	16.1%	16.0%	4bps			
Net result	118	97	21.6%			
Net result attributable to equity holders	109	89	22.4%			
Earnings per share* (in €)	0.43	0.35	23.2%			
Number of stores (#)	5,871	5,189				
System wide sales	1,783	1,539	15.9%			

*On 20 January 2015 GrandVision issued 241,721,553 ordinary shares. (Pro forma) EPS for HY14 is calculated on this basis for comparison reasons.

Consolidated Income Statement

in millions of EUR	HY15	HY14
Revenue	1,611	1,378
Cost of sales and direct related expenses	- 442	- 361
Gross profit	1,168	1,017
Selling and marketing costs	- 811	- 713
General and administrative costs	- 180	- 148
Share of result of associates	3	1
Operating result	180	157
Financial income	4	2
Financial costs	- 12	- 18
Financial result	- 8	- 16
Result before tax	172	141
Income tax	- 54	- 44
Result for the period	118	97
Attributable to:		
Equity holders	109	89
Non-controlling interests	9	8
	118	97

Revenue

Revenue increased by 16.9% to €1,611 million in HY15 (€1,378 million in HY14) or 15.5% at constant exchange rates. Organic revenue growth of 6.5% came primarily from comparable growth of 5.2% (3.7% in HY14). Acquisitions had an impact on revenue of 8.9%.

Adjusted EBITDA

Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 17.2% to €259 million in HY15 (€221 million in HY14) or 15.7% at constant exchange rates. This improvement resulted primarily from organic adjusted EBITDA growth of 11.6%, which benefited from strong comparable growth in combination with improved operating efficiencies. Acquisitions had a positive effect of 4.1% on adjusted EBITDA.

The adjusted EBITDA margin increased by 4 bps to 16.1% in HY15 (16.0% in HY14) as the effect of margin improvements in the G4 and Latin America & Asia segments were partially offset by the diluting effect of last year's acquisitions. Excluding acquisitions, the adjusted EBITDA margin would have improved by 76 bps to 16.8%.

Non-recurring items of -€3 million in HY15 were mainly related to legal and regulatory provisions, pension arrangements in the Netherlands as well as costs related to the initial public offering in February, including the effect on the valuation of the long-term incentive plans.

A reconciliation from adjusted EBITDA to operating result for HY15 is presented in the table below:

in millions of EUR	HY15	HY14
Adjusted EBITDA	259	221
Non-recurring items	- 3	- 2
EBITDA	255	219
Depreciation and amortization of software	- 59	- 52
EBITA	196	167
Amortization and impairments	- 16	- 9
Operating result	180	157

Financial result

The financial result was -€8 million in HY15 (-€16 million in HY14). This improvement was largely due to the refinancing of the shareholder loans which took place in September 2014. The financial result was also positively impacted by currency gains.

Income tax

Income tax increased to €54 million in HY15 (€44 million in HY14), in line with the increase in operating profit. The effective tax rate remained stable at 31.4%.

Net result for the period

The result for the period increased by 21.6% to €118 million in HY15 (€97 million in HY14). Net result attributable to equity holders increased by 22.4% to €109 million (€89 million in HY14).

Earnings per share

Earnings per share (basic and diluted) increased by 23.2% to €0.43 per outstanding share in HY15 (pro forma €0.35 in HY14).

Interim dividend

In line with previous communication during the initial public offering and in the 2014 Annual Report, GrandVision's Supervisory Board has approved an interim dividend of 0.14 EUR per share on 19 August 2015. The shares will trade ex-coupon as of 3 September 2015.

G4

in millions of EUR (unless stated otherwise)	HY15	HY14	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,001	903	10.8%	8.0%	6.6%	1.4%
Comparable growth (%)	5.8%	2.7%				
Adjusted EBITDA	207	181	14.4%	12.2%	11.1%	1.0%
Adjusted EBITDA margin (%)	20.7%	20.1%	66bps			
Number of stores	2,994	2,927				

Revenue in the G4 segment rose by 10.8% to €1,001 million in HY15 and by 8.0% at constant exchange rates. Organic revenue growth and comparable growth were 6.6% and 5.8%, respectively. All four business units delivered strong results, with an especially good performance in Germany and Austria, which continued to see sales momentum following successful commercial activities.

Adjusted EBITDA in the G4 segment increased by 14.4% to €207 million in HY15. The adjusted EBITDA margin increased by 66bps to 20.7% in HY15 (20.1% in HY14), benefiting from the continued roll out of the global capabilities as well as operating leverage.

Other Europe

in millions of EUR (unless stated otherwise)	HY15	HY14	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	433	360	20.4%	21.5%	4.8%	16.7%
Comparable growth (%)	3.2%	4.7%				
Adjusted EBITDA	61	53	14.7%	15.8%	5.8%	10.0%
Adjusted EBITDA margin (%)	14.1%	14.8%	-70bps			
Number of stores	1,689	1,439				

Revenue in the Other Europe segment increased by 20.4% to €433 million in HY15, or 21.5% at constant exchange rates. Organic revenue growth was 4.8%, while acquisitions contributed 16.7% to revenue growth. After a slower start to the year, comparable growth improved to 4.8% in 2Q15, reaching 3.2% in HY15.

Adjusted EBITDA in the Other Europe segment increased by 14.7% to €61 million in HY15. The adjusted EBITDA margin decreased by 70 bps to 14.1% in HY15 (14.8% in HY14), mainly due to the margin dilutive effect of the Randazzo acquisition in Italy.

Latin America & Asia

in millions of EUR (unless stated otherwise)	HY15	HY14	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	177	115	54.5%	55.5%	11.2%	44.3%
Comparable growth (%)	7.1%	8.5%				
Adjusted EBITDA	7	2	256.4%	267.5%	165.5%	102.0%
Adjusted EBITDA margin (%)	3.7%	1.6%	208bps			
Number of stores	1,188	823				

Revenue increased by 54.5% to €177 million in HY15, or 55.5% at constant exchange rates. Comparable growth and organic growth reached 7.1% and 11.2%, respectively. The acquisitions in China, Colombia, Peru and Turkey added 44.3% to revenue growth. The operations in Chile, Colombia and Mexico showed particularly strong organic growth.

Adjusted EBITDA more than tripled to €7 million in HY15 (€2 million in HY14) and the adjusted EBITDA margin increased to 3.7% in HY15 (1.6% in HY14). Improvements in both adjusted EBITDA and the adjusted EBITDA margin are being achieved through the successful integration of the newly acquired businesses, the optimization of the operations in Brazil and further implementation of the global capabilities.

Liquidity and debt

in millions of EUR (unless stated otherwise)	HY15	HY14	change versus prior year
Free cash flow	124	90	34
Capital expenditure	64	59	5
- Store capital expenditure	44	47	- 3
- Non-store capital expenditure	20	12	8
Acquisitions	4	33	- 29
Net debt	863		
Net debt leverage (times)	1.8		

In HY15, free cash flow (defined as cash flow from operating activities minus capital expenditure) amounted to €124 million (€90 million in HY14).

Capital expenditure not related to acquisitions was €64 million or 4.0% of revenue in HY15 (€59 million or 4.3% of revenue in HY14). The majority of capital expenditure was directed towards store openings, maintenance and renovation.

Store capital expenditure decreased by €3 million to €44 million in HY15 compared to HY14, mainly related to a different timing of investments compared to the previous year and optimized store capex. Non-store capital expenditure increased by €8 million in HY15 compared to HY14. This increase is mainly driven by investments into enabling IT systems. In June and July, the new SAP based global ERP system went live the first time in Belgium, the Netherlands, the United Kingdom and Ireland. Further global rollout will follow over the next years.

Net debt decreased to €863 million at the end of June 2015 from €922 million at year-end 2014, and includes the acquisition of €50 million of treasury shares at the initial public offering. The 12-month rolling net debt/EBITDA ratio decreased to 1.8x from 2.1x at year-end 2014.

Statement by the Management Board

In accordance with the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), section 5:25d, paragraph 2 sub c, we confirm that, to the best of our knowledge:

- the condensed interim consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 (Interim Financial Reporting) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of GrandVision N.V. and its subsidiaries; and
- the interim report for the six months ended 30 June 2015 gives a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act.

Schiphol, 19 August 2015

The Management Board

Theo Kiesselbach, CEO

Paulo de Castro, CFO

Financial Calendar 2015

20 August 2015	Half Year 2015 results press release
3 September 2015	Ex-dividend date (2015 interim dividend)
4 September 2015	Record date (2015 interim dividend)
8 September 2015	Payment date (2015 interim dividend)
10 November 2015	Third Quarter 2015 trading update

Condensed Interim Consolidated Financial Statements

Interim Consolidated Income Statement

in thousands of EUR	Notes	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenue	<u>5</u>	1,610,780	1,377,541
Cost of sales and direct related expenses		- 442,426	- 360,676
Gross profit		1,168,354	1,016,865
Selling and marketing costs		- 810,556	- 712,786
General and administrative costs		- 180,164	- 148,005
Share of result of associates		2,562	1,415
Operating result		180,196	157,489
Financial income		4,120	2,269
Financial costs		- 12,214	- 18,343
Financial result		- 8,094	- 16,074
Result before tax		172,102	141,415
Income tax	<u>6</u>	- 54,100	- 44,400
Result for the period		118,002	97,015
Attributable to:			
Equity holders		108,503	88,613
Non-controlling interests		9,499	8,402
		118,002	97,015
Earnings per share basic and diluted (in EUR per share)*		0.43	0.35

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

*On 20 January 2015 GrandVision issued 241,721,553 ordinary shares. (Pro forma) EPS for 2014 is calculated based on this for comparison reasons.

Interim Consolidated Statement of Other Comprehensive Income

in thousands of EUR	Six months ended 30 June 2015	Six months ended 30 June 2014
Result for the period	118,002	97,015
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Remeasurement of post-employment benefit obligations	478	- 6,942
Income tax	- 329	1,969
	149	- 4,973
Items that may be subsequently reclassified to profit and loss		
Currency translation differences	32,837	7,245
Change in fair value of interest rate swaps	1,693	827
Income tax effect	- 407	- 169
	34,123	7,903
Other comprehensive income/ loss (net of tax)	34,272	2,930
Total comprehensive income for the period (net of tax):	152,274	99,945
Attributable to:		
Equity holders	141,564	91,773
Non-controlling interests	10,710	8,172
	152,274	99,945

Interim Consolidated Balance Sheet

in thousands of EUR	Notes	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	<u>7</u>	411,984	407,727
Goodwill	<u>8</u>	907,428	885,855
Other intangible assets	<u>9</u>	441,089	448,240
Deferred income tax assets		71,475	80,912
Associates		44,310	34,967
Other non-current assets		49,392	50,530
		<u>1,925,678</u>	<u>1,908,231</u>
Current assets			
Inventories		276,748	239,657
Trade and other receivables		279,883	257,301
Current income tax receivables		11,601	7,716
Derivative financial instruments		2,325	891
Cash and cash equivalents	<u>10</u>	90,770	134,095
		<u>661,327</u>	<u>639,660</u>
Total assets		2,587,005	2,547,891
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	<u>11</u>	45,729	61,535
Other reserves		- 19,099	- 54,775
Retained earnings		717,848	616,130
		<u>744,478</u>	<u>622,890</u>
Non-controlling interests		49,347	45,327
Total equity		793,825	668,217
Non-current liabilities			
Borrowings		787,158	960,463
Deferred income tax liabilities		138,148	141,378
Post-employment benefits	<u>12</u>	68,522	85,849
Provisions	<u>13</u>	22,425	27,727
Derivative financial instruments		-	2,508
Other non-current liabilities		18,617	15,859
		<u>1,034,870</u>	<u>1,233,784</u>
Current liabilities			
Trade and other payables		539,589	503,058
Current income tax liabilities		35,168	19,538
Borrowings		165,256	92,914
Derivative financial instruments		3,826	1,537
Provisions	<u>13</u>	14,471	28,843
		<u>758,310</u>	<u>645,890</u>
Total liabilities		1,793,180	1,879,674
Total equity and liabilities		2,587,005	2,547,891

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

Interim Consolidated Statement of Changes in Shareholders' Equity

		Attributable to the equity holders					Non-control- ling interest	Total equity
in thousands of EUR	Notes	Share capital	Cumulative currency translation reserve	Cash flow hedge reserve	Actuarial gains/ (losses)	Retained earnings		
Balance at 1 January 2015		61,535	- 36,924	- 2,201	- 15,650	616,130	45,327	668,217
Result for the period		-	-	-	-	108,503	9,499	118,002
Other comprehensive income		-	31,569	1,286	206	-	1,211	34,272
Total comprehensive income		-	31,569	1,286	206	108,503	10,710	152,274
Acquisitions of subsidiaries and minority		-	- 151	-	-	- 2,211	922	- 1,440
Purchase of treasury shares	11	- 51,074	-	-	-	-	-	- 51,074
Change of pension plan		-	-	-	2,766	- 2,766	-	-
Long-term incentive plan	11	35,268	-	-	-	- 1,808	-	33,460
Dividends		-	-	-	-	-	- 7,612	- 7,612
Total transactions with equity holders		- 15,806	- 151	-	2,766	- 6,785	- 6,690	- 26,666
Balance at 30 June 2015		45,729	- 5,506	- 915	- 12,678	717,848	49,347	793,825
Balance at 1 January 2014		27,775	- 34,638	- 4,079	12	512,616	44,366	546,052
Result for the period		-	-	-	-	88,613	8,402	97,015
Other comprehensive income		-	7,465	658	- 4,963	-	- 230	2,930
Total comprehensive income		-	7,465	658	- 4,963	88,613	8,172	99,945
Issue of share capital	11	7,375	-	-	-	- 7,375	-	-
Dividends		-	-	-	-	-	- 6,911	- 6,911
Total transactions with equity holders		7,375	-	-	-	- 7,375	- 6,911	- 6,911
Balance at 30 June 2014		35,150	- 27,173	- 3,421	- 4,951	593,854	45,627	639,086

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

Interim Consolidated Cash Flow Statement

in thousands of EUR	Notes	Six months ended 30 June 2015	Six months ended 30 June 2014
Cash flows from operating activities			
Cash generated from operations		221,958	199,359
Tax paid		- 33,886	- 50,707
Net cash from operating activities		188,072	148,652
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		- 4,429	- 32,767
Investment in associates and property		-	- 1,125
Purchase of property, plant and equipment	7	- 51,181	- 51,502
Proceeds from sales of property, plant and equipment		5,121	1,987
Purchase of intangible assets	9	- 12,594	- 7,119
Proceeds from sales of intangible assets		146	697
Other non-current receivables		1,408	3,293
Interest received		2,247	1,912
Net cash used in investing activities		- 59,282	- 84,624
Cash flows from financing activities			
Purchase of treasury shares		- 51,074	-
Proceeds from borrowings		178,572	40,297
Repayments of other borrowings		- 309,014	- 47,365
Repayments of shareholder loan		-	- 50,000
Interest swap payments		- 1,367	- 2,187
Acquisition of non-controlling interest		- 1,440	-
Dividends paid		- 7,612	- 6,911
Interest paid		- 9,553	- 6,999
Net cash generated from/ (used in) financing activities		- 201,488	- 73,165
Increase / (decrease) in cash and cash equivalents		- 72,698	- 9,137
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		54,405	22,161
Increase / (decrease) in cash and cash equivalents		- 72,698	- 9,137
Exchange gains/ (losses) on cash and cash equivalents		782	- 1,144
Cash and cash equivalents at end of period		- 17,511	11,880

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

Notes to the Condensed Interim Consolidated Financial Statements

1 General Information

GrandVision N.V. ('the Company') is a public limited liability company and is incorporated and domiciled in The Netherlands. The address of its registered office is as follows: World Trade Center Schiphol Airport, Tower G, 5th floor Schiphol Boulevard 117, 1118 BG Schiphol, The Netherlands. Up to 5 February 2015 GrandVision BV was in existence when it was converted into a public limited liability company under Dutch law (Naamloze Vennootschap). On 6 February 2015, GrandVision N.V. listed its shares in an Initial Public Offering ("IPO") on Euronext Amsterdam.

At 30 June 2015, 76.72% of the issued shares are owned by HAL Optical Investments B.V. and 21.99% by institutional and retail investors with the remaining shares held by GrandVision's Management Board (0.46%) and in treasury (0.83%). 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 30 June 2015, the Group, including its associates, operated 5,871 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, Norway, Oman, Peru, Poland, Portugal, Russia, Qatar, Saudi Arabia, Slovakia, Spain, Sweden, Switzerland, the Netherlands, the United Arab Emirates, Turkey, the United Kingdom and Uruguay. At June 30, 2015 the number of average full-time equivalents within the Group (excluding associates) was 26,610.

These condensed interim financial statements have been reviewed, not audited.

2 Basis of Preparation and Accounting Policies

2.1 Basis of Preparation

Statement of compliance

These condensed interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted within the European Union.

Currency

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.

Estimates

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 condensed interim financial statements have been prepared under the historical cost convention except for financial derivatives, long-term incentive plans 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.

Assessments and estimates, made by management under IFRS that have a significant impact on the condensed interim consolidated financial statements, carry the risk of a possible material inaccuracy. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2014. The principles of valuation and determination of results have been applied consistently by the Group companies during the periods presented in these condensed interim consolidated financial statements.

2.2 Significant Accounting Policies

The principal accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied when preparing the annual financial statements for the year ended December 31, 2014. The policies have been consistently applied to all the periods presented, unless otherwise stated. The Group has not applied any new or amended standards as per 1 January 2015.

2.3 Employee Benefits

2.3.1 Pension Obligations

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

During 2015 the pension plan in the Netherlands has been amended which resulted in a change of classification from defined benefit to defined contribution. Refer to Note [12](#) for more details. At reporting date, the Group operates defined benefit plans in France, Germany, Austria, Italy, Greece and Mexico.

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.

2.3.2 Long-Term Incentive Plans

Real share plan

The real share plan provided for the purchase of shares in the Company by eligible participants which are subject to a vesting term (holding period). The Company's plan has been classified as an equity-settled share-based payment arrangement under IFRS 2 (note 14). Vesting of awards made under the real share plan is subject to a service condition that can vary between 3-5 years following the date of grant. Expense is recognized over the vesting period. All currently outstanding shares under this plan originate from before the listing.

Phantom plan

During the listing most of the cash-settled phantom plans were converted into equity-settled plans. This conversion does not meet the criteria of being a modification under IFRS 2. The phantom plan provides eligible participants with the right to receive shares. Under the phantom plan, such eligible participants are granted a combination of phantom shares and phantom share appreciation rights (SAR's). Phantom shares and phantom SAR's are settled in shares and contain a service condition of 3-5 years and can contain in addition performance conditions based on the results of certain predetermined Company-related financial performance targets of respective business units in the organization which are treated as non-market vesting conditions. 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 phantom share and phantom option granted.

3 Financial Risk Management

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risks (including 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.

3.2 Liquidity risk

The Group has one syndicated bank facility of €1,200 million. The terms of the facility include 2 one-year extension options which can be exercised by the borrower at the first and second anniversary of

the facility. Early August 2015 the facility has been extended by one year, therefore the new maturity date is 18 September 2020. 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).

The facility requires GrandVision to comply with the following financial covenants: maintenance of a maximum total leverage ratio (net debt/EBITDA) of less than or equal to 3.25 and a minimum interest coverage ratio (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 loan.

3.3 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 over 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.

in thousands of EUR	30 June 2015	31 December 2014
Equity attributable to equity holders	744,478	622,890
Total capital	744,478	622,890
Net debt	863,144	922,436
Adjusted EBITDA - last 12 months	487,485	449,498
Leverage ratio	1.8	2.1

4 Seasonality of Operations

Due to the geographical presence of our operations and accordingly different seasons within the periods, the seasonality in the individual countries varies throughout the Group. This results in minimal impact from seasonality on Revenue and EBITDA on the Group level.

5 Segment Information

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 Latin America & 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.

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 accounting policies applied in the segment information are in line with those applied for GrandVision as described in the accounting policies.

The following table presents total net revenue and adjusted EBITDA for the operating segments for the six months ended 30 June 2015 and 2014, respectively. The adjusted EBITDA is defined as EBITDA excluding other reconciling items and exceptional non-recurring items. The non-recurring items in 2015 relate to legal provisions, a positive impact of the change in pension classification in the Netherlands and costs of the initial public offering in February which mainly comprise of adjustments to long-term incentive plans and professional fees. The non-recurring items in 2014 include costs associated with a VAT claim related to prior years. A reconciliation from adjusted EBITDA to earnings before tax is presented within the table below. Other reconciling items represent corporate costs that are not allocated to a specific segment.

in thousands of EUR	G4	Other Europe	Latin America & Asia	Total
Six months ended 30 June 2015				
Total net revenue	1,000,664	432,900	177,216	1,610,780
Adjusted EBITDA	207,203	60,849	6,522	274,574
Other reconciling items				- 15,996
Total adjusted EBITDA				258,578
Non-recurring items				- 3,427
Depreciation				- 53,434
Amortization and impairments				- 21,521
Operating income/loss				180,196
Non-operating items:				
- Interest income/expense				- 8,094
Earnings before tax				172,102
Six months ended 30 June 2014				
Total net revenue	903,301	359,554	114,686	1,377,541
Adjusted EBITDA	181,146	53,071	1,830	236,047
Other reconciling items				- 15,456
Total adjusted EBITDA				220,591
Non-recurring items				- 1,756
Depreciation				- 46,622
Amortization and impairments				- 14,724
Operating income/loss				157,489
Non-operating items:				
- Interest income/expense				- 16,074
Earnings before tax				141,415

6 Income Tax

Income tax expense is recognised based on actual income tax rates for the period ended 30 June 2015 and 2014. The effective tax rate of the six months ended 30 June 2015 is 31.4% (for the six months ended 30 June 2014 it was 31.4%). Changes in non deductible items, carryforward tax losses and tax incentives in six months ended 30 June 2015 compared to six months ended 30 June 2014 in total offset each other. Across jurisdictions of presence, the Group has accumulated not recognized tax losses amounting to €216 million, of which €167 million are offsettable for an unlimited period of time.

7 Property, Plant and Equipment

in thousands of EUR	Buildings and leasehold improvements	Machinery and equipment	Furniture and vehicles	Total
Six months ended 30 June 2015				
Carrying amount as at 1 January 2015	190,218	129,240	88,269	407,727
Acquisitions	-360	74	116	-170
Additions	21,406	16,074	13,701	51,181
Disposals / retirements	-771	-861	-529	- 2,161
Depreciation charge	-19,660	-20,444	-13,330	- 53,434
Reclassification	-262	-181	497	54
Exchange differences	5,022	2,636	1,129	8,787
Carrying amount at 30 June 2015	195,593	126,538	89,853	411,984
Six months ended 30 June 2014				
Carrying amount as at 1 January 2014	170,371	116,235	72,299	358,905
Acquisitions	48	2,205	574	2,827
Additions	21,285	17,160	13,057	51,502
Disposals / retirements	- 464	- 839	- 246	-1,549
Depreciation charge	- 16,894	- 18,935	- 10,793	-46,622
Reclassification	- 587	984	- 504	-107
Exchange differences	1,124	829	219	2,172
Carrying amount at 30 June 2014	174,883	117,639	74,606	367,128

8 Goodwill

in thousands of EUR	Six months ended 30 June 2015	Six months ended 30 June 2014
Carrying amount as at 1 January	885,855	726,321
Acquisitions	3,147	18,364
Adjustment to purchase price allocation	1,563	-
Reclassification	-	118
Impairment	-	- 91
Disposals	-	- 278
Exchange differences	16,863	1,162
Carrying amount as at 30 June	907,428	745,596
Costs	946,823	781,623
Accumulated impairment	- 39,395	- 36,027
Carrying amount as at 30 June	907,428	745,596

The impairment test on goodwill is performed in the second half year. During the reporting period there were no triggering events for impairment.

9 Other Intangible Assets

in thousands of EUR	Key money	Trademarks	Software	Other	Total
Six months ended 30 June 2015					
Carrying amount as at 1 January 2015	209,712	152,960	43,173	42,395	448,240
Acquisitions	263	-	1	936	1,200
Adjustment to purchase price allocation	-	- 4,924	-	472	- 4,452
Additions	107	2	12,231	254	12,594
Disposals	- 110	-	- 28	-	- 138
Amortization charge	-	- 8,085	- 5,753	- 4,740	- 18,578
Impairment	- 65	- 2,879	-	-	- 2,944
Reclassification	54	16	106	- 16	160
Exchange differences	- 655	3,395	143	2,124	5,007
Carrying amount as at 30 June 2015	209,306	140,485	49,873	41,425	441,089
Six months ended 30 June 2014					
Carrying amount as at 1 January 2014	213,518	138,205	32,539	12,758	397,020
Acquisitions	-	4,184	7	9,563	13,754
Additions	1,747	2	5,330	40	7,119
Disposals	- 481	-	- 121	- 4	- 606
Amortization charge	-	- 7,027	- 5,353	- 2,253	- 14,633
Reclassification	66	0	239	400	705
Exchange differences	712	1,608	56	624	3,000
Carrying amount as at 30 June 2014	215,562	136,972	32,697	21,128	406,359

Franchise contracts are included in category 'Other'. The carrying amount is €6,878 at the end of June 2015 (31 December 2014: €6,896)

10 Cash and Cash Equivalents

in thousands of EUR	30 June 2015	31 December 2014
Cash at bank and in hand	89,791	133,652
Short-term bank deposits and marketable securities	979	443
	<u>90,770</u>	<u>134,095</u>

'Cash and cash equivalents' contains the net position for the cash pooling agreements. At 30 June 2015, the gross amount is €102,961 as assets and €102,807 as liabilities (31 December 2014: €65,203 as assets and €63,541 as liabilities).

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash and bank balances (€90,770) and bank overdrafts (€108,281).

11 Share Capital

in thousands of EUR	Number of shares outstanding	Ordinary shares (in thousands of EUR)	Share premium (in thousands of EUR)	Total (in thousands of EUR)
Six months ended 30 June 2015				
At 1 January 2015	12,722,187	254	61,281	61,535
Issue of ordinary shares	241,721,653	-	-	-
Long-term incentive plan	-	-	35,268	35,268
Treasury shares	- 2,107,809	-	- 51,074	- 51,074
At 30 June 2015	<u>252,336,031</u>	<u>254</u>	<u>45,475</u>	<u>45,729</u>
Six months ended 30 June 2014				
At 1 January 2014	12,702,799	254	27,521	27,775
Issue of ordinary shares	-	-	7,375	7,375
Long-term incentive plan	-	-	-	-
Capital contribution	-	-	-	-
At 30 June 2014	<u>12,702,799</u>	<u>254</u>	<u>34,896</u>	<u>35,150</u>

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.

In the IPO most of the cash-settled phantom plans were converted into equity-settled plans. This conversion has resulted in a reclassification from long-term incentive liability to (restricted) share premium as part of equity. Refer to note 14.

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 long-term incentive plans. During the first six months of 2015 some of these shares were used for

settlement of long-term incentive plans and new shares were purchased resulting in a net reduction of shares held in treasury to 0.83%.

12 Post-Employment Benefits

The movements in the post-employment benefits were as follows:

in thousands of EUR	Six months ended 30 June 2015	Six months ended 30 June 2014
Opening net defined benefit asset/(liability) in accordance with IAS 19	85,849	54,641
Opening balance reclassification	-	561
Defined benefit(cost) /income recognized in profit and loss account	3,758	3,244
Contributions by the employer	- 2,314	- 1,912
Remeasurement gains/(losses) recognized in other comprehensive income	- 478	6,931
Change Defined Benefit to Defined Contribution	- 17,667	-
Benefits paid	- 654	-
Exchange effect and other	28	-
Closing net defined benefit asset/(liability)	68,522	63,465

During the reporting period, 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 is accordingly released in the Income Statement and presented as a positive non-recurring item of €17,667.

13 Provisions

in thousands of EUR	Legal and regulatory	Warranty	Long-term incentive plans	Other employee- related	Other	Total
Six months ended 30 June 2015						
At January 1, 2015	4,650	7,613	37,276	4,354	2,677	56,570
Addition to provision	16,503	1,686	2,585	788	1,002	22,564
Reversal of provision	- 379	- 491	- 28,278	- 268	- 462	- 29,878
Utilized during the year	- 67	- 1,164	- 9,884	- 810	- 298	- 12,223
Exchange differences	- 55	35	- 61	- 25	- 31	- 137
At 30 June 2015	20,652	7,679	1,638	4,039	2,888	36,896
Six months ended 30 June 2014						
At January 1, 2014	4,373	7,215	33,742	2,406	11,620	59,356
Acquisitions	-	41	-	-	-	41
Addition to provision	3,022	1,276	9,350	693	305	14,646
Reversal of provision	- 1,737	- 379	-	- 146	- 1,015	- 3,277
Utilized during the year	- 95	- 900	- 854	- 323	- 1,474	- 3,646
Exchange differences	15	- 39	101	1	75	153
At 30 June 2014	5,578	7,214	42,339	2,631	9,511	67,273

Long-term incentive plans

The Company has converted most of the phantom plans to equity-settled and settled most of the remaining cash-settled plans. Refer to note 14.

Legal and regulatory

The addition to the provision mainly relates to two non-recurring items.

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. This investigation is ongoing. 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.

Secondly, the provision was increased as a result of the Group's ongoing tax risk management process in which it determines potential fiscal claims. Regular tax audits covering open years and related to both Corporate Income Tax and VAT are in progress in multiple jurisdictions of presence, including Germany, France and the Netherlands.

14 Long-Term Incentive Plans

The table below shows the total expense of the share-based payment plans in 2015 as well as the movements in liability and equity caused by the change to the estimate of the probability of an IPO to 100% as well as the conversion of the plans. The increased probability resulted in the plans being fully classified as IFRS 2 share-based compensation plans in 2015 and has resulted in an incremental expense of €2,615, which was recognized in general and administrative costs in the Income Statement during the six months ended 30 June 2015 and reported as non-recurring item.

in thousands of EUR	Real share plan	Phantom plan	
	Equity	Liability	Equity
1 January 2015	29,741	36,458	-
Incremental expense	299	2,316	-
IAS 19 to IFRS 2	-	- 28,278	28,278
Conversion	2,223	- 11	2,185
Change in income statement	- 1,962	- 9,731	- 8,370
Settlements/ Vesting	-	-	-
Exchange differences	30,301	754	22,093
30 June 2015			

On 20 January 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 phantom plans issued in 2011, 2012, 2013 and 2014 have been converted from cash-settled to equity-settled on the listing of GrandVision N.V. on Euronext Amsterdam at 6 February 2015. The phantom plans

issued in 2009 and 2010 remained cash-settled. Most of these plans were settled in the six months ended 30 June 2015.

The table below shows the classification and measurement per type of plan:

Classification	Phantom shares	Phantom options	Real shares
Cash-settled	Share price at 30 June 2015	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 No grants in 2015

The table below shows the movements in the phantom plan:

	Phantom shares	Phantom options
At 1 January 2015	74,817	117,934
Adjustment for the issue of share capital	1,421,525	2,240,746
Adjusted for performance conditions at vesting	78,209	191,669
Granted	246,439	107,383
Vested/ Exercised	- 289,462	- 932,320
Forfeited	- 79,278	- 51,040
At 30 June 2015	1,452,250	1,674,372

The fair value of the phantom options, which were converted to equity-settled on the listing, is based on the Black-Scholes-Merton option pricing formula. The following assumptions were used:

Phantom options	30 June 2015
Exercise price in EUR	5.98 - 6.66
Share price in EUR	20.00
Volatility	22.1% - 23.7%
Dividend yield	0% - 1.1%
Expected remaining option life in years	0.3 - 2.3
Annual risk-free interest rate %	-0.20%

15 Contingencies

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. GrandVision intends to vigorously oppose these actions taken by Zeiss, and has not included a provision. Zeiss formally sued GrandVision France before the Paris Commercial Court on 10 April 10 2014, claiming damages of approximately €57 million on the ground of unlawful termination of the lens purchase agreement. As GrandVision is confident in their legal position in this dispute, no provision is recognized in the

consolidated financial statements. On June 18, 2015 another hearing took place before the Paris Commercial Court.

Pursuant to Zeiss' complaint, the French competition-law body DGCCRF (Direction générale de la concurrence, de la consommation et de la répression des fraudes) visited the Company's offices in France in November 2013 and requested documentation regarding GrandVision's corporate structure and previous lens tenders. Following an interview with management in May 2014, the DGCCRF issued a report that is favorable to GrandVision.

16 Related Parties

During the first six months of 2015 GrandVision had the following transactions with related parties: acquired goods from Safilo (an associate of HAL) for an amount of €45,794 (31 December 2014: €66,890). Trade receivables include a receivable for marketing activities of €986 from Safilo (31 December 2014: €2,142). Trade payables include a liability to Safilo of €21,222 (31 December 2014: €15,172) and a payable to HAL Investments and HAL subsidiaries of €3,284 (31 December 2014: €5,778).

Subsequent Events

There are no subsequent events to report.

