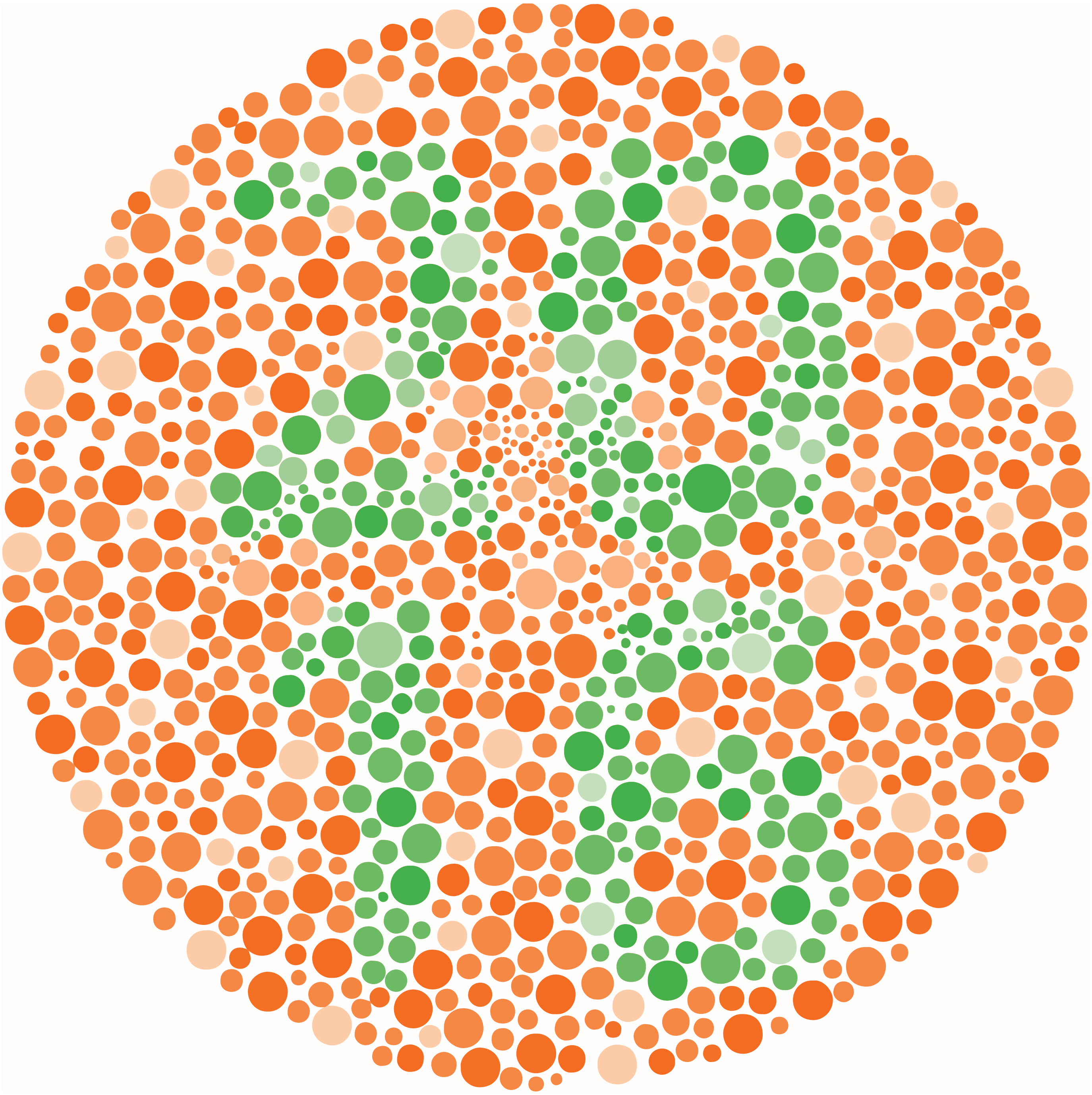
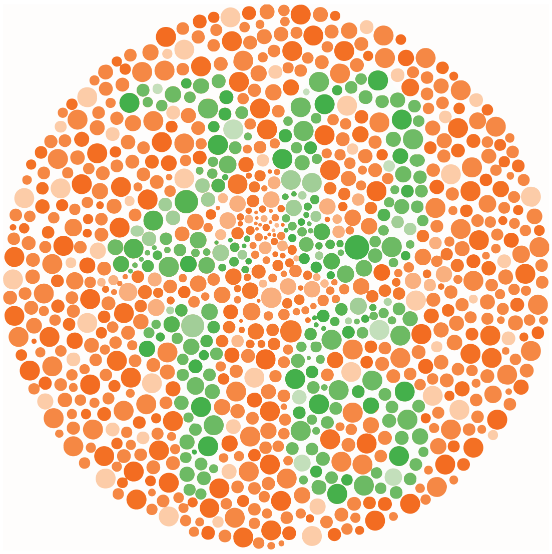
GrandVision



EYE CARE, WE CARE MORE

GRANDVISION ANNUAL REPORT 2016



About the cover

The cover page of our Annual Report features a reproduction of an Ishihara test card, a color perception test detecting red-green color deficiencies. To book an eye test, please find your local GrandVision store at www.grandvision.com/eyetest.

GrandVision at a glance

GrandVision is a global leader in optical retailing and is committed to delivering high quality and affordable eye care to more and more people around the world.

At the end of 2016, our expanding network includes 6.516 stores across more than 40 countries in Europe, the Americas, and Asia, and is complemented by a growing online presence. GrandVision stores operate under 29 successful local retail banners, which are often the recognized leaders in their local market.

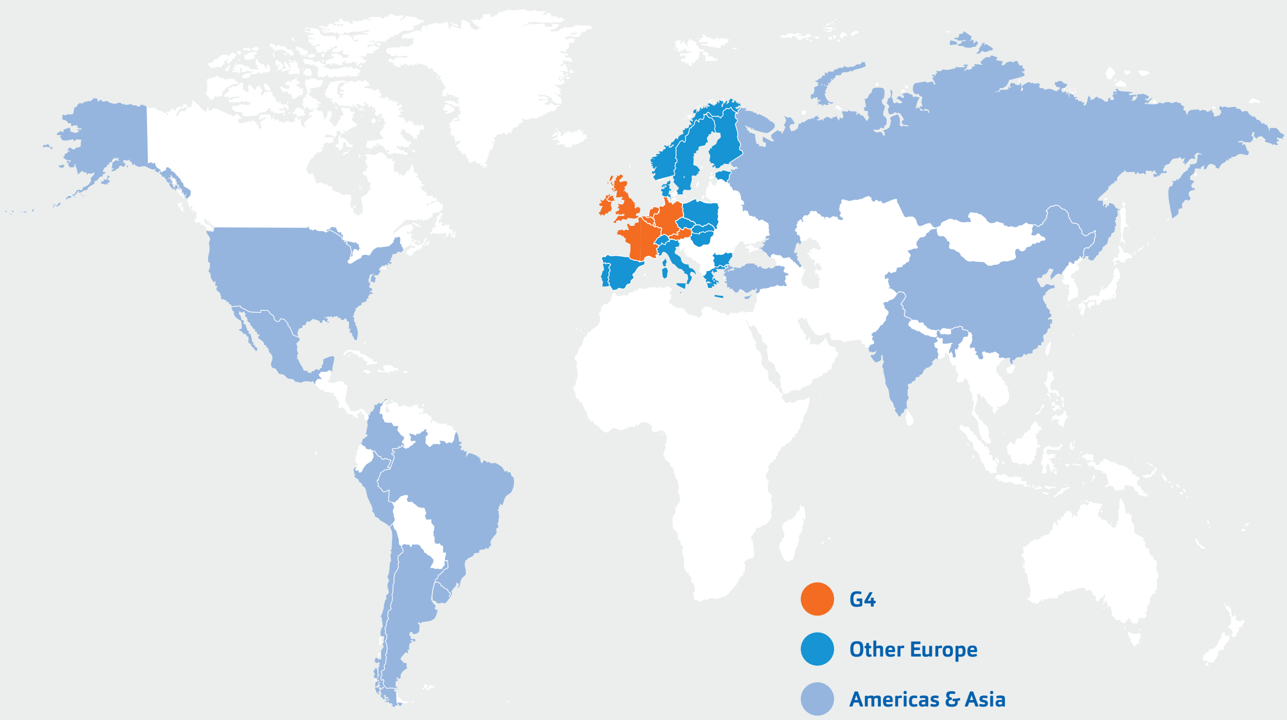
Each year, a growing number of customers experience our wide range of expert vision services and unique assortment of prescription glasses, contact lenses and care products, and sunglasses, both with and without prescription lenses.

More than **40** countries

29 retail banners

15 million prescription glasses sold

Over **600,000** store visits per day



Our year

In 2016, we continued to deliver on our vision of providing high quality and affordable eye care to more and more people around the world. We increased our position across all segments of the expanding optical retail market. We also demonstrated the resilience of our customer-centric business model over the 2016 period and the availability of our high quality products and services.

Our store network grew by 6.6% through organic growth and small acquisitions that enabled us to further improve our accessibility towards our customers and outperform the underlying markets. We also welcomed many passionate new employees, including many highly qualified and dedicated vision experts.

We look forward to enhancing our global capabilities further, for the benefit of millions of new and existing customers.

Stores

+6.6%

2016	6,516
2015	6,110

Revenue

+3.5%

(in million €)

2016	3,316
2015	3,205

Comparable growth

+2.2%

2016	2.2%
2015	4.1%

Adjusted EBITDA

+5.0%

(in million €)

2016	537
2015	512

EYE CARE, WE CARE MORE

Our vision

To provide high quality and affordable eye care to more and more people around the world. By doing so, we aspire to help them realize their full potential in life.

Our mission

As a global leader in optical retail, we are committed to further growing and achieving a market-leading position in each country we operate in, thereby creating value for all our stakeholders including the communities we are a member of.

Our strategy

We aim to further expand our global presence and develop and deploy state-of-the-art global capabilities in eye care and optical retailing, to deliver high quality and affordable eye care to more and more people around the world.

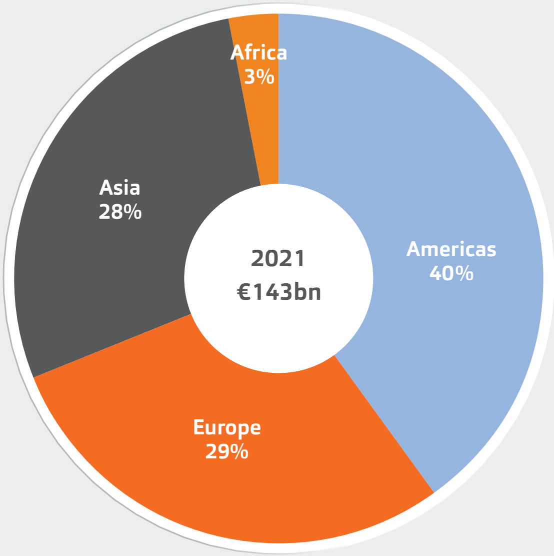
Our market

The global optical retail market benefits from strong fundamentals and is expected to grow annually by mid-single digits in the next five years with the highest growth rates in Latin America and Asia. Given that eye care is a basic need for the majority of people around the world, the optical retail sector is comparatively resilient to macroeconomic trends and characterized by steady repurchase cycles on an annual basis.

Global Eyewear market 2016-2021

CAGR

5%



Prescription frames & lenses

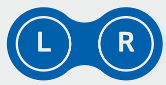
+5.1% p.a.

Sunglasses

+6.4% p.a.

Contact lenses & solutions

+4.6% p.a.



Favorable long-term drivers

Socio-economic trends
- Population growth
- Aging
- Under-penetration
- Emerging middle class

Technology and innovation
- More high-value products
- Growing contact lens category
- Expanding high-quality sunglass market

Industry trends
- Market deregulation
- Market consolidation
- Online eyewear market growth
- Scale benefits for big players

Our customer journey

Our simple, safe and honest customer journey puts the customer first and differentiates us. It comprises a clearly structured commercial offering, transparent features and pricing schedules, and a unique assortment focused fully on true customer benefits and quality. Buying glasses doesn't need to be difficult.

1

Welcome
Visit one of 6.516 GrandVision stores worldwide

2

Eye check
Have your eyes tested by our certified professionals

3

Frame selection
Choose your frame from our extensive selection of Exclusive Brands or third party brands

4

Lens customization
Pick your lenses and let them be customized to your needs

5

2nd pair of glasses
Select your second pair of glasses or contact lenses

6

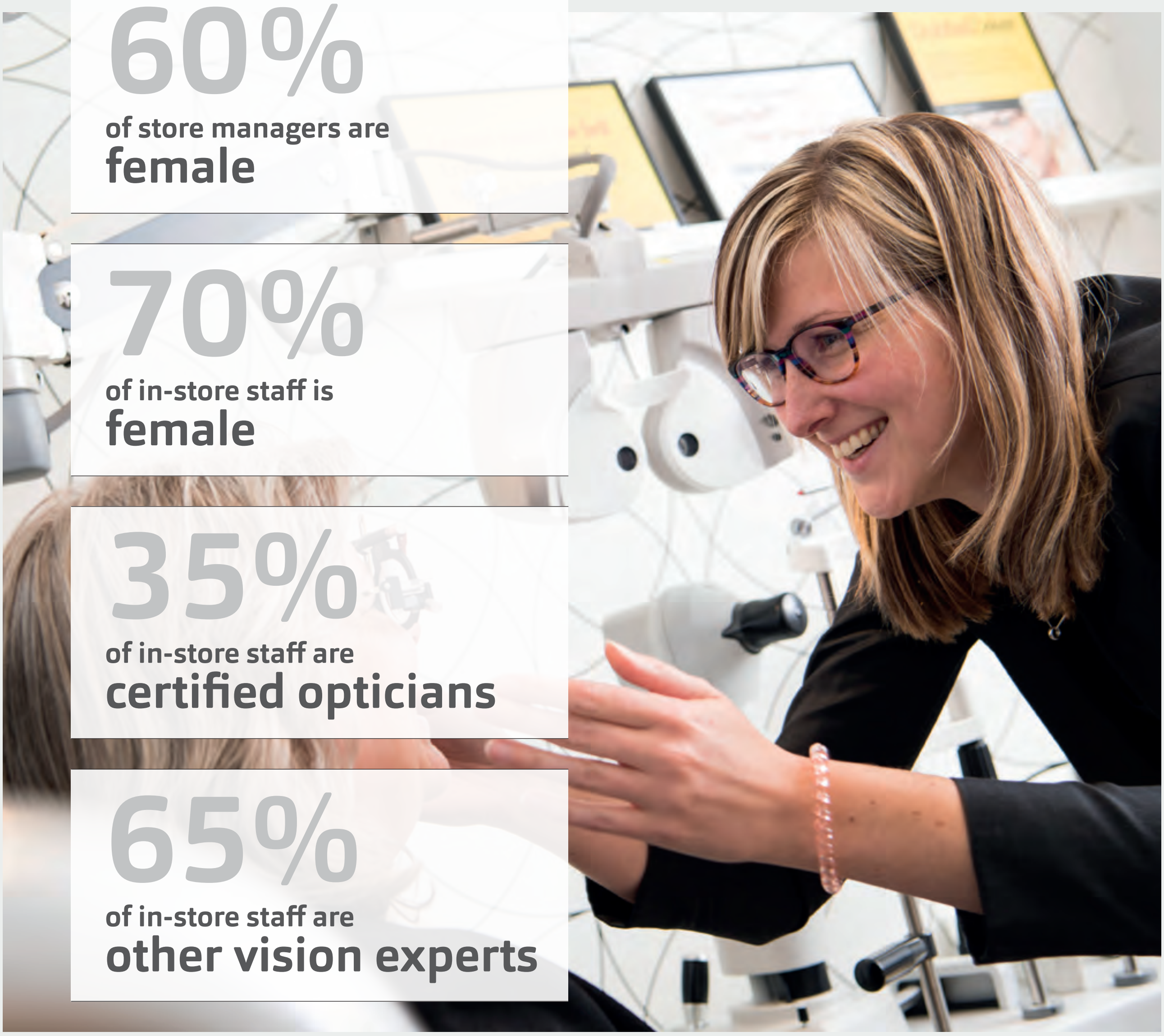
After sales service
Stay in touch and enjoy our after sales support and offers

Our people

We invest in the expertise and capabilities of our people so they can meet the individual eye care needs of our customers. The GrandVision Academy, our international center of excellence for continuous training and learning, ensures we deliver in a consistent and effective manner.

In addition to store managers and employees who combine strong optical and sales abilities with a passion for high quality, we also value the knowledge, expertise and experience of qualified opticians and optometrists who bring the highest standards of professional care and service to our customers.

We want to reflect the diversity of the communities in which we work. We are committed to being an equal opportunities employer at every level.



60%
of store managers are
female

70%
of in-store staff is
female

35%
of in-store staff are
certified opticians

65%
of in-store staff are
other vision experts


twiins
ADVENTURE BUDDIES

Key performance indicators

	2016	2015	2014	2013	2012
Results					
Revenue (€ million)	3,316	3,205	2,817	2,620	2,518
Organic growth (%)	3.5%	5.3%	5.7%	2.5%	3.0%
Comparable growth (%)	2.2%	4.1%	4.3%	1.6%	0.8%
Adjusted EBITDA (€ million)	537	512	449	400	372
Adjusted EBITDA margin (%)	16.2%	16.0%	16.0%	15.3%	14.8%
Operating result (€ million)	358	353	289	270	231
Net result (€ million)	252	231	175	156	117
Earnings per share (in €)	0.92	0.84	0.64	0.56	0.40
Adjusted EPS	0.96	0.87			
Operational Information					
System wide sales (€ million)	3,657	3,541	3,145	2,927	2,822
Number of stores	6,516	6,110	5,814	4,993	4.876
Number of own stores	5,402	5,014	4,744	3,982	3,893
Number of franchise stores	1,114	1,096	1,070	1,011	983
Number of countries	44	44	43	40	40
Number of employees (average FTE)	28,766	27,510	25,776	22,235	21,487
Number of retail banners	29	34	33	25	24
Liquidity and Debt					
Free cash flow (€ million)	255	220	222	220	208
Capital expenditure (€ million)	176	162	158	113	114
Store capital expenditure (€ million)	124	122	117	84	91
Non store capital expenditure (€ million)	52	40	41	29	23
Net debt (€ million)	750	941	922	837	1,017
Net debt leverage (times)	1.4	1.8	2.1	2.1	2.7

Definitions

Organic growth (%):	represents the change in revenue as compared to the prior period, excluding changes in revenue attributable to acquisitions and excluding the effect of fluctuations in foreign exchange rates.
Comparable growth (%):	represents the percentage change in revenue from comparable own stores at constant currency between two comparable financial periods. Comparable own stores for a given financial period under review represent the Group's own stores that have been opened at or before 1 January of the prior financial period and have not been permanently closed at the last day of the financial period.
Adjusted EBITDA:	EBITDA before non-recurring items.
System wide sales:	all revenue generated by sales of the Group's stores to customers, not only through the Group's physical and online stores, but also through the Group's franchise stores (excluding associates).
Free cash flow:	cash flow from operating activities minus capital expenditure not related to acquisitions.
Net debt leverage:	net debt expressed as a multiple of Adjusted EBITDA.
Adjusted EPS:	earnings per share based on net result attributable to equity holders before non-recurring items.

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Message from the CEO

Dear reader,

At GrandVision, our vision is to provide high quality and affordable eye care to more and more people around the world. In 2016 we continued to deliver on this vision. We expanded our customer reach to 6,516 stores across more than 40 countries, an increase of 6.6% compared to the previous year. This also contributed to the growth of our sales and profit lines. Revenues were 6.5% higher at constant exchange rates, with organic growth at 3.5% including a comparable growth of 2.2% and acquisition-based growth of 3.1%. Adjusted EBITDA increased by 6.7% at constant exchange rates, and our margin grew by 24 bps.

We made progress in each of our three segments. GrandVision's G4 segment saw revenue growth of 2.6% at constant exchange rates, and continued to deliver high cash flow generation and further strengthened adjusted EBITDA margins. In the Other Europe segment, revenue grew by 3.5% at constant exchange rates, despite lower levels of comparable growth due to the impact of the integration and re-branding process in Italy which in the last quarter of the year has shown increasing traction with the customer. The Americas and Asia segment achieved the highest comparable growth rate of 7.4%, while organic EBITDA rose by over 100%. Here, the ongoing operational and organizational restructuring and integration of the acquired US business For Eyes remains a major point of attention.

The optical retail market continued to benefit from strong fundamentals in the year, although some markets saw a temporary slowdown due mainly to local short-term factors. In this environment, we improved our position across all segments, with organic growth and acquisitions that enabled us to outperform the underlying market. Our business continued to demonstrate its resilience over the full year as consumers cannot significantly postpone their purchases of eye care and generally become more price-sensitive.

We have continued to strengthen and communicate the GrandVision brand globally to present our identity and customer proposition in a consistent way in many places we operate. In many GrandVision retail banners, we introduced our 'Caring Eye' logo, connecting our well-established local brand names with the reassurance and benefits of a globally leading provider of eye care. Following the acquisition of the Randazzo business in late 2014, and an extensive phase of customer and market research, we carefully started the rebranding of our Avanzi and Optissimo stores in Italy to GrandVision. As the market leader in Italy we are now using a single retail banner, which allows us to increase customer awareness and communication with a single brand identity through all national and social media channels. Another priority in 2016 was the restructuring and integration of the For Eyes business in the US, which was acquired in December 2015. One of our first major initiatives was to improve and integrate the local supply chain and introduce our differentiating Exclusive Brand portfolio for frames and lenses to our new customers there. We also aligned the local commercial proposition by introducing GrandVision's proven 'simple, safe and honest' customer journey.

With our focus and attention firmly fixed on the long term, we have continued to roll out our global capabilities to enhance the quality and service we provide to our customers. We are finding new ways to leverage our scale and reduce inefficiencies and complexity. Our Exclusive Brands remain a key ingredient of our commercial strategy, as they increase differentiation, deliver true customer benefits, improve conversion, strengthen customer satisfaction and create loyalty. In 2016, we increased our volume share of Exclusive Brand frames by over 10 percentage points to reach nearly 70% of all frames provided to our customers. We achieved this by further enhancing our Exclusive Brand's styling and technical features, improving the communication of the customer benefits through in-store merchandising and on social media platforms, and by aligning closely with our people's personal objectives. The Exclusive Brands are contributing to the high-quality-at-affordable-prices proposition to our customers, while offering more attractive margins to the business.

By steadily harmonizing our commercial proposition throughout GrandVision's retail banners, we have made our Group's lens assortment more consistent and less complex. This has given us further opportunities to improve the efficiency of our lens supply chain and gain additional benefits. It also continues to give our customers access to the latest in lens technologies, such as blue-light protect lenses and driver lenses.

Last July, Apollo-Optik in Germany launched the next level of GrandVision's omni-channel technology platform. Its features include the online purchases of prescription glasses and sunglasses, with options for home delivery or trying-out at our stores. Customers can also book appointments for free eye tests, and preselect their products online. Overall, we believe this strategy of combining our national store network with online functionality is the best way to meet our customers' growing expectations in a digitalizing world, and to offer a consistent experience however and wherever they shop.

At GrandVision, we are committed to improving the quality of life of our customers and employees, and creating value in the communities we operate in. We aim to play an important role towards ensuring that more and more people worldwide have access to the eye care and vision correction they need. To this end, many of our colleagues around the world have participated in community initiatives that improve access to eye care for those most in need. In doing so, they enable them to access new and better opportunities in education, social participation, economic development and welfare. For example, our Swedish retail banner, Synoptik, collected second-hand spectacles, which they distributed among disadvantaged communities in Central and Latin America. Meanwhile, our UK retailer, Vision Express, has once more toured the country with its Vision Van, bringing free eye tests to multiple 'hotspots' for bad eye health.

We have continued to detail our Corporate Social Responsibility (CSR) ambitions in the year. These are deeply connected to our business strategy, our global capabilities, and are tailored to our stakeholders' needs. In the years ahead, we will continue to make a positive difference by becoming even more sustainable and create a positive impact in the way we do business. As part of these efforts we will publish our first CSR Report in 2017.

Looking ahead, we continue to see many exciting opportunities for our growth journey with our colleagues, customers, franchise and business partners, and with our stakeholders in general. We will keep building on our global capabilities and continuously improve the quality and accessibility of our products and services to our customers around the world through our store network and digitally.

I would like to thank our more than 31,000 employees, for their passion and commitment to our customers, to enhancing the quality, affordability and accessibility of eye care. I commend them for their hard work and disciplined alignment behind our strategy, always doing their best to put our customers first, often providing additional effort and time in serving their communities. Their talent, creativity and entrepreneurship have been fundamental to achieving strong and consistent results over the years and are key ingredients for our future success. I would also like to express gratitude to our shareholders. GrandVision is a collective endeavor that has been made possible through their continued trust and support.

Theo Kiesselbach, CEO

GrandVision by Fototica store opening, Brazil

Bringing our customer promise to life through the supply chain

GrandVision's supply chain is a key element through which our customer promise is delivered. Flexible, efficient and sustainable, it has allowed us to create and maintain a broad, innovative and customer oriented assortment of products. It has also provided us with high quality prescription glass finishing capabilities, and strong product quality control.

Procurement

We only select suppliers who share our passion and commitment, and who recognize their responsibility towards those they employ and the communities they affect. In many areas we have developed our own products and supply chain capabilities, which meet our customers' needs by being better, faster or more affordable.

Quality management

Product quality is closely linked to sustainability. High quality products are durable, safe and superior and have been manufactured in appropriate social and environmental conditions. To achieve high quality, we work at every stage of the value chain – from the initial design and selection of materials, through to manufacturing and distribution – using only the best techniques available.

To make sure we do this consistently, we have installed quality managers across our supply chain organization who monitor the quality of our products, and ensure they comply with global quality standards.

Over the years, our increased focus on building a compliant, sustainable and world-class operating model has led us to make organizational changes and allocate significant resources towards our value-enhancing competences.

TechCenters

The TechCenter strategy enables us to enhance the quality, affordability and sustainability of our products, while allowing our store staff to focus their attention on serving our customers. By assembling our spectacles at industrialized cut, edge and fit facilities, we have more professional production processes in place, and tight controls on health, safety and environmental standards.

At the same time, TechCenters allow us to better recycle our production waste. By the end of 2016, approximately 67% of all lenses were cut, edged and mounted at GrandVision TechCenters.

Sustainability

As a global leader in optical retail, GrandVision focuses on sustainability in all areas. Special attention and high standards determine where and how our products and services are sourced. We also work closely with our suppliers and partners to reduce the impact we have on the environment, adhere to the highest ethical standards, and find evermore sustainable ways of working.

To deliver on our sustainability strategy we are:

- Promoting better and safer ways of working
- Adopting new ways to reduce the environmental impact through products, services, processes and techniques that lower our environmental footprint
- Conducting business in a fair and ethical manner
- Actively engaging with and supporting the communities in which we operate

Through our Code of Conduct, we communicate our expectations in each of these areas and actively audit supplier performance. We then work to ensure any issues are quickly addressed.

GrandVision's TechCenter, UK

Edging and fitting the lenses

Business and strategy

As a global leader in optical retailing, GrandVision has the vision to provide high quality and affordable eye care to more and more people around the world, thereby helping them realize their full potential in life. EYE CARE, WE CARE MORE.

With 6,516 stores in over 40 countries across Europe, the Americas and Asia, GrandVision operates 29 leading retail banners. We offer the widest access to expert vision services and products, which include prescription glasses, contact lenses and care products, and sunglasses both with and without prescription lenses.

GrandVision has more than 31,000 employees, including highly qualified, dedicated vision experts who, next to best product advice, offer specialized services such as state-of-the-art eye testing, examinations and diagnostics.

As part of our mission, we are committed to growth and the achievement of a market-leading position in each country we operate in, thereby creating value for all our stakeholders and foremost, our customers. We are pursuing a strategy to further expand our global presence and develop and deploy our leading-edge global capabilities.

GrandVision, Shanghai, China

Our business model

GrandVision differentiates itself by offering a simple, safe and honest customer journey, high quality products and best-in-class optical services with affordable and transparent pricing.

In each of our stores, we deliver a harmonized customer experience and comprehensive after-sales service, increasingly supplemented by omni-channel features. This approach facilitates higher in-store conversion, and greater levels of customer satisfaction and loyalty.

Our 'retail-only' model delivers an assortment of products and brands which is entirely customer-oriented. This enables us to identify new trends at an early stage through the close proximity of our local networks to our customers base. Without the constraints of an own production base and thanks to our distribution capabilities, we can instantly follow trends and bring the benefits of the latest product, service and production innovations to our customers.

The scale and global reach of our company offers us distinct procurement advantages in terms of product range, quality and purchase prices. It allows us to provide customers with a more competitive range at more affordable retail prices in the large and growing mass-market segment. Our strong distribution and marketing capabilities allow us to communicate more effectively across all media channels and to create brand awareness and loyalty in each of our markets.

Growing our Exclusive Brands share

With our simple and transparent value-for-money proposition, we offer well known international brands, as well as affordable and high quality in-house brands. Our Exclusive Brands have distinct features in terms of design and technology that provide high quality at affordable prices to our customers while at the same time allowing attractive margins for the business. They are a key ingredient in our commercial strategy which differentiates us in our markets and delivers distinct benefits to our customers.

The global assortment of Exclusive Brands covers the full consumer spectrum and is supported by globally developed in-store and media marketing tools to communicate the brand benefits, including their style and technical features. The harmonization of both products and our supplier base allows for a stronger value proposition and positioning of each Exclusive Brand, faster replenishment cycles, greater delivery reliability, higher quality and lower cost.

Exclusive Brands

Frames	**Sunglasses**
5th Avenue	Heritage
Activ	Seen
BeBright	Solaris
C-line	Unofficial
DbyD	
Enzzo	**Lenses**
Fuzion	LightView
Go Green	VariView
Heritage	
Julius	**Contact Lenses**
IN STYLE	Eyexpert
iSwitch	iWear
LightFly	
Miki Ninn	
Play!	
Seen	
Sensaya	
The one	
twiins	

In 2016, we increased the volume share of our Exclusive Brand frames to approx. 70%. This improvement was achieved in all three segments, with the strongest growth seen in the G4. This development reflects the steps we have taken to constantly improve the style and technical features of our Exclusive Brands. It also demonstrates the success of our marketing strategy, which complements strong in-store communication with marketing tools including CRM, and traditional and digital media.

The roll-out of our Exclusive Brands assortment was accompanied by elaborate staff training, while ensuring that our incentives and objectives are fully aligned. We also took the opportunity to review and optimize our assortment of third-party brands to further expand the opportunities of our Exclusive Brands portfolio.

Leveraging the GrandVision brand identity

GrandVision has started to leverage its brand identity globally, so as to present our customer proposition in a consistent way wherever we operate. In doing so, we enhance our recognition in the market and further adapt to customer preferences. We embed our 'EYE CARE, WE CARE MORE' brand promise into our logo; the so-called 'Caring Eye' logo. The Caring Eye represents the care, transparency and attention to detail that distinguishes GrandVision. It also increases the brand awareness of our local banners by connecting them to GrandVision's brand promise of providing high quality, affordable eye care and a consistent customer experience around the world.

Following first implementations in 2015, the Caring Eye logo was introduced to additional markets in 2016. For example, in countries such as Norway, Portugal and Turkey, the brand identities of well-known banners Brilleland, Multiopticas and Atasun were evolved to benefit from the GrandVision brand values.

brilleland

For some retail banners we implemented a co-branding strategy, where emphasis can be placed either on the local brand or the GrandVision brand depending on the relative brand equities in individual markets. For example, in Italy the local brand names Avanzi and Optissimo are currently being rebranded to GrandVision by Avanzi and GrandVision by Optissimo.

GrandVision
by OPTISSIMO

In addition to our global brand identity, we created a more standardized store concept that delivers a consistent customer experience and guarantees the same high quality service while being more cost efficient. This store concept is aligned with the GrandVision brand identity and has a distinctive harmonized layout and optimized store design.

Operating leading retail brands

GrandVision operates 29 retail banners of which most target the mass-market segment in their respective countries. During 2016, five retail banners were rebranded to GrandVision and Solaris.

In some countries we operate a second banner that then serves the mid- to-high market segment, for example, in Belgium, France and the Netherlands. In addition, we operate the international sunglass retail brand Solaris across all markets. The reputation and consumer awareness of our brands contribute to their success and performance. Our local retail banners enjoy high brand awareness which generates traffic into stores, encourages potential purchases and helps build and maintain customer loyalty. Some of our most prominent retail banners are listed in the table below:

Retail banner	Country
Apollo-Optik	Germany
Générale d'Optique	France
GrandOptical	Belgium, Cyprus, Czech Republic, France, Greece, Hungary, Portugal, Slovakia
GrandVision	Brazil, China, Italy, Peru
Pearle	Austria, Belgium, Netherlands
Vision Express	Bahrain, Hungary, India, Ireland, Kuwait, Oman, Poland, Qatar, Saudi Arabia, United Kingdom

Innovating through Solaris sunglasses

The sunglass market is an attractive part of the global eyewear market, representing approximately 15% of sales and a projected growth rate of 6.4% over the next five years. This growth rate is driven by increased consumer awareness and demand for protection against ultraviolet radiation and glare, as well as the growing popularity of sunglasses as a fashion item.

Solaris is GrandVision's sunglass brand with 1,980 corners within our store network in 36 countries. These highly visible Solaris shops are generating additional traffic while providing cross-purchasing opportunities for our customers. Solaris also operates189 stand-alone stores in high traffic locations in countries with high sunglass demand such as France, Italy, Spain and Mexico.

Solaris store, Av. des Champs-Élysées, Paris, France

Sunglasses are typically marketed as a fashion item rather than an eye care product, and as such, are generally not suitable for the large portion of the population that requires eyesight correction, as only 17% of sunglasses sold in Europe have prescription lenses. Our Solaris store-in-store concept aims to address this limitation by offering an attractive assortment of functional and fashionable sunglasses, of which 70% can be fitted with prescription lenses.

Rolling out our omni-channel strategy

The rise of online shopping has reshaped the retail sector in recent years. In optical retailing, this impact is still less profound than in other retail sectors. Pure online sales only represent an estimated 5% of total optical retail sales because face-to-face interaction with a vision expert remains an essential part of the customer journey. At the same time, many parts of the sales process and customer journey are increasingly conducted online offering more convenience or better choice to the customer. Often, the first interaction is on the websites of GrandVision's retail banners or when they are exposed to our communication on other websites.

Customers around the world expect retailers to provide more flexible forms of retail interaction and service than only in-store. To align with this growing consumer trend and evolving customer expectations, GrandVision is implementing an omni-channel strategy. Among the services included in this omni-channel route to market are store locators, online and in-store real time appointment booking systems and the pre-selection of frames, as well as in-store features enabled by new technologies. Many of our retail banners, such as Lenstore.co.uk, Solaris and Apollo Optik, also offer customers the ability to purchase contact lenses, sunglasses or spectacles directly online.

GrandVision's omni-channel platform will enable our retail banners to take a more holistic view of our customer needs in the future and strategically coordinate their approach. All channels and touchpoints, including those based online, are working to offer a seamlessly integrated and consistent shopping experience. In 2016, Apollo-Optik in Germany launched the next phase of its online presence that includes e-commerce functionality, using the group-wide omni-channel technology platform. Among other benefits, it allows local customers to select and buy frames or glasses online, and book appointments online. Our intention is to continuously develop new ways to enhance the total customer experience and to deploy this internationally.

Expanding from traditional to also digital marketing

As media behavior of consumers in general is shifting online, our marketing toolkit is also expanding to include digital marketing and social media.

In addition to more traditional, above-the-line media, such as print, radio and TV, and below-the-line marketing, GrandVision retail banners are now also specializing in digital marketing. These tools include search engine optimization and paid listings, social media marketing, pay-per-click advertisement and e-mail marketing.

Digital marketing campaigns allow for targeted and personalized customer engagement by gathering and analyzing data and then creating more relevant personalized communication. Digital marketing can also be more cost effective and can be quickly and easily adapted to specific customer responses. We will continue to increase our digital marketing capabilities and improve our corporate and retail banners' online presence and website functionalities.

In addition to this shift, GrandVision and its retail banners are actively looking to engage with customers via social media. We consider this to be an essential tool that, when managed correctly, can increase brand awareness and loyalty. Nearly all our retail banners are active on social media, such as Facebook, Twitter and Instagram, and integrate user-generated content into their social media strategy to grow audiences, broaden their reach, and build stronger customer relationships.

Increasing social media presence

In 2016, GrandVision increased its friends and followers on social media by more than 30%, reaching more than 2 million people worldwide. An example of a successful initiatives was led by Vision Express in the UK during National Eye Health Week. The retail banner's own 'Vision Van' took to the streets over a five-day period, offering free eye examinations in major cities including Brighton, Portsmouth, Swindon, Swansea, Leicester and Leeds. During the tour, Vision Express also reached out to audiences via social media channels leading to a strong increase in visitors to its website during that time. The initiative, which is illustrated in the case study 'Vision Van increases eye health awareness in the UK', also resulted in increased eye test bookings at Vision Express.

The 'Vision Van', Brighton, United Kingdom


5TH AVENUE
METROPOLITAN LOOK

'Vision Van' increases eye health awareness in the UK

GrandVision's UK retailer Vision Express reinforced its commitment to eye health, touring the country with its Vision Van – a sophisticated mobile eye testing unit – for National Eye Health Week in September. It was the third consecutive year Vision Express participated in the initiative as part of its ongoing 'Vision Taken Seriously' health campaign to address the worsening outlook for eye health in the UK. The September Vision Van activity followed two earlier tours in 2016 for both World Glaucoma Week and Macular Week.

An estimated 2 million people in the UK are living with sight loss. A series of eye health maps reveal how poor lifestyles and low levels of regular sight testing have made multiple areas in the UK 'hotspots' for bad eye health. Vision Van aimed to reach some of these communities and offer free eye examinations to people that may have not seen an eye specialist over the last two years, or in some cases, never at all.

Over a five-day period, Vision Van took to the streets of Brighton, Portsmouth, Swindon, Swansea, Leicester and Leeds, which have been identified as being at greatest risk of avoidable sight loss. At each location, people were invited to have a comprehensive 30-minute eye examination and eye health screening using Optical Coherence Tomography, carried out by an expert Vision Express optometrist. For those unable to reach the Vision Van, Vision Express also made free eye tests available via an online voucher that could be downloaded and redeemed at any of its almost 400 stores across the UK.

During the five-day tour, many people visited the Vision Van. Out of those tested, 13% were referred to a GP to receive further medical attention, while over 50% needed new prescriptions. In 2016, this campaign was further supported by a national PR campaign that reached more than 35 million people and led to a strong increase in Vision Express' website visits.

Claudia Bonsu had her eyes tested at the 'Vision Van'

Visitors receive consultation and examination at the Vision Express 'Vision Van'

Business environment

The global eyewear market is expected to grow by 5% p.a. in the next five years. This growth will be driven primarily by global socio-economic trends, product innovations and trends in the overall industry.

The optical retail sector is relatively stable and characterized by steady repurchase cycles over the span of a year due to the fundamental importance of eye care to millions of people around the world.

At a national level, retail competition is generally characterized by local competitors and banners that are easily identifiable for consumers in those markets. The optical retail market is also still highly fragmented with a large portion of market share in the hands of independent retailers. This is often due to the history or still prevailing local eyewear market regulations and subsidies that tend to protect smaller but less efficient players. While market share held by independents differs by country, it generally remains above 50% in most of GrandVision's markets although it is slowly but steadily decreasing over time.

There are many regional and national optical retail chains, but only a few multi-country chains and even fewer that are truly international. With our leading market position, size, global presence, and advanced capabilities, GrandVision is well positioned to continue to tap the growth potential of its markets by responding to favorable long-term trends that are driving demand.

Socio-economic developments

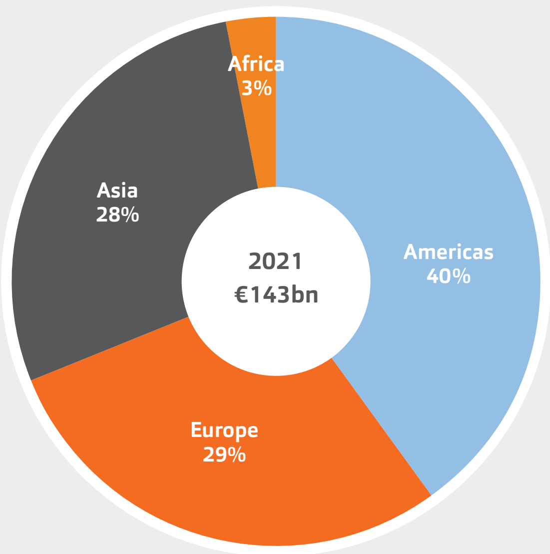
Population growth

An estimated 60% of the current global population, equivalent to more than 4 billion people, require some form of vision correction. As populations continue to expand, so does the addressable global market for eyewear. Growth projections vary per

Global Eyewear market 2016-2021

CAGR

5%



Prescription frames & lenses

+5.1% p.a.

Sunglasses

+6.4% p.a.

Contact lenses & solutions

+4.6% p.a.

region, with higher predicted rates in Latin America and Asia compared to Europe and North America.

Aging
Older people are more prone to visual disorders and have greater requirements for vision correction and for more complex solutions such as multi-focal lenses. The global portion of over-60 year olds is expected to increase two to three times faster than the rate of the general population until 2030. This is particularly true for Europe and North America, but also for emerging markets and highly populated countries such as China and India.

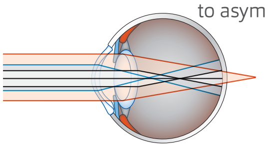
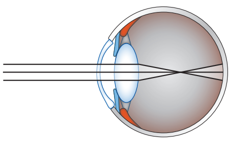
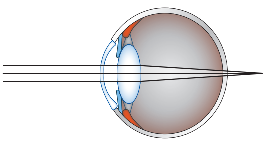
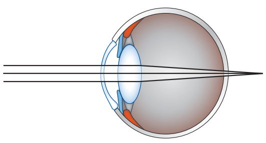
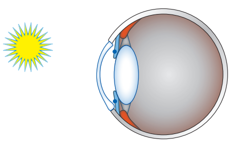
Under-penetration
The penetration of eyesight correction remains lowest in emerging markets and presents a strong opportunity for eyewear providers, particularly in highly populated countries such as China and India. In the short–to-medium term, growth of the global eyewear market is expected to be strongly led by these markets as they also account for the majority of the global population.

Emerging middle class
The size of the eyewear market and its development is highly correlated to economic development. As economic activity and wealth increases in emerging markets such as Latin America and Asia, the intrinsic need for eyesight correction and eye protection translates into active consumer demand.

Technology and product innovation

In addition to long-term socio-economic drivers, the global eyewear market is experiencing a number of product-driven trends. These include:

Shift to higher value eyewear products
Increasing consumer awareness and penetration of technical innovations in the eyewear market is strengthening demand for higher value eyewear

		% of population	Issue	Solution
Astigmatism 	Blurred vision due to asymmetric eye		An optical system with astigmatism is one where rays that propagate in two perpendicular planes have different focus. If an optical system with astigmatism is used to form an image of a cross, the vertical and horizontal lines will be in sharp focus at two different distances	• **Single vision lenses** • **Contact lenses** • **Laser surgery**
Myopia 	Nearsightedness	~30%	Condition of the eye where the light that comes in does not directly focus on the retina but in front of it, causing the image that one sees when looking at a distant object to be out of focus, but in focus when looking at a close object	• **Single vision lenses** • **Contact lenses** • **Laser surgery**
Hyperopia 	Farsightedness	~15%	Imperfection in the eye (often when the eyeball is too short or the lens cannot become round enough), causing difficulty in focusing on near objects, and in extreme cases leading to an inability to focus on objects at any distance.	• **Single vision lenses** • **Contact lenses** • **Laser surgery**
Presbyopia 	Short arms / ageing eye	~17%	A condition associated with aging in which the eye exhibits a progressively diminished ability to focus on near objects.	• **Ready readers** • **Multifocal lenses** • **Contact lenses** • **Lens transplant**
UV burn and glare 			Eyes, particularly the cornea (the clear window of tissue on the front of the eyeball), can be easily damaged by exposure to ultraviolet radiation from the sun and from other sources of ultraviolet light, such as a welder's arc, a photographer's flood lamps, a sun lamp, or even a halogen desk lamp	• **Sunglasses with tinted and polarized lenses** • **Prescription eyeglasses and contact lenses with UV protection**

products. These innovations include both the quality of lens material as well as those relating to functionality and design features (e.g. progressive, light, thin, antireflective, shockproof, photochromic, scratch resistant, anti-dirt, anti-fog, polarized and ultraviolet protective lenses).

In addition, the need for vision correction increases in complexity as a person ages. These higher value products generally command higher retail prices and wider profit margins, but they also require increased service levels. Some recent product innovations are introduced in the case study "Introducing new technologies for our customers' benefit".

Growth of the contact lens category

The global market for contact lenses, particularly disposable ones, is increasing rapidly and creating shorter repurchase cycle through the shift to daily or monthly disposable contact lenses. The average annual spend for contact lenses is higher per customer than it is for prescription glasses. In addition, contact lens customers also tend to purchase prescription glasses and sunglasses. Overall consumer engagement is also higher. However, the share of contact lenses as a proportion of total eyewear sales still varies considerably across different markets.

Demand for high quality sunglasses

The growth of the sunglass market is driven by a growing awareness of the potential harm caused by ultraviolet radiation, the popularity of sunglasses as a fashion item and greater demand for prescription sunglasses. However, the penetration of eyesight protection from ultraviolet radiation still remains relatively low in both mature and emerging markets. As awareness increases, the demand for high-quality sunglasses, such as the ultraviolet protective prescription sunglasses we offer under the Solaris banner, is also expected to grow. Ongoing innovations in design and lens technology, including light weight, polarized and flash lenses are contributing to shorter average repurchase cycles.

Industry trends

A number of industry trends are creating favorable conditions for GrandVision's business. Among these is the general trend of decreasing market regulations, the gradual consolidation of the optical retail market, and the growing online market for eyewear. The main market trends in global optical retail include:

Deregulation benefits optical retail chains

Market deregulation continues to increase globally. The easing of restrictions on eye test and measurement services, and on cooperation between optometrists and opticians is facilitating market access by full-service retailers and optical retail chains like GrandVision. Changes to social security and health insurance reimbursements are also increasing price competition, as the implied subsidies for the less efficient retailers diminish.

Fragmented markets to further consolidate

Consolidation of the highly fragmented optical retail market is expected to continue, supporting the growth of more effective and efficient retail formats. Large optical retail players such as GrandVision have greater purchasing advantages with suppliers and can operate more efficient supply chains. They can also achieve significant economies of scale through centralized product finishing facilities and in their marketing campaigns. These advantages result in lower prices for consumers and in the development of best practice standards in customer service.

Emerging online eyewear market

The online eyewear market has grown to represent approximately 5% of global eyewear sales, which is below the online penetration levels of many other retail segments. Generally speaking, contact lenses, ready readers and plain sunglasses are the most suitable products for purchase through pure online channels. The need for personal interaction of consumers with vision experts to administer eye tests and examinations, the high degree of product individualization and the requirement to fit the finished prescription eyeglasses, is still a major limitation for pure online players. Nevertheless, consumers increasingly expect broader and more flexible forms of retail interaction and service. GrandVision has established an omni-channel route to market that is integrated with the services it provides in store. This enables consumers to complete a number of actions online, such as preselecting frames, booking appointments and replenishing contact lenses.


ENZO
MADE FOR EXCELLENCE
reddot award 2016
honourable mention

Introducing new technologies for our customers' benefit

As a global leader in optical retail, GrandVision is dedicated to turning smart ideas into amazing products, from sourcing all the way to market-ready innovations. We strive to find better optical solutions across the value chain, and partner with like-minded professionals to tap fresh ideas that go beyond the present-day boundaries of our industry. Some of these new products, services and technologies are already available through our retail network.

Driver lenses

Many drivers experience glare and discomfort from oncoming headlights, reflections, low light at dusk, or during bad weather and bright sunlight. These factors cause stress to our eyes and affect our ability to drive safely.

GrandVision is providing new driver lenses with enhanced contrast features that are also reflection-free. The stronger contrast helps to improve drivers' perception of color, while an enhanced coating removes distracting light reflections by eliminating its corresponding wavelength. The result is a lens that helps drivers see more comfortably and improves their driving. The lens is also easy to clean and has a dust repellent that keeps it clear.

Office lenses

We spend more time working with high-tech devices and displays than ever before. People who use progressive lenses benefit from being able to see at all distances, but for office situations, these lenses can be limited.

GrandVision is providing office lenses that give a wider field of vision, and have a distance that can be tailored to a customer's individual needs for near or intermediate vision.

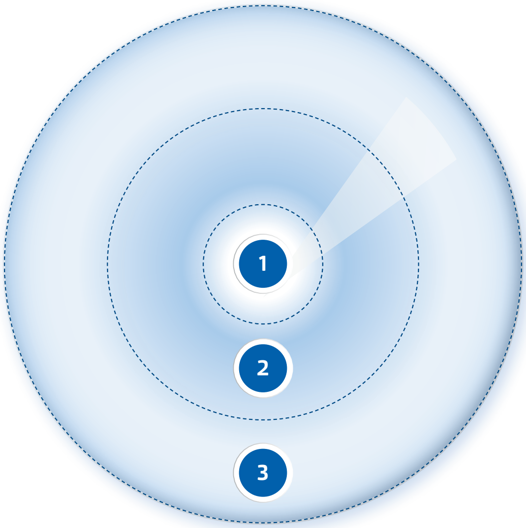
Fast and easy to adapt to, these high quality lenses are the perfect solution for those who spend long hours on screens at the office or at home.

Multifocal contact lenses

The use of contact lenses has normally been associated with people under the age of 40. This is because the natural age related decline in near vision that occurs after that age has required users to switch to multifocal glasses.

Thanks to technological advances, multifocal contact lenses are now available that provide clear vision at every distance. This allows people to continue wearing them for longer, and well past a certain age.

GrandVision offers this product in a wide range of materials and wearing types, including daily, bi-weekly and monthly.



1. Near range

Feature: Center-near aspheric design with gradual power transitions.

Benefits: Natural presbyopic correction with smooth focus changes at near distances.

Wearer benefit: Clear, crisp vision at close distances.
- Reading
- Writing
- Operating small devices

2. Far range

Feature: Center-near aspheric design with gradual power transitions.

Benefits: Presbyopic correction with natural focus changes for far distances.

Wearer benefit: Effortless vision from far distances.
- Driving
- Reading street signs
- Outdoor recreational activities

3. Intermediate range

Feature: Wide intermediate power profile.

Benefits: Exceptional visual quality throughout intermediate range.

Wearer benefit: Sharp vision at intermediate distances.
- Using computers
- Talking with others
- Browsing shelves when shopping

Strategy and objectives

Our vision is to provide high quality and affordable eye care to more and more people around the world. To realize this, our mission is to grow further and achieve a market-leading position in each country in which we operate, thereby creating value for our stakeholders, for the communities we are present in, and most significantly, for our customers.

GrandVision's strategy enables us to compete locally with global capabilities for the benefit of our customers. We can enhance profitability through operating leverage and efficiency initiatives, while driving strong cash generation and resilient growth. At our core is a perfectly delivered proposition that differentiates us in the market and is continuously enhanced in line with evolving customer expectations.

Our strategy is based on the following five priorities:

1. Strengthen and deploy GrandVision's global capabilities
2. Drive further comparable growth
3. Optimize the existing store network
4. Expand in current markets, also through bolt-on acquisitions
5. Enter new markets

Strengthen and deploy global capabilities

Although every retail market has unique characteristics, underlying customer needs and key drivers are very similar in most optical retailing markets around the world. Based on these insights, GrandVision deploys a range of global capabilities. By further enhancing our operational leverage through efficiency improvements and less complexity, we are developing an agile and more cost-effective business. We apply this approach to all our markets, including those that would have been difficult to develop on a local level alone, due to either their size or maturity.

Drive further comparable growth

We consider comparable growth to be the most sustainable and profitable source of growth, as it most strongly leverages our existing cost base.

The underlying drivers of comparable growth

- Volume growth in prescription eyeglasses based on increased store and online traffic and conversion rates
- Improved value-for-money propositions in Exclusive Brands, driving volume and gross margins
- Growth in the sales of contact lenses and sunglasses
- Increased average consumer spending through value-added products and up- and cross-selling
- Transition to an omni-channel approach
- Increasing our digital marketing capabilities
- Improved customer loyalty

Based on these drivers, we are pursuing the following strategic initiatives:

Professionalized customer journey: We have developed a professionalized customer journey to deliver a harmonized and improved customer experience that focuses on achieving higher levels of customer conversion, satisfaction and loyalty. This concept includes a clearly structured commercial offering with transparent product features and pricing, and an assortment focused on functionality and quality. Our customer journey is increasingly supplemented by omni-channel features.

Cross-selling initiatives: Contact lens sales have proven to be a strong driver of customer loyalty due in part to the higher repurchasing frequency of disposable contact lenses, and greater opportunities to cross-sell. The Solaris store-in- store concept with its highly visible sunglass offering is providing further cross-selling opportunities for sunglasses.

Unlocking sunglass market potential: Sunglasses are an underdeveloped category from an optical perspective, as they are generally marketed as accessories or fashion items. The Solaris banner taps this opportunity by offering customers a complete product range in terms of price, depth, brand variety and functionality. Solaris frames range from high quality, affordable Exclusive Brands to well- known non-exclusive fashion brands.

Omni-channel customer journey: The omni-channel customer journey keeps us aligned to changing consumer behaviors and preferences, while enhancing our customer journey concept and driving comparable growth. This includes investments in new technologies and digital communications to create more personalized and relevant customer interactions, leading to higher conversion rates.

Optimize the existing store network

Market share growth is one of our main ambitions, and adding new stores to our network to further increase the proximity to our customers is key to achieving this goal. Our approach includes targeted store openings, relocations, and refurbishments, but also store closures in places where customer traffic patterns have changed. We generally pursue store network expansion in countries where there is a proven and profitable store format, a relatively low density of stores, and a strategic growth ambition. In other countries, store openings and acquisitions are more selective and focused on when ‘white spot’ opportunities become available. As a prerequisite for expanding our store portfolio, we carefully assess each business case and ensure the operational and organizational platform is in place to support growth, as well as the financial and internal controls, and governance practices.

Expand in current markets, also through bolt-on acquisitions

Most national optical retail markets are still highly fragmented, with a significant proportion of independent retailers operating either relatively small chains or single stores. This provides the opportunity to expand through bolt-on acquisitions in existing markets, and to integrate these into our existing network.

We continuously review potential acquisition opportunities in mature and emerging markets, and pursue these whenever there is a sound business case. We also consider pure-play online propositions, if and when there is added value for our customers or synergies with the existing business, and service and quality levels are not compromised.

Enter new markets through acquisitions or greenfields

We have a presence in over 40 countries and are always exploring ways to expand further in new markets. We continuously evaluate the attractiveness of potential new markets by looking at macroeconomic factors, market growth and the conditions of operating an optical retail chain.

GrandVision by Fototica store opening, Brazil


PASSAPORTO

Launching GrandVision's franchise model in Brazil

Representing almost 20% of our store base, the GrandVision franchise model allows us to accelerate our global expansion and foster a culture of entrepreneurship across our network. Until recently, these franchises were primarily located in our G4 markets, namely Benelux, France and Germany.

At GrandVision we apply a well structured and defined franchise model in which many products and services are made available to our franchise partner, including products, laboratory services, store concepts, trainings, commercial policies and marketing support. In doing so, we make sure our commercial proposition stays aligned across all stores and fully integrated into each country’s retail network, while at the same time, guaranteeing our franchise partners their entrepreneurial independence and allowing them to focus on serving their customers. This also allows for a better leveraging of marketing and media, and creates a consistent and superior customer experience.

Emerging markets have gained increasing importance for eye care penetration with the rapid expansion of local middle classes, which has led GrandVision to also pursue a franchise model in these regions.

In 2016, we introduced our successful franchise model in Brazil through our local retail banner Fototica, as part of a long-term sustainable growth

GrandVision by Fototica store at Eldorado shopping mall in São Paulo

plan. During the year, Brazil started to introduce the first franchise stores both by opening new stores and transferring own stores into a franchise model, all applying GrandVision's successful customized store format. The openings were supported by an extensive marketing and communications campaign comprising local and social media which generated a buzz among local customers and potential franchisees.

The franchise model in Brazil allows us to benefit from the country's entrepreneurial culture and specific regulations, while providing a flexible expansion platform for the future.

GrandVision by Fototica store opening event; GrandVision's stand at Abioptica in São Paulo

GrandVision's people

Our passion to provide customers with the best possible service and quality in eye care is enabled by the excellence of our people. GrandVision continuously invests to develop their expertise and capabilities, and makes every effort to ensure they meet the individual eye care needs of our customers. That is what distinguishes us every day, across our stores, our TechCenters and our retail support functions.

Expanding our talent base

In 2016, the average number of full time equivalent (FTE) employees increased by 1,256 to 28,766, due mainly to acquisitions and the expansion of our store network. Overall, the total number of employees, including part-time employees, reached more than 31,000 in the year.

	2016	2015
G4	12,625	12,372
Other Europe	7,942	7,824
Americas & Asia	8,009	7,176
Corporate, Other	189	138
Total	28,766	27,510

Managing for excellence

To meet our people objectives and support our global expansion, GrandVision is working on the deployment of an enhanced set of human resources capabilities. These initiatives aim to continuously improve staff efficiency, align human resources efforts, strengthen our people policies and practices, invest in common enablers, and generate efficiencies across the organization.

So far, we have implemented best practices at all levels of the organization while simultaneously developing a harmonized, more cohesive HR approach across all countries and retail banners. This ensures common HR operating principles and KPIs, and strong governance across all geographies.

Our first priority is to focus on activities that strengthen our business performance. This comprises globally leveraged services that are provided to employees, managers and applicants, with enhanced operational support and easy-to-use tools, as well as the sharing of best practice and business partnering capabilities. This also includes the deployment of functional training programs built around a common framework.

Furthermore, in 2016 we have defined a common set of Key Performance Indicators (KPIs) that we will use to report on a quarterly basis as of 2017.

Once implemented globally, these metrics will be an important step forward in our employee development efforts. The KPIs are closely aligned to our strategic goals as an integrated people-centric company that leverages its global capabilities. They provide us with accurate and timely information on the factors that drive and motivate our people, and enable us to develop more effective responses to our evolving requirements.

The KPIs will include general numbers on FTEs (store managers, optician/optical specialists, and other store employees, non-store employees, % part-time employees), productivity, retention, recruitment, vacancies, sick leave and employee survey results. In 2017, we will further develop these KPIs.

Engaging our people

Listening to our employees and creating high levels of engagement and alignment are essential for the realization of our people strategy. Our local businesses have long used employee surveys to track engagement. More recently, we have started to apply a consistent approach across all countries and aligned our methodologies. To this end, we conducted a pilot survey in 2016 and have prepared a single global engagement framework that will be rolled out in early 2017.

A newly introduced survey methodology allows us to globally track and measure key areas on a quarterly basis. This will provide us with valuable information about our people's engagement levels, their understanding and focus on the company's plans and objectives, and the effectiveness of their managers.

Supporting diversity and inclusion

At GrandVision we aspire to reflect the diversity of the communities in which we work. We are committed to a fair recruitment process based on objective criteria. Our internal grading systems are based entirely on the requirements of each position and the professional background and skills of every candidate, regardless of gender, race or social background.

Fostering respectful working environment

We look to foster a working environment that is respectful and open to dialogue, and which enables all people to reach their full potential. This also implies a working space that is free of discrimination, harassment and victimization on the basis of:

- Gender, sexual orientation, marital or civil partnership status, gender reassignment
- Race, color, nationality, ethnic or national origin
- Hours of work
- Religious or political beliefs
- Disability
- Age

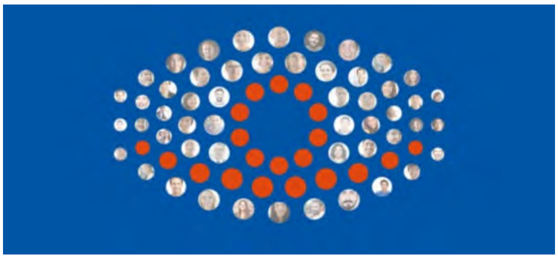
In terms of gender representation, over 70% of employees and more than 60% of managers in our own stores are women. The share of women in GrandVision's senior leadership team of about 200 people is approximately 30%.

Encouraging learning and development

We are committed to enabling our people's professional development so they fulfill their true potential and can pursue a rewarding professional career. The GV Academy is our international center of excellence for continuous learning and development for all employees. It ensures that we are able to deliver learning and development programs in a consistent and effective manner.

GrandVision Academy

In 2016, the GV Academy further expanded a common training framework for all commercial and retail staff including retail, optical and sunglass expertise, and a specific curriculum for Store Management. The new framework was successfully introduced in many countries in Europe and Latin America and will be implemented in all other GrandVision countries in 2017.



The framework applies a blended learning approach comprising e-learning, classroom lessons and on-the-job training. It is empowered by an integrated Learning Management System which facilitates the sharing of best practices and adapts content to local needs and circumstances. It also features a new certification system that helps us ensure each location meets GrandVision standards and that all customers receive the same high quality of service everywhere and every day. In 2016, 39,000 days were devoted to professional training.

Promoting international careers

We recognize the benefits of international mobility among our senior management teams. Short and long-term assignments across our network help to exchange best practices between operating units, while training and preparing our future leaders in multicultural environments. Our global mobility policy is benchmarked against international best practices.

Strengthening our recruitment capabilities

The ability to attract the best talent in our respective markets is central to our people strategy. As part of these efforts we continued to streamline and professionalize our recruitment process, while further strengthening our HR activities.

Apollo-Optik apprentices temporarily managing stores in Germany

As part of Apollo's apprentice program, apprentices temporarily took over the responsibility of running two of our stores in Germany.

XMAS
EXTAVAGANZA
3% OFF
Solaris
Solaris
HERITAGE
UNOFFICIAL
FENDI
Dior
HERITAGE
UNOFFICIAL
RALPH
RALPH LAUREN
GUCCI

Pioneering a unique training concept in the Netherlands

GrandVision Academy in the Netherlands is pioneering a unique training and certification concept that will lead to record numbers of associates graduating as qualified opticians.

Optician schools in the Netherlands have typically offered three-year diploma courses that combine school work with on-the-job training. In cooperation with the Dutch Health Tec Academy, GrandVision Academy is shortening the required timespan to as little as two and half years by enabling more educational elements to take place within the workplace, under the guidance of GrandVision tutors.

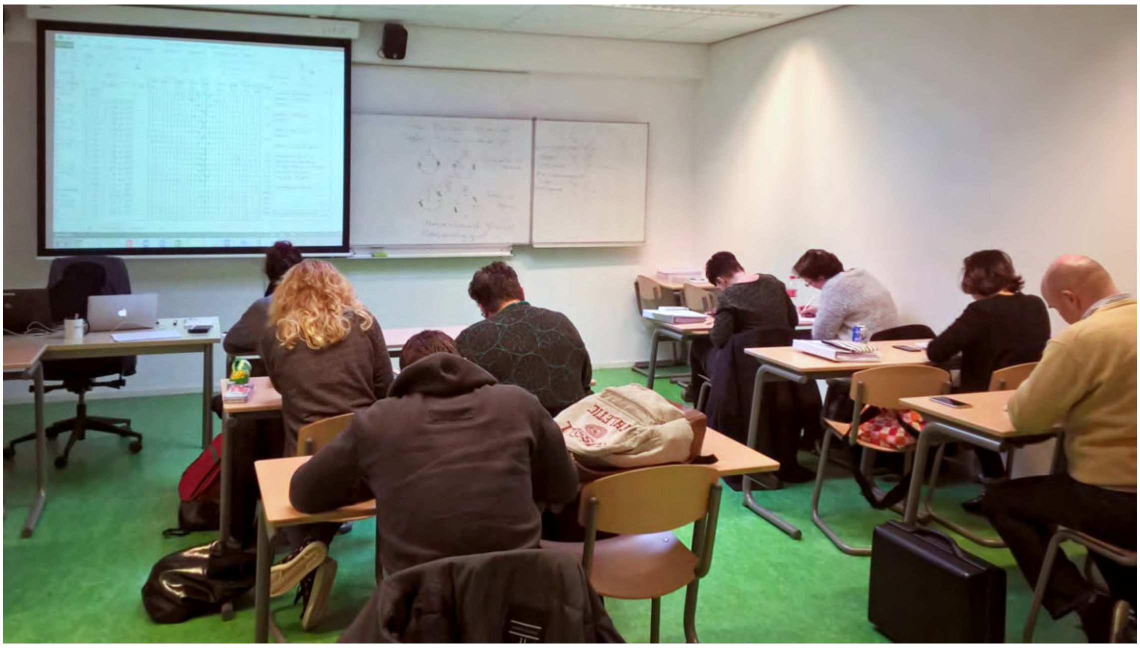
Thanks to the new scheme, which is entirely funded by GrandVision, an unprecedented 70 associates from local retail banners Pearle and Eye Wish will graduate in July 2017, compared to a previous average of 45. The move addresses the growing shortage of qualified opticians in the local market, and is also expected to have a positive effect on staff retention levels at GrandVision.

GrandVision apprentices in training

"We've put a lot of effort into this program and seen a lot of demand for the approach, we want people to develop professionally, and take this opportunity to become qualified opticians and stay with us"

explains Marjan Branger, Manager Learning & Development at GrandVision Academy in the Netherlands.

Trainees in the classroom



Graduation day

Corporate Social Responsibility

As a global leader in optical retailing, we acknowledge the responsibility we carry towards economic development, improving the quality of life of our customers and employees, and creating value in the communities in which we are present.

Over the years, we have embraced many CSR activities and initiatives that have also been an important part of our business strategy. Our aim is to build on the progress we have made by giving further and more explicit attention to a number of CSR topics that we consider to be most material to our business and our stakeholders.

In delivering our products and services, we take into account all dimensions of value-creation, including quality, innovation, availability, social responsibility and price. We have therefore drawn from these existing commitments to further strengthen our overall CSR ambition, which is rooted in our promise: EYE CARE, WE CARE MORE.

As part of this effort, we will publish our first dedicated CSR reporting 2017. The report will present the progress we make against our CSR ambition. For this report we have adopted Global Reporting Initiative's (GRI) G4 Guidelines, the world's most widely used standards for sustainability reporting. To gain a good understanding of the issues that are most material to our stakeholders we have conducted a comprehensive stakeholder engagement exercise.

Developing our CSR ambition

To establish our CSR ambition we have conducted an internal assessment of our value chain and an analysis of the external factors that influence our business, such as local legislation, the needs of our stakeholders and of our customers. This has contributed to the selection of the themes which are most important to our organization and which we believe are also significant for our stakeholders. Our CSR ambition addresses four impact areas:

- Improve the quality of life of customers and employees
- Enhance socio-economic development
- Be a responsible and trustworthy partner
- Minimize our environmental footprint

GrandVision's CSR ambition

Our CSR ambition is in sync with our business strategy and tailored to our stakeholders' needs as we strive to deliver positive impact in a sustainable and ethical way. Given the nature of our business, there are multiple ways in which we do this:

- We contribute to better quality of life by improving the accessibility to high quality and affordable eye care.
- We contribute to economic development in many countries and create value for society beyond our core business through community involvement initiatives.
- We take responsibility for delivering all of our products and services in a sustainable and ethical manner.
- We focus on being a good employer, on responsible sourcing and on managing our environmental footprint throughout the value chain.

CSR ambition - our focus areas

Improve the quality of life of customers and employees

By being globally active: GrandVision aims to play an important role towards ensuring that more and more people worldwide have access to the eye care, vision correction and vision protection they need. We estimate that more than 2 billion people worldwide are vision impaired but don't have access to eye care. We are working towards reducing these numbers by expanding our store network in countries with low levels of eye care penetration and through our CSR activities.

By creating high quality employment opportunities: With our global presence we are contributing to economic development by creating high quality employment opportunities. Due to acquisitions and expansions of our network we are able to offer employment opportunities both within our organization and in our supply chain.

Enhance socio-economic development in the communities we operate in

By rolling out corporate citizenship programs and community involvement initiatives: With our corporate citizenship programs and community involvement initiatives we create additional societal value. We improve access to eye care for people in need and provide them with an improved probability to succeed in education, social participation, economic development and welfare, we act beyond the local nature of our retail activities.

Synoptik on a charitable trip to Guatemala

By meeting our tax obligations in an ethical and transparent way: GrandVision pursues a transparent and responsible tax strategy that aligns long-term interests of all stakeholders including shareholders, governments and communities. It also aims to embed tax implications in business processes where and when they originate. Our tax strategy is supported by an integrated transfer pricing approach which is based on current and future best practice guidance issued by the OECD. As a result, GrandVision is paying taxes across its value chain in the jurisdictions where the respective value is created, thereby contributing to the socio-economic development of those areas. Our CSR report in 2017 will include a more detailed description of our tax strategy.

By enabling our employees to develop professionally: We continuously invest in the expertise and capabilities of our people, and make every effort to ensure they can meet the individual eye care needs of our customers. 39,000 days in training were delivered across the GrandVision network in 2016, to develop the skills and competencies of our employees worldwide. The GV Academy provides a structure and framework to this development, allowing us to deliver ongoing learning and development in a consistent and effective manner. The GV Academy offers learning that is focused on leadership development, functional skills and technical expertise.

Be a responsible and trustworthy partner

By being a responsible employer:
Equal opportunity: GrandVision is committed to maintain responsible working conditions and benefits for all employees. We have established a fair recruitment and selection process based on objective criteria. We also promote a healthy working environment in which everyone is offered an equal opportunity to achieve their full potential.

Employee engagement: High levels of employee engagement and alignment are essential for our organization. In 2017, we will roll out a unified approach to consistently ensure employee engagement throughout the group.

An apprentice at Apollo-Optik, Germany, assists a customer

Ethics and good conduct: To earn our customers' and employees' loyalty, all our employees believe in and apply our core values – integrity, openness and a strong focus on customer service and store performance. We believe these are key ingredients of our success. It is important that we share a common understanding and a set of guidelines to help reinforce and uphold our values. For this purpose, GrandVision has a Code of Conduct and a Whistleblower Procedure that enables our people to detect and alert the organization should a deviation occur. A copy of the GrandVision Code of Conduct and Whistleblower Procedure can be found on www.grandvision.com.

An Antitrust and Competition Law Compliance policy is established across the entire group. A copy of the GrandVision Competition Law Policy can be found on www.grandvision.com.
Every GrandVision employee receives an awareness training on these topics once a year.

By sourcing our suppliers responsibly: As a trustworthy partner we are committed to ensuring we deal with suppliers that also recognize their responsibility to the people they employ and the communities they affect. GrandVision looks at its entire value chain for opportunities to foster economic stability among its suppliers.

We are committed to business practices that do not infringe on human rights and that are aligned to the various international standards for responsible business conduct, including the Universal Declaration of Human Rights, the International Labor Organization's Declaration on the Fundamental Principles and Rights at Work.

Through our Code of Conduct, we clearly communicate our expectations in these areas and assess supplier performance. We then work with suppliers to ensure that any issues are continuously addressed.

GrandVision ensures that all suppliers receive and acknowledge a copy of our Responsible Sourcing Policy. We verify compliance with the Policy through the use of regular third-party audits. All employees engaged in procurement and with suppliers also have responsibility and accountability for compliance with the Policy.

Minimize our environmental footprint

GrandVision recognizes that caring for the environment is a major consideration when conducting business. We therefore look to minimize our environmental footprint, through our suppliers, tech-centers, logistics and stores.

By enforcing environmental management in our value chain: GrandVision seeks to balance economic initiatives with environmental needs. In doing so, it respects the requirements of the law and applicable regulations, and fully cooperates with authorities that carry out environmental checks and monitoring.

Suppliers contribute strongly to this process. In particular, if a supplier is involved in the production process they may not engage in illegal dumping or irresponsibly discard hazardous materials that may be part of their industrial waste.

Suppliers Code of Conduct

GrandVision's suppliers must adhere to the Suppliers Code of Conduct which outlines our measures to mitigate any potentially harmful effects that their activities may have on the environment. Furthermore, our suppliers are subject to regular third-party audits in which their environmental management procedures are assessed.

By centralizing production volume to TechCenters: By moving to industrialized cut, edge and fit facilities, GrandVision is able to better control the environmental footprint of its global production activities. At the end of 2016, a significant share of all lenses in our G4 and Other Europe segments were produced at GrandVision's state-of-the-art TechCenters.

In the years ahead, we will move additional volumes to our TechCenters. We also continue to explore further measures to recycle more of our waste output and maximize the reuse of materials.

GrandVision, TechCenter, UK

By managing our store utilities efficiently: As a global retailer we understand the impact of our stores on the environment. With 6,516 stores worldwide, a large part of our environmental impact comes from the power we use for lighting and temperature control. Such utilities are managed by the stores individually.

GrandVision standardized store concept

A standardized store design and technical specification framework has been adapted internationally throughout GrandVision. This framework includes clear guidelines for efficient technical installations such as LED lighting and efficient air conditioning systems and also a more efficient, and therefore, a reduced use of the floor space. The standardized collection of power usage data in the future will enable us to monitor our progress and implement additional tools to further reduce our environmental footprint.

GrandVision by Avanzi, Arese, Italy

Bringing eye care to disadvantaged communities in Nicaragua

GrandVision's Swedish brand, Synoptik, has a long track-record of helping to improve quality of life in impoverished regions. Since 2011, it has fitted prescription glasses free of charge for almost 18,000 people in disadvantaged communities around the world.

Synoptik conducts these activities through its charitable foundation, Opticians Without Borders, and in collaboration with Swedish aid organization Vision For All. The used, but fully functioning glasses, are donated by Synoptik customers and by the general public as part of a nation-wide collection campaign that takes place in Sweden each year. In 2016, a record 71,000 pairs of glasses were donated.

In 2016, during a charitable trip to Nicaragua, a group of Synoptik opticians and eye care assistants performed eye exams and provided more than 4,000 pairs of free eye glasses to children and adults with limited access to eye healthcare.

"Our optometrists use very simple methods, but our work really does change people's lives," says Synoptik Marketing Director Lottie Funck Ekelund. "The availability of optometrists and financial resources is very limited in rural areas, and that is where we can make the biggest difference."

The World Health Organization estimates that 90% of those with eyesight problems worldwide live in developing countries and are often unable to afford glasses or eye exams. In these cases, a pair of glasses with the right prescription can have life-changing consequences.

Hege Welin helps a little boy in Nicaragua to get glasses

"I remember a truck driver who complained he couldn't see properly when driving at night on the highway. He had a vision strength of -7.5 which means he could barely see something a few feet away."

Hege Welin, a Synoptik regional manager and one of ten optometrists who travelled to Nicaragua as part of the initiative.

"I remember a truck driver who complained he couldn't see properly when driving at night on the highway," recalls Hege Welin, a Synoptik regional manager and one of ten optometrists who travelled to Nicaragua as part of the initiative. "He had a vision strength of -7.5 which means he could barely see something a few feet away. By giving him eyeglasses to improve his vision we helped protect his life and probably that of others too."

Hege is proud to have helped change so many people's lives in such a positive way, and is looking forward to an opportunity to do so again. "This is one of the reasons I started working at Synoptik. It feels great to be able to help children and adults in this way and it changes you as a person in a good way."

Business performance

Group performance

GrandVision reported €3.3 billion in revenue and €537 million in adjusted EBITDA for 2016. Revenue and EBITDA growth were driven by the continued implementation of our 'simple, safe and honest' customer journey and the deployment of our global capabilities across the Group. Efficiency gains and a higher share of Exclusive Brands within our sales mix led to an adjusted EBITDA margin expansion of 24 bps to 16.2%.

in millions of EUR (unless stated otherwise)	FY16	FY15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	3,316	3,205	3.5%	6.5%	3.5%	3.1%
Comparable growth (%)	2.2%	4.1%				
Adjusted EBITDA	537	512	5.0%	6.7%	7.3%	-0.6%
Adjusted EBITDA margin (%)	16.2%	16.0%	24bps			
Net result	252	231	9.1%			
Net result attributable to equity holders	231	213	8.8%			
Adjusted earnings per share, basic (in €)	0.96	0.87	11.3%			
Earnings per share, basic (in €)	0.92	0.84	8.7%			
Number of stores (#)	6,516	6,110	6.6%			
System wide sales	3,657	3,541	3.3%			

Revenue grew by 6.5% at constant exchange rates to €3,316 million, driven by comparable growth of 2.2%, new store openings and a 3.1% contribution from acquisitions. Adjusted EBITDA increased by 6.7% at constant exchange rates to €537 million, and net result increased by 9.1% to €252 million. System-wide sales, which reflects the retail sales of GrandVision's own stores and those of its franchises, increased by 3.3% to €3,657 million.

Operational highlights

In 2016, market conditions in eyewear continued to be favorable overall. While markets in Western Europe, North American and Asia showed similar growth levels compared to the previous year, market growth rates in Eastern Europe and Latin America were impacted by a more challenging consumer environment, particularly in Russia and Brazil.

Demand for eye care continues to be driven by long term demographic trends as well as consumers' focus on value and quality. These favorable underlying market trends and the continued execution of our commercial strategy enabled us to achieve a comparable growth of 2.2% in 2016 and total revenue growth at constant exchange rates of 6.5%. As a result, we further increased our global market share and strengthened our position as a leading global optical retailer.

Operational information

	2016	2015
Number of stores	6,516	6,110
Number of own stores	5,402	5,014
Number of franchise stores	1,114	1,096
Number of countries in which GrandVision is present	44	44
Number of retail banners	29	34
Number of employees (average FTE)	28,766	27,510

During 2016, GrandVision completed two bolt-on acquisitions of optical retail chains in Latin America. We acquired Optica Lux in Uruguay, making us the market leader in Uruguay. In addition, we strengthened our market position in Mexico through the acquisition of 181 small store-in-store points of sale within the Walmart network and started to integrate them into our MasVisión network.

One operational priority in 2016 was the integration of businesses acquired in previous years. We made considerable progress with the restructuring and integration of the For Eyes business in the United States through the alignment of the commercial strategies and operations to the GrandVision model. We also strengthened the back office with the capabilities to build an expansion platform for the future.

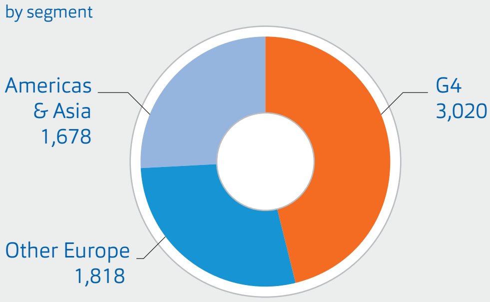
Following the acquisition of the Randazzo business in late 2014, we started to rebrand our Avanzi and Optissimo stores in Italy to GrandVision. As the market leader in Italy we are now using a single retail banner, which allows us to increase customer awareness by communicating with a single brand on national and social media channels.

In 2016, GrandVision further optimized and expanded its store network by investing in existing stores, and opening and acquiring new stores. The acquisitions, combined with a continued organic expansion of the store network, led to a total Group store network of 6,516 stores at year-end 2016, of which 5,402 were own stores and 1,114 were franchise stores. The number of own stores grew faster than the number of franchise stores, as the acquired businesses mainly operate own stores.

Number of stores

Number of stores in 2016

by segment



The Americas & Asia segment saw the largest increase of its store base, from 1,370 stores at the end of 2015 to 1,678 in 2016, now representing 26% of GrandVision's global store base. In Mexico, our store base expanded from 251 stores in 2015 to over 500 points of sale at the end of 2016 through acquistions and store openings. We also strengthened our store networks in Turkey and Colombia through store openings. In Europe, the store network was expanded in most countries, particularly in France, Germany, Italy, Portugal and Poland.

Financial review

Summarized consolidated income statement

in millions of EUR	2016	% of revenue	2015	% of revenue
Revenue	3,316	100.0%	3,205	100.0%
Cost of sales and direct related expenses	- 901	-27.2%	- 876	-27.3%
Gross profit	**2,415**	**72.8%**	**2,328**	**72.7%**
Selling and marketing costs	- 1,668	-50.3%	- 1,617	-50.4%
General and administrative costs	- 393	-11.8%	- 363	-11.3%
Share of result of associates	4	0.1%	5	0.1%
Operating result	**358**	**10.8%**	**353**	**11.0%**
Net financial result	- 10	-0.3%	- 19	-0.6%
Result before tax	**348**	**10.5%**	**334**	**10.4%**
Income tax	- 96	-2.9%	- 103	-3.2%
Result for the period	**252**	**7.6%**	**231**	**7.2%**

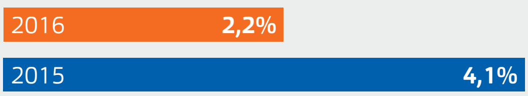
Revenue development

Revenue grew by 3.5% to €3,316 million in 2016 (2015: €3,205 million). At constant exchange rates, revenue increased by 6.5% as foreign exchange fluctuations had a negative effect of 3.1% on revenue, mainly due to the devaluation of the British Pound and emerging market currencies.

Revenue (in € million)

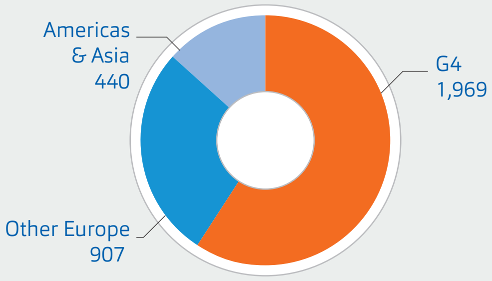
Organic growth of 3.5%, was driven by comparable growth of 2.2% as well as store openings across our business. Acquisitions contributed an additional 3.1% to revenue growth.

Comparable Growth



The G4 segment delivered revenue growth of 2.6% at constant exchange rates, driven by comparable growth of 1.5% and continued store network expansion, particularly in France and Germany. In Other Europe, revenue grew by 3.5% at constant exchange rates, with organic growth of 2.6%. The Americas & Asia segment achieved revenue growth of 36.2% at constant exchange rates and organic growth of 13.0%. Revenue growth in the segment also included a 23.2% effect from acquisitions completed during 2015 and 2016.

Revenue by segment in 2016
(in € million)



Revenue growth was driven by all three product categories: prescription glasses, contact lenses and sunglasses. Among these categories, contact lenses showed the highest growth rate during the year, benefiting from increasing consumer demand for daily disposable contact lenses. The proportion of sunglasses in the overall revenue mix continued to increase in 2016 as we further rolled out the Solaris sunglass concept.

Sales of prescription glass sales grew as we continued to strengthen our commercial proposition during the year, enabling us to deliver on our promise of providing high quality eye care at affordable prices. We saw higher conversion rates in our stores as we shared the benefits of global purchasing and category management with our customers, helping us further enhance the competitiveness of our offers.

Revenue development

in millions of EUR (unless stated otherwise)	2016	2015	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
G4	1,969	1,968	0.1%	2.6%	2.1%	0.5%
Other Europe	907	883	2.7%	3.5%	2.6%	0.9%
Americas & Asia	440	354	24.3%	36.2%	13.0%	23.2%
Total	3,316	3,205	3.5%	6.5%	3.5%	3.1%

(Adjusted) EBITDA development

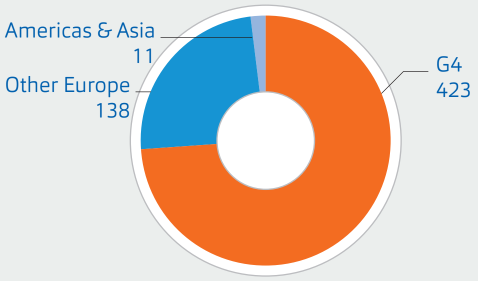
Adjusted EBITDA increased by 5.0% or 6.7% at constant exchange rates to €537 million in 2016 (2015: €512 million) with 7.3% from organic growth and a negative contribution of 0.6% from acquisitions. The adjusted EBITDA margin increased by 24 bps to 16.2%. Excluding acquisitions, the EBITDA margin would have increased by 80 bps to 16.8%.

Adjusted EBITDA (in € million)

Adjusted EBITDA growth and margin expansion were driven by a combination of comparable growth, further efficiency gains through the implementation of our global capabilities and a higher share of Exclusive Brand frames in our sales mix.

In the G4 segment, adjusted EBITDA increased by 5.0% to €423 million (2015: €402 million) or 6.8% excluding the devaluation of the British pound. The adjusted EBITDA margin increased by 100 bps to 21.5% in 2016 (FY15: 20.4%), benefiting from efficiency gains from the continued roll-out of our global capabilities as well as a higher share of Exclusive Brand frames in the sales mix.

Adjusted EBITDA by segment in 2016
(in € million)



In the Other Europe segment, adjusted EBITDA increased by 4.0% to €138 million (2015: €133 million) or 4.9% at constant exchange rates. The adjusted EBITDA margin increased by 18 bps to 15.3% driven by revenue growth, efficiency gains and a higher share of Exclusive Brand frames within the sales mix.

In the Americas & Asia segment, adjusted EBITDA increased by 29.2% to €11 million (2015: €8 million), or 41.6% at constant exchange rates. Organic EBITDA growth was 119%, while acquisitions had a negative impact of 78%. Adjusted EBITDA growth in the segment was achieved through better operating leverage enabled by the growing store footprint, and roll-out of our global capabilities.

Other reconciling items primarily consist of corporate costs not allocated to specific regions and amounted to €34 million in 2016, compared to €32 million in 2015.

Adjusted EBITDA

in millions of EUR (unless stated otherwise)	2016	2015	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
G4	423	402	5.0%	6.8%	6.2%	0.5%
Other Europe	138	133	4.0%	4.9%	3.9%	1.0%
Americas & Asia	11	8	29.2%	41.6%	119.2%	-77.6%
Other reconciling items	- 34	- 32				
Total	537	512	5.0%	6.7%	7.3%	-0.6%

Adjusted EBITDA margin (%)	2016	2015	Change versus prior year
G4	21.5%	20.4%	100bps
Other Europe	15.3%	15.1%	18bps
Americas & Asia	2.4%	2.3%	9bps
Total	16.2%	16.0%	24bps

Reported EBITDA increased by 3.0%, from €506 million in 2015 to €522 million in 2016. This increase also reflects the inclusion of exceptional and non-recurring items for a total of -€16 million recorded in 2016, which were mainly related to acquisition costs for recent acquired businesses and integration costs following the merger of the Italian business. Further costs resulted from legal and regulatory provisions as well as corrections related to prior years. In 2015, non-recurring items were -€5 million mainly reflecting legal and regulatory provisions, and costs related to the IPO in 2015, including its effect on the valuation of the long-term incentive plans and some other items, which were partially offset by a benefit related to changed pension calculations in the Netherlands.

A reconciliation from adjusted EBITDA to Operating result for 2016 is presented in the table below.

Reconciliation EBITA, EBITDA, adjusted EBITDA and operating result

in millions of EUR	2016	% of revenue	2015	% of revenue
Adjusted EBITDA	**537**	**16.2%**	**512**	**16.0%**
Non-recurring items	- 16	-0.5%	- 5	-0.2%
EBITDA	**522**	**15.7%**	**506**	**15.8%**
Depreciation and amortization of software	- 127	-3.8%	- 121	-3.8%
EBITA	**395**	**11.9%**	**385**	**12.0%**
Amortization and impairments	- 37	-1.1%	- 32	-1.0%
Operating result	**358**	**10.8%**	**353**	**11.0%**

Operating result

GrandVision's operating result (EBIT) increased by 1.4% to €358 million in 2016, compared to €353 million in 2015. The increase in the operating result was achieved through revenue growth, network expansion, as well as cost management and the continued roll-out of our global capabilities, which led to efficiency gains across our business.

Depreciation and amortization of software increased to €127 million in 2016 from €121 million in 2015 in-line with the underlying growth of the business. Total amortization and impairments was €37 million in 2016 compared to €32 million in 2015.

Financial result

The financial result improved by 45.6% from -€19 million in 2015 to -€10 million in 2016. This improvement was mainly due to lower financing cost as a result of lower debt levels, interest rates and bank fees.

Income tax

Income tax decreased from €103 million in 2015 to €96 million in 2016. The effective tax rate decreased to 27.5% in 2016 (2015: 30.8%), mainly due to one-off effects in deferred tax positions and a reduction of the statutory rate in France and tax loss carry-forwards.

Net result for the period

The net result for the period increased by 9.1% to €252 million in 2016, compared with €231 million in 2015.

Net result attributable to equity holders increased by 8.8% to €231 million in 2016 from €213 million in 2015. This increase is mainly due to higher underlying EBITDA and lower net finance costs.

Earnings per share (EPS)

Adjusted Earnings per share, which excludes non-recurring items, increased by 11.3% to €0.96 in 2016 (2015: €0.87).
Earnings per share increased by 8.7% to €0.92 in 2016 (2015: €0.84).
The weighted average number of shares outstanding was 252,623,738 in 2016 (2015: 252,427,917).
On a fully diluted basis, EPS was €0.91 in 2016 (2015: €0.84)

Financial position

Summarized balance sheet

in millions of EUR	2016	2015
Property, plant and equipment	444	431
Intangible assets	1,458	1,480
Other non-current assets	156	152
Non-current assets	**2,058**	**2,063**
Inventories	293	264
Other current assets	303	274
Cash and cash equivalents	181	198
Current assets	**777**	**736**
Total assets	**2,835**	**2,799**
Total equity	**1,007**	**832**
Borrowings	388	776
Other non-current liabilities	240	236
Non-current liabilities	**628**	**1,011**
Trade and other payables	588	534
Borrowings	543	362
Other current liabilities	69	61
Current liabilities	**1,200**	**956**
Total equity and liabilities	**2,835**	**2,799**

Non-current assets decreased slightly from €2,063 million to €2,058 million in 2016 mainly as increases from investments and acquisitions were offset by depreciation, amortization and currency effects. Current assets increased from €736 million to €777 million as inventories and receivables increased from store expansion and acquisitions.

Total equity increased from €832 million to €1,007 million mainly as a result of the 2016 net result offset by dividends paid and currency translation effects.

Non-current liabilities decreased from €1,011 million to €628 million mainly as a result of the repayment of long-term borrowings with the proceeds of the new commercial paper program. Current liabilities increased from €956 million to €1,200 million, driven by the introduction of the new commercial paper program and an increase in payables.

Cash flows and liquidity

GrandVision's liquidity requirements primarily relate to investments in existing and new stores and its global capabilities, the payment of interest, and the need to fund its working capital requirements and acquisitions. The company primarily relies on cash flows from operating activities to finance its operations. In addition, the company uses its different financing sources like the revolving credit facility, the commercial paper program and various bilateral overdraft and money market facilities.

Cash flows

The following table presents the primary components of GrandVision's cash flows.

Cash flow components

in millions of EUR	2016	2015
Net cash from operating activities	431	382
Net cash used in investing activities	- 169	- 277
Net cash used in financing activities	- 140	- 237
Inflow/(outflow) in cash and cash equivalents	**121**	**- 132**
Cash and cash equivalents at beginning of year	- 82	54
Inflow/(outflow) in cash and cash equivalents	121	- 132
Exchange gains/(losses) on cash and cash equivalents	- 1	- 4
Cash and cash equivalents at end of period	**38**	**- 82**

Net cash from operating activities increased by €49 million to €431 million in 2016 in comparison with €382 million in 2015. The improvement is primarily a result of the increase in EBITDA in 2016 as well as improvements in working capital movements compared to the previous year. While inventories and receivables showed similar movements as in 2015, the movement in payables was more positive than in 2015.

Net cash used in investing activities decreased from €277 million in 2015 to €169 million in 2016. The decrease primarily resulted from the lower number of acquisitions in 2016, while capital expenditure increased by €14 million in line with revenue.

Net cash used in financing activities is an outflow of €140 million in 2016, compared to an outflow of €237 million in 2015. This reduction is mainly driven by a higher operating cash flow and less investing activities leading to repayments of borrowings. In 2015, net cash used in financing activities also included an outflow of €50 million related to the first time purchase of treasury shares, which did not re-occur at that scale in 2016.

Capital expenditure

Capital expenditure not related to acquisitions amounted to €176 million (5.3% of revenue) in 2016, compared with €162 million (5.0% of revenue) in 2015. The majority consisted of maintenance capital expenditure used to optimize the existing store network. The following table shows the capital expenditure not related to acquisitions.

Capital expenditure

in millions of EUR	2016	2015
Capital expenditure (not related to acquisitions)	176	162
Store capital expenditure	124	122
Non-store capital expenditure	52	40

Store capital expenditure increased from €122 million in 2015 to €124 million in 2016 and primarily reflects the optimization of existing stores through renovations in an expanding store network, along with the implementation of the standardized commercial proposition and new store openings. During 2016, GrandVision continued to implement its standardized store format with a reduction of its average store size, leading to a lower level of capital expenditure per store.

Non-store capital expenditure of €52 million in 2016 was an increase compared to the €40 million registered in 2015, and primarily resulted from investments in IT systems, including the global ERP system and omni-channel solutions.

Cash outflows related to acquisitions

In 2016, cash outflows relating to acquisitions of companies (net of cash) amounted to €13 million, mainly resulting from the acquisitions of Optica Lux in Uruguay, and the acquisition of 181 small points of sale at Walmart in Mexico. In 2015, cash outflows related mainly to the acquisition of For Eyes in the USA.

Free cash flow and cash conversion

GrandVision's operations demonstrated a solid cash flow generation in 2016. Free cash flow was €255 million in 2016, compared to €220 million in 2015. The increase in free cash flow was primarily driven by higher cash flows from operating activities including improved working capital positions.

Free cash flow and cash conversion

	2016	2015
Free cash flow (€ million)	255	220
Cash conversion (%)	48.8%	43.5%

Financial indebtedness

Throughout 2016, GrandVision maintained a financial position with sufficient liquidity to fund its strategy and pursue its growth ambitions. In addition to utilizing its own cash flow, it can draw on various financing sources, like its revolving credit facility, the newly established commercial paper program and various bilateral credit facilities.

Net debt and leverage

GrandVision's 5-year revolving credit facility of €1.2 billion was extended for the second time in 2016 and now has a final maturity date of 17 September 2021. No further extension options are available.

The following table presents GrandVision's net debt, as well as the net debt leverage, as of and for the periods indicated. Excluding the impact of any borrowings associated with and any adjusted EBITDA amounts attributable to any major acquisitions, GrandVision aims to maintain a leverage ratio (net debt over adjusted EBITDA for the last 12 months) of equal to or less than 2.0.

Borrowings

in millions of EUR (unless stated otherwise)	2016	2015
Total borrowings	931	1,137
Cash and cash equivalents	- 181	- 198
Derivatives (liabilities)	5	3
Derivatives (assets)	- 5	- 1
Net debt	750	941
Adjusted EBITDA (last twelve months)	537	512
Net debt leverage (times)	1.4	1.8

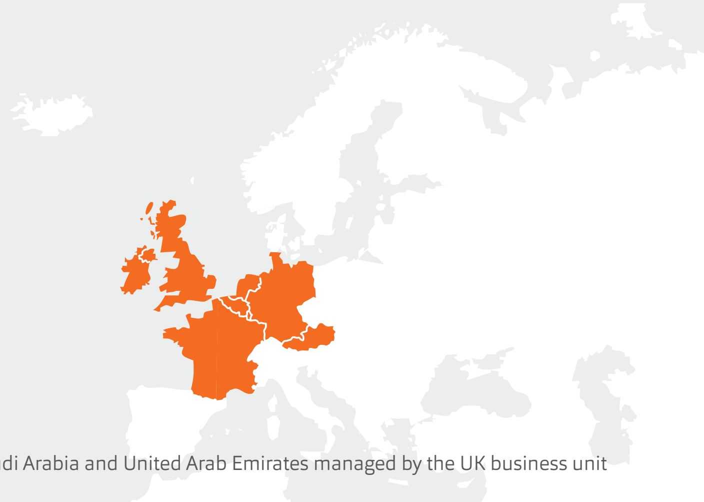
At year-end 2016, GrandVision's net debt reduced from €941 million to €750 million and the net debt leverage ratio improved to 1.4 times adjusted EBITDA, compared to 1.8 times in 2015. The decrease in net debt was driven by the strong cash flow generation during 2016 in combination with fewer acquisitions compared to the previous year. In addition, 2015 also included the purchase of €50 million of treasury shares to cover expected future share deliveries related to long term incentive plans after the IPO, which did not re-occur at that scale in 2016.


CLASSIC IS ALWAYS CHIC
C·line

Segment performance

G4

Austria
Belgium
France
Germany
Ireland
Luxembourg
Middle East*
Monaco
Netherlands
United Kingdom



* Franchise in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates managed by the UK business unit

Stores

2016	**3,020**
2015	**2,990**

Revenue

(in million €)

2016	**1,969**
2015	**1,968**

Adjusted EBITDA

(in million €)

2016	**423**
2015	**402**

millions of EUR (unless stated otherwise)	2016	2015	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,969	1,968	0.1%	2.6%	2.1%	0.5%
Comparable growth (%)	1.5%	4.2%				
Adjusted EBITDA	423	402	5.0%	6.8%	6.2%	0.5%
Adjusted EBITDA margin (%)	21.5%	20.4%	100bps			
Number of stores (#)	3,020	2,990				
Number of employees (average FTE)	12,625	12,372				

G4

The G4 segment includes GrandVision's four largest business units: (i) the Netherlands and Belgium; (ii) France, Luxembourg and Monaco; (iii) Germany and Austria; and (iv) the United Kingdom, Ireland including franchises in several Middle Eastern countries. The G4 business units manage retail banners with own and franchise stores across these countries. Within the segment, GrandVision has market leading positions in Austria, Belgium and the Netherlands, and number 2 or 3 positions in France, Germany and the United Kingdom.

As of the end of 2016, the G4 segment operated a network of 3,020 stores, an increase from 2,990 stores in 2015. Key banners in the G4 segment include Apollo Optik in Germany with 815 stores, Pearle in Austria, Belgium and the Netherlands with 626 stores, Générale d'Optique in France with 584 stores and Vision Express in the UK, Ireland and Middle East with 418 stores.

Revenue

In the G4 segment, revenue increased by 0.1% to €1,969 million in 2016 including a negative effect of 2.5% from a weaker British pound against the euro. At constant exchange rates, revenue growth was 2.6% with organic growth of 2.1% and a positive acquisition impact of 0.5%. Comparable growth for the segment was 1.5% . All business units delivered revenue and comparable growth.

Adjusted EBITDA

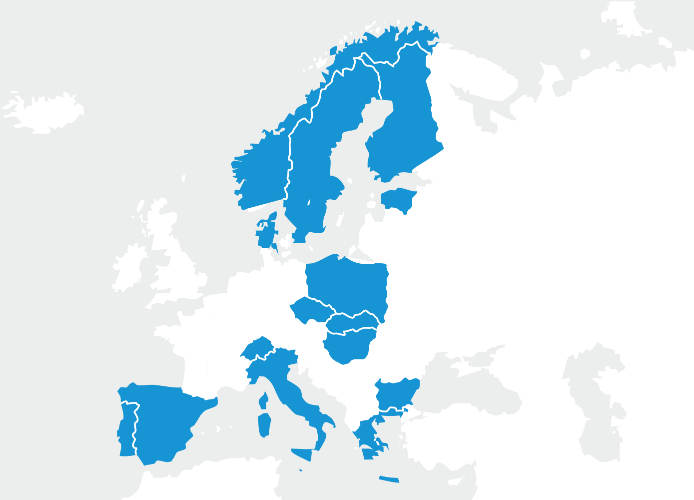
In 2016, adjusted EBITDA in the G4 segment increased by 5.0% to €423 million (FY15: €402 million) or 6.8% excluding the devaluation of the British pound. The adjusted EBITDA margin increased by 100 bps to 21.5% in 2016 (FY15: 20.4%), benefiting from efficiency gains from the continued roll-out of our global capabilities as well as a higher share of Exclusive Brand frames in the sales mix.

Solaris store, Nice, France

Other Europe

Bulgaria
Cyprus
Czech Republic
Denmark
Estonia
Finland
Greece
Hungary
Italy
Malta
Norway
Poland
Portugal
Slovakia
Spain
Sweden
Switzerland*

* Associate



Stores

2016 **1,818**

2015 **1,750**

Revenue

(in million €)

2016 **907**

2015 **883**

Adjusted EBITDA

(in million €)

2016 **138**

2015 **133**

millions of EUR (unless stated otherwise)	2016	2015	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	907	883	2.7%	3.5%	2.6%	0.9%
Comparable growth (%)	1.6%	3.2%				
Adjusted EBITDA	138	133	4.0%	4.9%	3.9%	1.0%
Adjusted EBITDA margin (%)	15.3%	15.1%	18bps			
Number of stores (#)	1,818	1,750				
Number of employees (average FTE)	7,942	7,824				

Other Europe

The Other Europe segment includes the business units that operate in Northern, Eastern and Southern Europe. These business units manage single or multiple optical retail banners in one or several countries. The banners are predominantly comprised of own stores and, to a lesser extent, franchise stores.

In many markets, GrandVision banners have market leading positions, e.g. in the Czech Republic, Estonia, Finland, Hungary, Italy, Poland and Portugal. Key banners include GrandVision with 277 stores, Multiopticas in Portugal with 206 stores, Vision Express in Poland, Hungary and Bulgaria with 231 stores, as well as Synoptik in Sweden and Denmark with 226 stores. At the end of 2016, there were 1,818 stores in the Other Europe segment, an increase from 1,750 stores in 2015.

The optical retail markets in the Other Europe segment are characterized by a lower level of maturity than the G4 segment, particularly in Eastern Europe. GrandVision has been developing growth opportunities in this segment by gaining scale in these markets through the expansion of its existing store base, as well as through acquisitions.

Revenue

In Other Europe, revenue increased by 2.7% to €907 million in 2016 (2015: €883 million), or 3.5% at constant exchange rates. Organic revenue growth and comparable growth were 2.6% and 1.6% respectively. Revenue growth during the year was impacted by the integration and rebranding process in Italy following the merger of the Avanzi and Randazzo retail banners, while Eastern European markets continued to grow by mid-single digits.

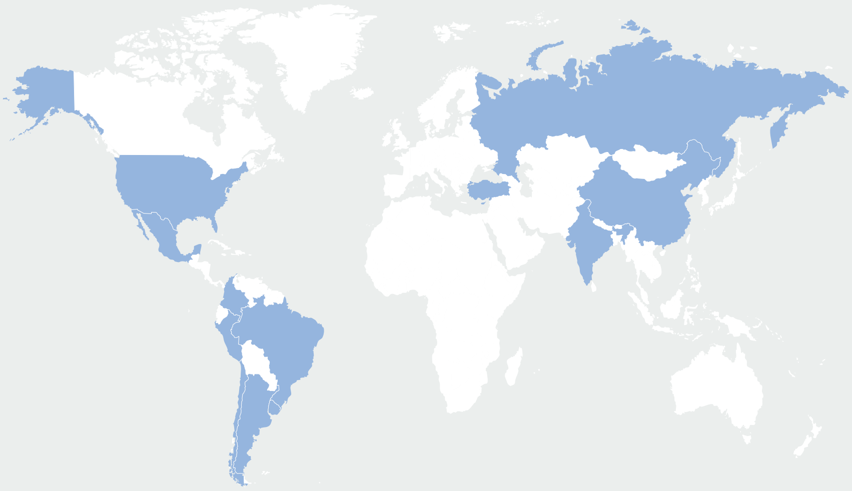
Adjusted EBITDA

Adjusted EBITDA in the Other Europe segment increased by 4.0% to €138 million (2015: €133 million) or 4.9% at constant exchange rates. The adjusted EBITDA margin increased by 18 bps to 15.3%, driven by revenue growth, efficiency gains and a higher share of Exclusive Brand frames within the sales mix.

Vision Express store, Poland

Americas & Asia

Argentina
Brazil
Chile
China
Colombia
India*
Mexico
Peru
Russia
Turkey
United States
Uruguay
* Joint venture



Stores

2016	1,678
2015	1,370

Revenue

(in million €)

2016	440
2015	354

Adjusted EBITDA

(in million €)

2016	11
2015	8

millions of EUR (unless stated otherwise)	2016	2015	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	440	354	24.3%	36.2%	13.0%	23.2%
Comparable growth (%)	7.4%	6.6%				
Adjusted EBITDA	11	8	29.2%	41.6%	119.2%	-77.6%
Adjusted EBITDA margin (%)	2.4%	2.3%	9bps			
Number of stores (#)	1,678	1,370				
Number of employees (average FTE)	8,009	7,176				

Americas & Asia

The Americas & Asia segment includes the businesses in Latin America, Asia and the United States. In Latin America, GrandVision operates leading optical retail banners in Argentina, Chile, Colombia, Mexico and Uruguay. Most regions in the Americas & Asia segment have the lowest level of maturity in the GrandVision group. These optical retail markets have been growing faster on average than the more developed markets. GrandVision is market leader in Latin America with number one positions in Argentina, Chile, Colombia and Uruguay. In Asia, GrandVision is well positioned in China, India, Russia and Turkey.

The store network increased by 308 to 1,678 in 2016 due to acquisitions in Mexico and Uruguay as well as continued network expansion, particularly in Colombia, Mexico and Turkey.

Revenue

In the Americas & Asia segment, revenue grew by 24.3% to €440 million in 2016 (2015: €354 million) or 36.2% at constant exchange rates. Organic growth was 13.0% and the acquisitions in the United States, Mexico and Uruguay contributed 23.2% to revenue growth. Comparable growth was 7.4% with a strong contribution from Mexico and Turkey and a weaker performance in Brazil, Peru and Uruguay.

Adjusted EBITDA

Adjusted EBITDA increased by 29.2% to €11 million in 2016 (2015: €8 million), or 41.6% at constant exchange rates. Organic adjusted EBITDA growth was 119%, while acquisitions had a negative impact of 78%. Organic growth was achieved through better operating leverage enabled by the growing store footprint, and roll-out of our global capabilities.

GrandVision store, Shanghai, China

Bringing affordable high quality eye care and premium customer experience to US customers

GrandVision has continued to make steady progress towards the integration of For Eyes, its recently acquired US-based optical retailer.

Now, customers across For Eyes' network of 117 stores in metropolitan areas along the East Coast, including Washington DC, Chicago and Philadelphia, in the states of Florida and California, and Puerto Rico, are already benefiting from our 'Simple, Safe & Honest' customer journey.

As part of the process, For Eyes stores are being modernized and refitted with elements of our standardized store concept, and are implementing our commercial proposition. This includes our assortment of competitively priced Exclusive Brands and high quality lens packages. Store staff have been extensively trained to ensure they provide the same 'Simple, Safe & Honest' customer experience that distinguishes our retail banners worldwide, while continuing to meet the specific needs of the US optical retail market.

For Eyes store, Aventura, Florida

All major operational areas of the For Eyes business are now concentrated in Miramar, Florida. GrandVision has also strengthened key functions including Finance, IT, marketing, HR and real estate, to support its US growth plans in the coming years.

By aligning the For Eyes business to our overall approach and strategy, we are leveraging our global strengths and capabilities to extend our offering of high quality and affordable eye care to US customers.

For Eyes store, Weston, Florida

Corporate governance

Report from the Supervisory Board

It is my pleasure to present the report from the Supervisory Board of GrandVision. This report provides an overview of the approach and activities taken by the Supervisory Board in 2016.

Activities of the Supervisory Board in 2016

The Supervisory Board held six ordinary meetings in 2016. One of the Supervisory Board's priorities is strategy development and discussion and one extended meeting was fully devoted to GrandVision's strategy. During all meetings the Management Board and Company Secretary were present and no members of the Supervisory Board were absent. Between meetings, the Chairman of the Supervisory Board and the CEO of GrandVision maintained regular contact and had several meetings and conversations during the year. The Chairman acts as the first point of contact within the Supervisory Board for the CEO for discussions on topical issues and GrandVision's general matters.

At least once a year, the Chairman has individual meetings with all Management Board members. During 2016, discussions within the Supervisory Board were based mostly on documents and presentations prepared by the Management Board and the extended GrandVision Management Team. By way of preparation, many subjects were discussed in advance at one of the Supervisory Board's committee meetings. In the meetings with the Management Board, the Supervisory Board was provided with updates on a number of recurring items, such as news regarding GrandVision, financial performance, the Company's internal risk management and control processes, developments in the markets in which GrandVision operates, business projects and acquisition opportunities.

In March 2016, GrandVision's auditor, PricewaterhouseCoopers Accountants N.V. (PwC), participated in a Supervisory Board meeting to discuss the financial statements of 2015 as well as the external auditor's report and the findings summarized in the management letter. The auditor's recommendations in the management letter were all related to improvement opportunities such as improving tax and transfer pricing knowledge at operating company level. Furthermore, no material weaknesses in internal controls were identified. The Management Board agreed with these comments and plans were made for follow-up. After review of the unqualified opinion provided by the external auditor, GrandVision's 2015 financial statements were endorsed by all members of the Supervisory Board.

The Supervisory Board meets each quarter right before the publication of the quarterly results and has an in-depth discussion with the Management Board about the results and related documents such as the draft press release. At the meeting held in December 2016, the Supervisory Board had an extensive discussion regarding the 2017 plan and financial budget. During these discussions the Supervisory Board challenged the sustainable growth and financial objectives set by the Management Board. Following a productive discussion, the Supervisory Board unanimously approved the 2017 financial budget.

Supervisory Board Committees

Audit Committee

Mr. Bolliger; Mr. Eelman (chairman)

The Audit Committee met four times in 2016, according to its fixed schedule, in the presence of the CFO, internal auditor and Company Secretary. The CEO participated in one meeting. At three of the four meetings GrandVision's external auditor PwC was present. At the meeting in March 2016, the Audit Committee reviewed the draft Annual Accounts for 2015. Important items on the agenda were the auditor's report for 2015 and GrandVision's continuing commitment to strong internal controls. The external auditor did not identify any material weakness in internal controls. Nevertheless, a number of opportunities for improvement were identified by internal audit. The Management Board agreed with the external and internal auditor's comments and plans were made for follow-up.

Remuneration Committee

Mr. van der Graaf; Mr. Groot (chairman)

The Remuneration Committee met three times in 2016, according to its fixed schedule. At the meeting in March, the achievements of 2015 were discussed and recommendations on the awarding of bonuses to the senior management of GrandVision were made. In the December meeting the salary review for senior management and bonus objectives for 2017 were discussed and proposed for approval to the Supervisory Board.

Nomination Committee

Mr. van der Graaf; Mr. Groot (chairman)

The Nomination Committee met once in 2016, according to its fixed schedule. During its meeting the Nomination Committee discussed GrandVision's nomination procedures for the Supervisory Board and Management Board and confirmed these were followed systematically in 2016. In addition, the Nomination Committee reviewed the structure, profile and succession planning for both the Supervisory Board and the Management Board.

Composition of the Supervisory Board and Management Board

The members of the Supervisory Board together represent a broad range of experience and expertise that is in line with the desired Supervisory Board profile in view of GrandVision's business and complies with the Dutch Corporate Governance Code. The Supervisory Board currently comprises five members, whose profiles are provided under Supervisory Board in the chapter Governance.

All Supervisory Board members, except for one, as permitted by the Dutch Corporate Governance Code best practice provision III.2.2, qualify as independent. Mr. Groot does not satisfy all independence criteria.

At the end of the Annual General Meeting on April 29, 2016, the first term of Willem Eelman expired. Mr. Eelman was eligible and available for reappointment and complied with the profile of the Supervisory Board. In view of Mr. Eelman's extensive experience, knowledge, dedication and valuable input during the Supervisory Board meetings, the Supervisory Board issued a non- binding nomination for re-appointment. During the Annual General Meeting of April 29, 2016, Willem Eelman was re-appointed to the Supervisory Board for an additional term of four years.

During 2016, no changes took place in the composition of the Management Board.

Diversity, including gender, remains an important consideration in the selection process for the appointment and reappointment of Management Board and Supervisory Board members, at the same time, quality, expertise and experience remain the key priorities. Diversity in the broad sense is a topic on the Supervisory Board Agenda and is also discussed in the Nomination Committee.

Self-Assessment Audit Committee

During 2016, the Supervisory Board reflected on its performance and composition as well as that of its three committees. The Supervisory Board frequently discussed the following aspects of its performance during the year: responsibilities, oversight, meetings, support, composition, cooperation, outcome, achievements and communication. The overall conclusion of this self-assessment was that the Supervisory Board is performing well.

2016 Financial Statements and Dividend

The financial statements for the year 2016, as prepared by the Management Board, have been audited by PricewaterhouseCoopers Accountants N.V., which have issued an Auditor's Report, which is included in this report, and was extensively discussed in February 2017 by the Audit Committee and the external auditor in the presence of the Management Board and approved by the Supervisory Board.

The Supervisory Board recommends to the Annual General Meeting of Shareholders to approve the proposal to distribute a dividend of €0.31 per share for 2016.

The Supervisory Board recommends that the Annual General Meeting adopts the 2016 Financial Statements and discharge the Management Board and the Supervisory Board from liability for their management in the year under review and the supervision, respectively.

Schiphol, 17 February 2017

On behalf of the Supervisory Board

Kees van der Graaf, Chairman

GrandVision, Shanghai, China

HERITAGE

ICONIC LUXURY

Governance and compliance

GrandVision is committed to respecting the needs of its stakeholders. Effective governance determines the way it conducts its business. GrandVision fully endorses the core principles of the Dutch Corporate Governance Code and is committed to adhering to the best practices of the Code to the furthest extent possible.

Structure and responsibilities

GrandVision has a two-tier governance structure consisting of a Management Board and a Supervisory Board. Currently, the Management Board consists of the CEO and the CFO, while the Supervisory Board is made up of five Supervisory Directors.

Management Board

The Management Board is responsible for the achievement of GrandVision's objectives, including those related to the areas of strategy, policy, quality and sustainability as well as the day-to-day operation of the Company. In performing its duties, the Management Board is guided by the interests of GrandVision and all of its stakeholders.

Supervisory Board

The Supervisory Board oversees GrandVision's overall performance, including the policies pursued and results achieved by the Management Board. It monitors the Company's financial situation and reviews the financial statements and the strategy pursued by the Management Board. It approves important proposals for capital expenditures, acquisitions, divestments and changes to financial and other corporate policies, as well as the annual budget and long term plan.

The Supervisory Board also has the responsibility to evaluate the performance of the Management Board and the CEO and CFO individually. It proposes any changes to the composition of the Management Board which it deems necessary to the General Meeting. The Supervisory Board is also responsible for reviewing its own performance and proposing any changes in its composition to the General Meeting. The Supervisory Board ensures that the Company's policies are formulated and pursued in the interests of all of GrandVision's stakeholders and that these policies are sustainable and meet ethical standards.

The Supervisory Board appoints an Audit Committee, a Nomination Committee and a Remuneration Committee from among its members. The Supervisory Directors have been carefully selected to ensure that they offer GrandVision a comprehensive range of relevant experience in areas such as international retail, customer service, supply chain management, technology and finance.

Audit Committee

The duties of the Audit Committee include supervising and monitoring the Management Board and the CEO and CFO individually, as well as advising them in relation to the operation of the Company's internal risk management and control systems. The Audit Committee advises the Supervisory Board on the exercise of certain of its duties, and makes nominations and prepares reviews for the Supervisory Board in relation to this. The Audit Committee supervises the submission of financial information by the Company, compliance with recommendations made by internal and external auditors and the Company's policy on tax planning and the Company's financial arrangements. It assists the Supervisory Board in monitoring the use of the Company's information and communication technology. It furthermore maintains regular contact with, and supervises, the external auditor and makes a nomination for an external auditor to be appointed by the General Meeting. The Audit Committee also issues preliminary advice to the Supervisory Board regarding the approval of the Financial Statements, the annual budget and any major capital expenditures. The Audit Committee meets at least four times a year.

Nomination Committee

The Nomination Committee advises the Supervisory Board on its duties regarding the selection and appointment of the CEO, the CFO and the Supervisory Directors. The duties of the Nomination Committee include establishing the selection criteria and appointment procedures for the CEO, CFO and Supervisory Directors, and drawing up the profile for the Supervisory Board. It also periodically reviews the size and composition of the Management Board and the Supervisory Board, and the performance of the CEO and CFO. The Nomination Committee also proposes appointments and reappointments. It supervises the Management Board's policy on the selection criteria and appointment procedures for the CEO and the CFO. The Nomination Committee meets at least once every year.

Remuneration Committee
The Remuneration Committee advises the Supervisory Board on the exercise of its duties regarding the remuneration policy of the CEO and CFO, all individual members of the GrandVision Management Team and other senior managers within the Company. This includes analyzing any changes in the Code and drawing up proposals for the Supervisory Board on these subjects. The duties of the Remuneration Committee include drawing up proposals for the Supervisory Board on the remuneration policy for the CEO and the CFO, to be adopted by the General Meeting, and on the remuneration of the CEO and CFO, to be determined by the Supervisory Board. The Remuneration Committee also prepares a remuneration report on the implementation of the remuneration policy for the CEO and the CFO during the respective year, to be adopted by the Supervisory Board. The Remuneration Committee meets at least three times every year.

The rules for all the Committees are published on the GrandVision corporate website: www.grandvision.com

Compliance with the Dutch Corporate Governance Code

GrandVision fully endorses the core principles of the Dutch Corporate Governance Code and is committed to adhering to the best practices set out in the Code as closely as possible. The Dutch Corporate Governance Code can be found at www.commissiecorporategovernance.nl. The company fully complies with the Code, with the exception of the following provisions:

Best-practice provision II.1.1: A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time. The Articles of Association and the Management Board Rules do not stipulate a maximum period for the appointment of the CEO and the CFO. The service agreements for the CEO and the CFO are for an indefinite period of time, thereby maintaining the same term that was included in their respective employment agreements with the Company before its conversion into a public limited liability company.

Best-practice provision II.2.9: The company may not grant its management board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the supervisory board. No remission of loans may be granted. In the past, loans were granted to the top management to acquire part of the shares they hold in the Company. At the end of the financial year 2016, the loans granted to the CFO are partly still outstanding. Granting these loans was in line with past practice but has been discontinued since the public listing of GrandVision.

Best-practice provision III.5.11: The remuneration committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company, or by a supervisory board member who is a member of the management board of another listed company. Mr. Groot is the Chairman of the Remuneration Committee and a member of the management board of another listed company. This situation will be allowed to continue in light of Mr. Groot's extensive knowledge and experience and as the other members of the Remuneration Committee are also restricted from holding the chairmanship by the provision of the Code.

Corporate governance statement
The Dutch Corporate Governance Code requires companies to publish a statement concerning their approach to corporate governance and compliance with the Code. This is referred to in article 2a of the Decree on additional requirements for annual reports 'Vaststellingsbesluit nadere voorschriften inhoud jaarverslag' last amended on January 1, 2010 (the Decree). The information required to be included in this corporate governance statement as described in articles 3, 3a and 3b of the Decree, which are incorporated and repeated here by reference, can be found in the Governance and Compliance section of this Annual Report.

Information referred to Section 1 of the Takeover Directive (Article 10) Decree

Capital structure
GrandVision’s authorized share capital is divided into 1,250,000,000 ordinary shares with a nominal value of EUR 0.02. At 31 December 2016, a total of 254,443,840 ordinary shares had been issued.

Majority shareholder subject to disclosure
GrandVision’s majority shareholder is HAL Optical Investments B.V., an indirect subsidiary of HAL Holding N.V., an international investment company. All shares in HAL Holding N.V. are held by HAL Trust and form the Trust’s entire assets. HAL Trust units are quoted on Euronext Amsterdam.

Read more on GrandVision's shareholders in the chapter of the Annual Report entitled 'Shareholder Information'.

Share transfer restrictions and special controlling rights
There are no restrictions on the transfer of shares, the exercising of voting rights or the term for exercising those rights, no agreements in place with shareholders which may result in restrictions on the transfer of shares or limitation of voting rights and there are no special controlling rights attached to shares.

Employee share plans
Information about GrandVision’s long-term incentive plans (employee share plans) can be found in notes 2.21.3 and 30 to the Consolidated Financial Statements.

Rules governing the appointment and dismissal of members of the Management Board and Supervisory Board and the amendment of the Articles of Association
GrandVision’s Articles of Association stipulate that the members of the Management Board and Supervisory Board are appointed and dismissed by the General Meeting. The Supervisory Board makes a non-binding nomination for the appointment of members of the Management Board. Upon the appointment of members of the Supervisory Board, the Supervisory Board may make a non-binding nomination.

The General Meeting may only resolve to amend the Articles of Association following a proposal from the Management Board that is subject to approval by the Supervisory Board. Such a resolution of the General Meeting requires an absolute majority of the number of votes validly cast.

Share issuance and repurchase right
The Management Board possesses the powers which the relevant legislation and Articles of Association have not assigned to the Supervisory Board or the General Meeting.

The General Meeting or the Supervisory Board, if so designated by the General Meeting, resolves or decides on the issuance of shares. Any share issuance is subject to approval by the Supervisory Board. The Supervisory Board is authorized until 29 October 2017 to issue a maximum of 10% of the shares issued at 5 February 2015.

The Management Board, if so designated by the General Meeting, resolves or decides on the repurchase of shares. The Management Board is authorized until 29 October 2017 to repurchase fully paid-up ordinary shares. Any repurchase must be limited to the maximum number held by virtue of the law and the Articles of Association (10% of the issued shares at 5 February 2015). Their purchase price must be between the nominal value of the ordinary shares and 110% of the opening price of the shares quoted on the Amsterdam stock exchange on the day of repurchase or, in the absence of such an opening price, the last price previously quoted there.

Agreements containing change of control provisions
The revolving credit facility of GrandVision incorporates what is referred to as a ‘change of control’ provision. Once HAL Holding N.V.’s (indirect) shareholding in GrandVision N.V. drops below 50.1% there is a repayment commitment.

There are no agreements in place between GrandVision and the Management Board or employees, which provide for a pay-out on termination of their employment as a result of a public offer within the meaning of Section 5:70 of the Financial Supervision Act.

Management Board

Theo Kiesselbach, CEO

A German national, Mr. Kiesselbach joined the Company in 2002 as CEO of Apollo-Optik and Pearle Central Europe. Following the acquisition of GrandVision SA by HAL, Mr. Kiesselbach was appointed Group CEO of GrandVision SA in 2006. When GrandVision B.V. was incorporated in 2011, he became the CEO of the newly merged company. Since then he has managed GrandVision's continued international expansion. Mr. Kiesselbach began his career at McKinsey & Co in 1988. From 1998, he held executive roles in a number of German retail companies before joining GrandVision. Mr. Kiesselbach holds a graduate degree in Economics and Engineering and a PhD in International Marketing. He serves on the Supervisory Board of CoolBlue as of 2016.

Paulo de Castro, CFO

A Portuguese national, Mr. de Castro joined GrandVision as CFO in January 2012. Prior to this, he was part of Unilever, which he joined in 1991, working in several positions with increasing levels of responsibility in different European countries. Between 1998 and 2000, he served as Personal Assistant to the Unilever Chairman. From 2000 onwards, Mr. de Castro served as Vice-President Finance in France and subsequently as CFO of Unilever Canada, before taking over as Controller Europe in 2007. From 2009, he assumed responsibility as CFO of the Unilever Supply Chain Company in Switzerland. Mr. de Castro holds a Master's degree in Biotechnology Engineering and an MBA.

Vision Express, India

Supervisory Board

Cornelis (Kees) van der Graaf

A Dutch national, Mr. van der Graaf is a former member of Unilever's Board of Directors and Executive Committee. He holds non-executive director positions at Carlsberg and EnPro. He is founder and Chairman of FHSD Unlimited, a bio-tech start-up.

- Chairman
- First appointment: 2011
- Reappointment: 2014
- Current term of office: Up to and including the 2018 Annual General Meeting
- Member of the Nomination Committee
- Member of the Remuneration Committee
- Year of birth: 1950

Melchert (Mel) Groot

A Dutch national, Mr. Groot is Chairman of the Executive Board of HAL Holding N.V. and the former CEO of GrandVision SA and Pearle Europe B.V. He serves on the Supervisory Board of Safilo, the world's second largest manufacturer and distributor of frames and sunglasses, and was the Chairman from 2011 to 2014 of AudioNova International, one of Europe's leading hearing aid retailers. In addition, he is Vice-Chairman of the Supervisory Board of Koninklijke Vopak N.V. and a member of the Supervisory Board of Anthony Veder Group N.V.

- Vice-Chairman
- Non-independent director
- First appointment: 2011
- Reappointment: 2015
- Current term of office: Up to and including the 2019 Annual General Meeting
- Chairman of the Nomination Committee
- Chairman of the Remuneration Committee
- Year of birth: 1959

Peter Bolliger

A Swiss national, Mr. Bolliger is the former CEO of UK shoe retailer Clarks. Before joining Clarks, he was the Managing Director of Harrods. During that same period, he also served as Chairman of Kurt Geiger and Executive Director of House of Fraser.

Mr. Bolliger is currently a non-executive director at Stella International, a leading developer and manufacturer of quality footwear products, based in Hong Kong and serves as the Chairman of the Supervisory Board of Kurt Geiger.

- First appointment: 2011
- Reappointment: 2013
- Current term of office: Up to and including the 2017 Annual General Meeting
- Member of the Audit Committee
- Year of birth: 1945

Jeffrey (Jeff) Cole

A US national, Mr. Cole is the former Chairman and CEO of Cole National Corporation, a leading optical retailer in North America. He currently serves as a non-executive board member for Safilo, the world's second largest manufacturer and distributor of frames and sunglasses, and Hilco, a US-based manufacturer and distributor of eyewear accessories. He is also Trustee of the Cole Eye Institute, which forms part of the Cleveland Clinic, one of the leading eye research and treatment centers in the United States.

- First appointment: 2011
- Reappointment: 2015
- Current term of office: Up to and including the 2017 Annual General Meeting
- Year of birth: 1941

Willem Eelman

A Dutch national, Mr. Eelman is the former CFO and current Chief Operations Transformation Officer of C&A Europe, a leading clothing retailer in Europe and a number of developing and emerging markets. Prior to joining C&A, he worked at Unilever in several senior commercial and financial roles. His most recent roles at Unilever included CFO Europe (2007-2010) and CIO (2010-2014).

- First appointment: 2011
- Reappointment: 2016
- Current term of office: Up to and including the 2020 Annual General Meeting
- Chairman of the Audit Committee
- Year of birth: 1964

Remuneration report

The objective of GrandVision's remuneration policy is to attract, motivate and retain management that is qualified for an international company of GrandVision's size by means of a market-compliant policy.

The Supervisory Board established the remuneration of the members of the Management Board in accordance with the Management Board remuneration policy as adopted and the arrangements for remuneration in the form of shares or rights to subscribe for shares that have been approved by the General Meeting effective as of 5 February 2015.

As a listed company, GrandVision recognizes the principles of good governance, and best-practice provision II.2.12 of the Dutch Corporate Governance Code which stipulates that information must be included in the remuneration report as to the manner in which the remuneration policy of the preceding year has been implemented. In addition, it must contain an overview of the remuneration policy envisaged by the Supervisory Board for the upcoming and subsequent years.

The first part of this remuneration report describes the remuneration for the members of the Management Board in 2016, while the second part sets out the remuneration policy that has been adopted for 2016 and subsequent years as envisaged by the Supervisory Board. The report concludes with the details of the remuneration policy applied for the Supervisory Board in 2016.

Remuneration for the Management Board in 2016

The remuneration of the Management Board in 2016 is comprised of a fixed and variable part and includes a fixed base salary, a variable remuneration component, post-employment benefits, share-based compensation benefits and other long-term benefits. The total aggregate remuneration received by the Management Board in 2016 was € 4,215. The total aggregate amount of fringe benefits amounted to € 116 for the financial year ended 31 December 2016.

For more detail on the 2016 remuneration of the members of the Management Board, see note 37.3 to the Consolidated Financial Statements entitled 'Remuneration'.

Equity holdings

The number of shares owned by the Management Board as of 31 December 2016 is set out in the table below.

	Shares owned
Th. A. Kiesselbach (CEO)	962,627
P.J. de Castro Fernandes (CFO)	263,616

Equity plan and related loans

In the past, management has been given the opportunity to participate in the capital of the Company based on a participation arrangement ('equity plan'), enabling them to purchase shares in the Company for which an interest-bearing loan up to a certain amount could be obtained from the Company. These shares are to be kept by the participant for a certain period (generally three to four years). As a security for the Company in respect of the loan, the purchased shares were pledged. The amount of the loan, including accrued interest outstanding, as per 31 December 2016 are shown in the table below.

For more detail on the equity plans for the CEO and the CFO, refer to note 30 of the consolidated financial statements.

Name of key management	Amount of loan (in thousands of EUR)
2016	
P.J. de Castro Fernandes	1,555
2015	
P.J. de Castro Fernandes	1,524

Long-term incentive plan awards

The CEO and the CFO have participated in the wider GrandVision long-term incentive plan. This plan consists of shares and options. The options are share appreciation rights which give the participants a right to shares of GrandVision at vesting, typically between three to four years after the award. A wide group of senior management of GrandVision participates in this plan. In 2011 to 2016 the CEO and the CFO have received awards, the following table shows the number of awards outstanding at 31 December 2016:

	Share awards	Option awards
Th. A. Kiesselbach (CEO)	116,281	118,611
P.J. de Castro Fernandes (CFO)	59,982	100,638

For more detail on the long-term incentive plans for the CEO and the CFO, refer to note 30 of the consolidated financial statements.

Remuneration Policy

The remuneration policy is the framework used by the Supervisory Board to establish the remuneration of GrandVision's CEO and CFO for 2016. This policy is transparent and promotes the interests of the Company in the medium and long term, and incentivizes performance. The Supervisory Board has analyzed the possible outcomes of variable remuneration components in different scenarios and how these may affect the remuneration of the Management Board.

The remuneration policy consists of the following fixed and variable components, which are discussed in more detail below:

- Fixed base salary
- Short-term variable remuneration
- Long-term incentive plan
- Pension and fringe benefits
- Severance arrangements

Fixed base salary

The base salary of the CEO and the CFO is a fixed cash compensation paid on a monthly basis and is set by the Supervisory Board at a competitive level, taking into account the performance, experience, capability and marketability of the CEO and the CFO.

Short-term variable remuneration

The CEO and the CFO are entitled to an annual performance-related variable remuneration payment settled in cash. 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, an approach which is in line with GrandVision's long-term strategy.

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.

Typically, 60% of the variable remuneration component is related to two or three financial objectives, usually GrandVision's total net revenue and EBITA. Another 30% is based on three to four personal objectives with measurable targets, and 10% is related to one shared Group objective.

This objective is based on a specific Group-wide focus and shared by all senior managers throughout GrandVision. After the performance period has elapsed, an evaluation is carried out to determine whether, and if so, to what extent, the performance criteria have been met. 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.

The Management Board has partially achieved the 2016 financial target for revenue and achieved the 2016 financial target for profit growth. The personal targets of the Management Board were partially achieved. The Group objective for 2016 was achieved.

Long-term incentive plan

The long-term incentive plan aligns the interest of the CEO and the CFO with those of the shareholders. The CEO and the CFO will be eligible to receive annual awards under the GrandVision Long-Term Incentive Program 2015 ('LTIP 2015'), which was approved by the General Meeting on 14 October 2014 and became effective in February 2015. The 2016 award is made under the 2015 plan. Annual awards can be received in shares or options for shares, as determined by the Remuneration Committee and approval of the Supervisory Board. The maximum number of awards in shares or options for shares to be granted to the CEO and the CFO has been set by the General Meeting at 240,000 shares per year.

The performance conditions for the LTIP 2015 are, among others, total net revenue growth and earnings per share growth after three years. Depending on the actual fulfillment of these performance conditions, the CEO and the CFO will receive the awards that have vested, up to a maximum of 150% of the original awards. After vesting, the shares, if any, must be held in deposit for two years, after which period they may be sold, provided that the CEO at all times holds shares in deposit with a value equal to at least two gross annual salaries, and the CFO at all times holds shares in deposit equal to at least one gross annual salary.

Pension and fringe benefits

The CEO and the CFO are eligible to receive post-employment benefits by participating in a pension plan and/or to elect to receive a cash payment in lieu of pension. The CEO receives a monthly cash sum instead of contributions to the pension plan. The CFO receives an additional cash allowance in accordance with the terms of the regular pension plan pursuant to recent changes in Dutch pension law. The CEO and the CFO are entitled to customary fringe benefits, such as a company car, expense allowances and reimbursement of any costs incurred.

Severance arrangements

Contractual severance arrangements for the CEO and the CFO are compliant with the Code.

Clawback

A 'clawback' clause is included in the service agreements of the CEO and the CFO, applicable in a situation in which the financial or other information on which the payout of variable remuneration was based is determined to be incorrect.

Supervisory Board Remuneration

The General Meeting determines the remuneration of the members of the Supervisory Board. The remuneration of the Supervisory Board is not linked to the financial results of the Company and they do not receive any performance- or equity-related compensation nor accrue any pension rights with the Company. None of the Supervisory Directors may hold shares, options for shares or similar securities other than as a long-term investment.

Remuneration for the Supervisory Board in 2016

The total aggregated remuneration of the Supervisory Board in 2016 was €313,000. Supervisory Board members are reimbursed for all reasonable costs of travel, accommodation and representation incurred in the performance of their duties. As of 31 December 2016, Willem Eelman held 2,650 GrandVison shares as a long-term investment, Kees van der Graaf held 2,100 GrandVison shares as a long-term investment. None of the other Supervisory Board members held any GrandVision shares or options on GrandVision shares.
For more detail on the 2016 remuneration of the Supervisory Board, see note 37.4 to the Consolidated Financial Statements, entitled 'Supervisory Board Remuneration'.

Risk management

Risk management and control systems

Risk Management has an important role in the implementation of GrandVision's strategy. The objective of GrandVision's Risk Management and Internal Control Framework is to achieve a balance between an effective and professional organization on the one hand, and a risk profile that GrandVision is willing to accept for the business on the other hand. Risk Management and Internal Controls make a significant contribution to the prompt identification and adequate management of strategic, market and business risks. They also help to achieve operational and financial goals and to comply with the applicable legislation and regulations.

The Management Board, under the supervision of the Supervisory Board, bears ultimate responsibility for GrandVision's Risk Management and Internal Control Framework. The management teams in the business units are responsible for implementing the strategy, achieving results, identifying underlying opportunities and risks, and ensuring effective controls. They have to act in accordance with the policies and standards set by the Management Board, in which they are supported by global functional teams.

GrandVision's Governance and Internal Control standards provide a necessary precondition and foundation for growth. Both internal and external resources are established at group level to not only detect control issues, but to proactively support the country management teams in solving the underlying root causes. GrandVision has developed and deployed a comprehensive Internal Control Framework comprising a set of minimum internal control standards that all business units must comply with. Compliance is reported on and monitored throughout the organization via a comprehensive internal audit program, the management of which is partly outsourced to an international audit firm. Furthermore, the quality of internal control performance is an integral part of management incentive schemes on a country level.

Risk management approach

In general, GrandVision adopts a prudent approach towards risk-taking. The Company's approach to risk cannot be captured in one figure or formula. Risk boundaries are set by the company's strategy, values, policies and corporate directives. The approach to risk differs per type of risk:

- Strategic risk – the Company is prepared to take above-average calculated and carefully weighted risk in pursuing its growth ambitions
- Operational risk – the Company strives to minimize risks relating to the implementation of its strategy
- Financial risk – the Company has adopted a prudent financing strategy
- Compliance risk – the Company strives for full compliance with all legal and regulatory requirements

Key risk categories

The risk categories that potentially have the greatest adverse effect on the achievement of GrandVision's objectives are described below. This is not an exhaustive list. There may be risks or risk categories that have currently been categorized as not having a significant impact on the business but that could develop into key risks. The objective of GrandVision's risk management systems is to identify changes in risk profiles and any risk-related incidents in a timely manner, so that appropriate and timely measures can be taken.

Risk Management and Internal Control Framework

Supervisory Board

- Approves strategic objectives and validates the risk appetite
- Reviews the risk management and internal control systems
- Assesses the effectiveness through the Audit Committee

Management Board

- Responsible for designing and setting the Risk Management and Internal Control Framework
- Responsible for setting and promoting the right business culture and values, to be in full compliance with all applicable internal and external standards

Senior Management

- Responsible for implementing and maintaining the GrandVision internal control standards
- Responsible for preparing and implementing risk mitigation and business continuity plans for each business unit

Business & Functional Teams

- Indentify key risks for its scope of responsibility
- Maintain effective internal controls on day-to-day basis

Risk Mitigation plans

- Assess potential likelihood & impact
- Develop, update and review risk mitigation plans per business unit

Business Continuity Plans

- Develop and maintain business continuity plans to protect the company assets and daily operations
- Test and update these plans on a regular basis

Internal Audit

- Provides independent assurance of the effectiveness of Risk Management and the Internal Control Framework
- Support country teams if needed to solve underlying issues

Objective

To achieve the strategic, operational and financial goals of the Company within the internal and external compliance standards

Key risks

Strategic risk

Risk area and possible impact	How does GrandVision mitigate this risk?
Customer preference Becoming less relevant to our consumers, due to competition, or due to our products and services and the way in which they are offered. Declining street traffic due to changing consumer habits with ongoing digitization plays an increasing role and requires new tools and new skills.	• We invest in our people, products, (digital) marketing campaigns, sales promotions and store optimization that enable us to remain relevant to our consumers • Our investment in multiple e-commerce solutions and the omni-channel customer journey, whereby the customer decides how, when and where they want to buy from GrandVision • By investing continuously in a portfolio of high-quality Exclusive Brands that are appealing to our customers • By continuing to invest in the GV Academy to train our employees, and in systems and processes that allow us to deliver the highest standards in quality and customer service.
Portfolio risks Possible adverse impact on growth and profitability, not being able to expand further, or specific regional or country issues, such as Brexit.	• The portfolio is being continuously reviewed and optimized as required. Closing or relocating stores is an integral part of this strategy. Our franchisees are independent operators, but the Company applies strict criteria of governance, and looks to improve performance on an ongoing basis • Comparable growth as our most important performance parameter is monitored daily and if needed, measures are taken to improve it, such as promotions, campaigns, incentives, assortment changes and others • We continuously look for growth opportunities across our countries, and enter new territories if needed. Post-acquisition, we spend a lot of time integrating new businesses and improving performance with the help of existing or new management, where this is deemed necessary • We continuously monitor the performance of the countries and regions, and invest significantly in emerging markets to further accelerate future growth • Additionally profit protection plans are developed and updated throughout the year for every business unit. Geographic diversification is also part of GrandVision's strategy and allows us to spread risks across regions • In 2016 we were confronted with the unexpected outcome of the UK referendum on Brexit. Numerous mitigating actions have been put in place for example renegotiating key supplier agreements, cost reduction programs, further FX hedging and revisiting our pricing strategy in order to reduce the financial impact going forward.
Industry risks Changing consumer patterns due to healthcare contributions changing, or vision correction alternatives that become more popular could impact future growth and profitability.	• GrandVision operates successfully in many countries where no eye care reimbursements exist • As one of the largest companies in the industry, we have a proven ability to adapt to changing market dynamics while still operating profitably • The Company believes eye correction alternatives will be very slow to take hold as many customers prefer to wear glasses over medical solutions that involve surgery.

Strategic risk

External economic & political risks, reputational risk and natural disasters Possible adverse impact on our reputation, brand values and/or growth and profitability.	• Our diversified portfolio more than 40 countries is a strong mitigating factor against individual country or regional economic risk. We monitor these risks through the normal course of business and use a range of measures such as commercial promotions, financial hedging, internal reorganizations or cost saving, to counter the potential impact in the near term. • Due to our increasing external profile, our reputational risk increases in various areas, for instance, increasing regulatory (compliance) requirements, data protection and cybersecurity, social media, code of conduct and product liability. GrandVision mitigates these risks by strongly emphasizing the tone at the top, applying a strong internal control framework, audits, policies, training, and e-learning tools, internal communication and the focus on managing our external expectations • We have Business Continuity plans in place in case of natural disasters or other calamities plus specific insurance limits will help to reduce the financial impact of such events.

Operational risk

Risk area and possible impact	How does GrandVision mitigate this risk?
Talent Inability to recruit, train and retain qualified management and suitably skilled employees to support our expansion.	• This topic is treated with the highest priority in every country where GrandVision operates. The GV Academy supports training programs in all countries, including e-learning tools. We strive to maintain attractive working conditions and benefits for our employees • We establish strong connections with universities and higher education foundations and are exploring transnational leveraging of education.
Supply chain Inability to deliver products to the stores due to either operating issues in theTechCenters or lack of supply or quality issues.	• GrandVision runs TechCenters in different locations to mitigate geographic and operational risks • To have multi-year contracts in place with key suppliers after competitive tender processes • To employ high quality control standards throughout our organization • The company engages with specialized audit firms to perform quality checks with our main suppliers • The increasing centralization of our supply chain and the reduction in the number of key suppliers allows us to improve our quality and reliability standards
Systems and information Inability or delays in new system implementations that impact daily processes. Cyber security and data protection are increasingly relevant for GrandVision.	• We work with well-known and experienced partners to help implement such systems in phases over multiple years, under the supervision of a Program Management Office. Steering groups are in place to safeguard delivery quality, timing and budgets • Data security is an area of major importance and the Company is committed to being compliant with all relevant laws and regulations. It is also investing more in technology and systems to further improve the data protection measures for the group. In 2016, we rolled out our Cyber Security and Data Protection Policies and appointed Data Protection Officers throughout our organization.
Business transformation Inability or delays in the roll out of global capability tools to all countries.	• The change management program is managed by the Program Management Office in close cooperation with the countries & global functions and the help of detailed roadmaps. Every work stream is led by a member of the GrandVision Senior Management team. A phased global rollout only happens after the capability is fully tested and has gone live in one or more pilot countries.

Financial risks

Risk area and possible impact	How does GrandVision mitigate this risk?
Treasury and insurance Significant changes in financial markets that impact the financial condition or performance of the company.	• We have a five-year €1.2 billion credit facility in place with ample headroom. In 2016, the facility was extended by one more year until 2021. We also maintain a minimum €200 million of financial headroom to manage our liquidity position on a daily basis • We regularly enter into FX contracts to manage the currency exposure. We also enter regularly into discussions with our main suppliers to mitigate currency impact via various means like sharing mechanisms, changing sourcing location or adjusting the invoicing currency prices. GrandVision does not hedge translation risk • In 2016, we renewed all Group insurance policies and reviewed the need for new policies or adjusted limits • In 2016, we concluded €150 million of new interest rate swaps to fix our interest rates for longer time periods.

For more details see note 3 to the Consolidated Financial Statements entitled "Financial Risk Management".

Legal and compliance risks

Risk area and possible impact	How does GrandVision mitigate this risk?
Ethical, legal, tax, compliance and regulatory risks Failure to comply with internal and external policies, rules and regulations, including the protection of all the company's tangible and intangible assets.	• At GrandVision, we are committed to complying with the laws and regulations of the countries in which we operate. In specialist areas, the relevant teams at global, regional or local levels are responsible for setting detailed standards and ensuring that all employees are aware of these, and are trained sufficiently to comply with regulations and laws that are relevant to their roles. Legal and regulatory specialists in the company monitor and review our practices to provide reasonable assurance that we remain aware of and in line with all relevant laws and obligations. A GrandVision Compliance Framework is in place which sets out policies, reporting, e-learning, training requirements and localization guidelines. • In 2016 nearly 100% of all employees took the code of conduct and whistleblower procedure e-learning module. In addition, competition law compliance training and e-learning was provided globally to all relevant employees • Compliance with national and international tax regulations is ensured through GrandVision's Tax Control Framework. The Tax Control Framework enables to effectively monitor, control and manage the group-wide tax positions. The Framework also creates adequate and timely awareness at Group level of possible worldwide tax exposures. In 2016 we created a Virtual Global Tax Team consisting of members from across regions of presence. The global tax team possesses relevant tax knowledge and insights to identify and adequately respond to tax exposures. Insights are made available throughout the business through the existence of adequate procedures and processes. GrandVision strives to maintain strong working relations with tax authorities; In countries where possible through the conclusion of collaborative working (horizontal monitoring) arrangements • The GrandVision Governance Framework sets out proper corporate decision-making procedures and reviews processes for all legal entities.

Management review and reporting

In Control Statement

The Management Board manages the Company and is responsible for achieving the Company's strategy, objectives, goals and results, and for taking appropriate measures in relation to the design and operation of the internal risk management and control systems in a way that is consistent with GrandVision's business. These systems have been designed to identify opportunities and risks in a timely manner, manage significant risks, facilitate the realization of the Company's strategic, operational and financial objectives, safeguard the reliability of the Company's financial reporting and comply with the applicable laws and regulations. To fulfill these responsibilities, GrandVision systematically reviewed and, where necessary, enhanced the Company's internal risk management and control processes with regards to its strategic, operational, compliance and financial risks (including risks related to financial reporting) during the year 2016. The results of these reviews, including changes and planned improvements, have been discussed with the Audit Committee and the Supervisory Board.

It should be noted that the above does not imply that these systems and procedures, however well-designed and intended to optimally control risks, provide absolute assurance as to the realization of operational and strategic objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

Based on the approach described above, the Management Board believes that, with respect to financial reporting, the internal risk management and control systems have performed satisfactorily during the year 2016 and provided a reasonable assurance that the financial reporting does not contain any errors of material importance.

Responsibility Statement

In accordance with Article 5.25c of the Dutch Financial Markets Supervision Act ("*Wet op het financieel toezicht*"), the Management Board confirms that to the best of its knowledge:

- The financial statements for 2016 give a true and fair view of GrandVision's assets, liabilities, financial position and comprehensive income
- The management report includes a true and fair review of the Company's position as of 31 December 2016 and of GrandVision's development and performance during 2016, and describes the key risks to which GrandVision is exposed.

Schiphol, 17 February 2017

Theo Kiesselbach, CEO

Paulo de Castro, CFO

Driving value and convenience through e-commerce

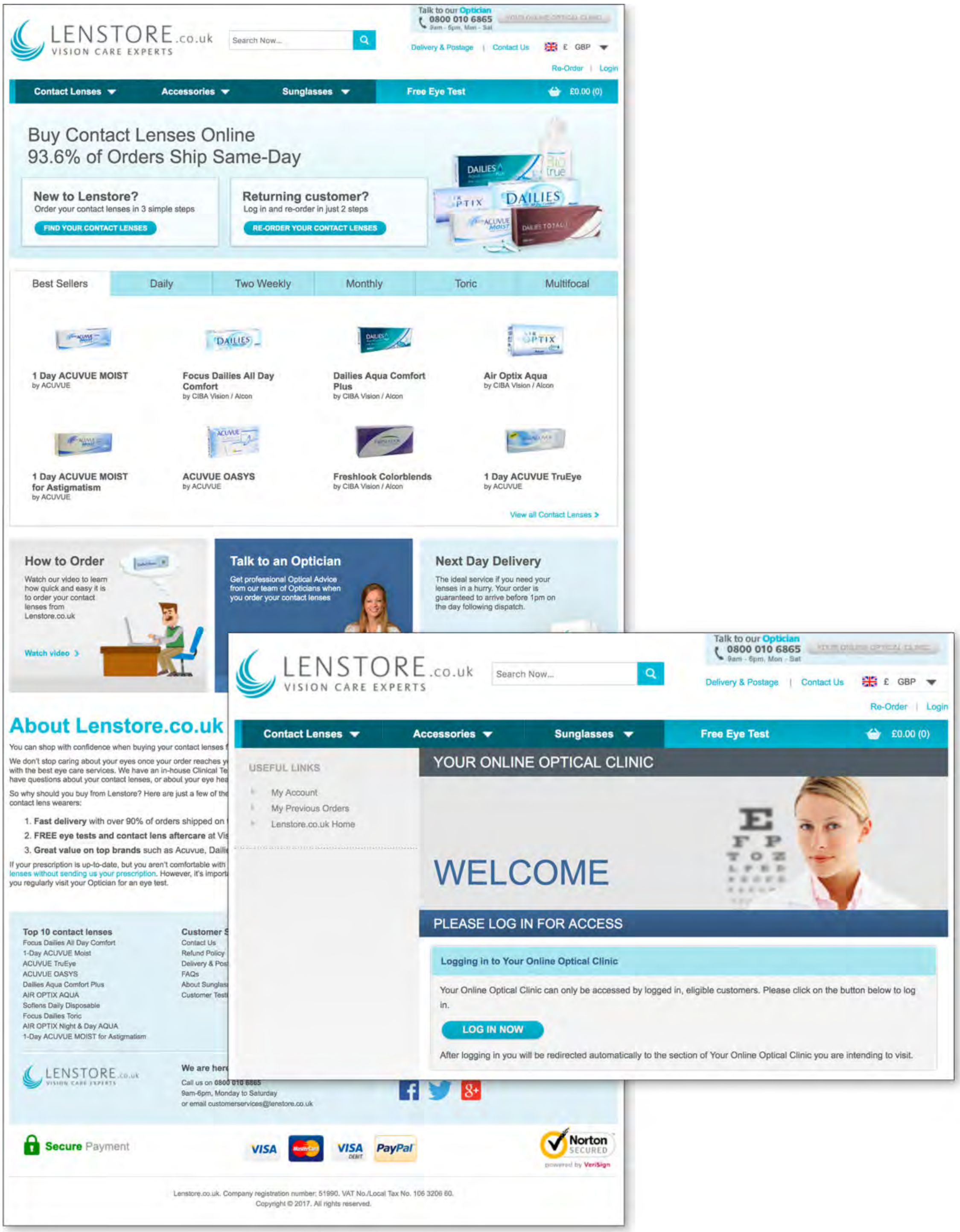
We have further strengthened our position in the UK e-commerce sector by building on the success of Lenstore.co.uk, our online retailer of contact lenses. The business has strongly grown in size in both revenue and volume of orders since becoming part of GrandVision in 2013.

Lenstore.co.uk prides itself on combining the value and convenience of purchasing contact lenses online with optical advice and clinical services that are usually found at high street opticians. Careful stock modelling enables the business to ship over 93% of its products the same day as ordering. Meanwhile, a team of qualified opticians and optical consultants are available to answer any questions customers may have about their contact lenses or eye health. As a result of this focus on service, the majority of Lenstore.co.uk's first-time customers return for future purchases. This has enabled the business to consistently achieve profitable growth and EBITDA margins.

Since 2014, Lenstore.co.uk customers have been able to access free eye care at over 400 Vision Express stores in the UK. For contact lens wearers who choose to shop online, this means easy access to the full range of optical products and services, which can only be provided in person. This is an innovative way for GrandVision to tap into online channels while driving footfall to its network of stores.

LENSTORE.co.uk
CONTACT LENSES & OPTICAL ADVICE

Careful stock modelling enables the Lenstore.co.uk to ship over 93% of its products the same day as ordering. Meanwhile, a team of qualified opticians and optical consultants are available to answer any questions regarding contact lenses or eye health.


LENSTORE.co.uk
VISION CARE EXPERTS
Talk to our Optician
0800 010 6865
Delivery & Postage | Contact Us
GBP
Re-Order | Login
Contact Lenses
Accessories
Sunglasses
Free Eye Test
£0.00 (0)
Buy Contact Lenses Online
93.6% of Orders Ship Same-Day
New to Lenstore?
Order your contact lenses in 3 simple steps
FIND YOUR CONTACT LENSES
Returning customer?
Log in and re-order in just 2 steps
RE-ORDER YOUR CONTACT LENSES
Best Sellers
Daily
Two Weekly
Monthly
Toric
Multifocal
1 Day ACUVUE MOIST
Focus Dailies All Day Comfort
Dailies Aqua Comfort Plus
Air Optix Aqua
1 Day ACUVUE MOIST for Astigmatism
ACUVUE OASYS
Freshlook Colorblends
1 Day ACUVUE TruEye
View all Contact Lenses
How to Order
Talk to an Optician
Next Day Delivery
About Lenstore.co.uk
Top 10 contact lenses
Secure Payment
VISA
PayPal
Norton SECURED
YOUR ONLINE OPTICAL CLINIC
USEFUL LINKS
My Account
My Previous Orders
Lenstore.co.uk Home
WELCOME
PLEASE LOG IN FOR ACCESS
Logging in to Your Online Optical Clinic
Your Online Optical Clinic can only be accessed by logged in, eligible customers. Please click on the button below to log in.
LOG IN NOW
After logging in you will be redirected automatically to the section of Your Online Optical Clinic you are intending to visit.

Shareholder information

Initial Public Offering and listing

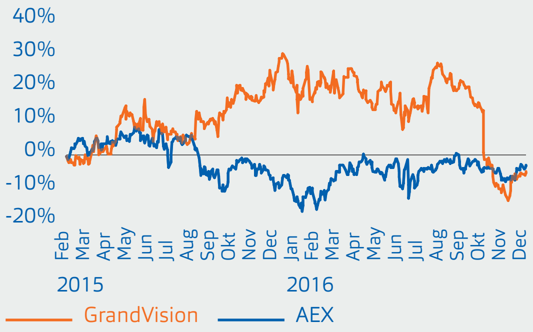
Following the listing of its shares in an Initial Public Offering (IPO) on February 6, 2015, GrandVision shares are traded on Euronext Amsterdam with the ticker 'GVNV', and the company is a constituent of the Amsterdam Midkap Index® (AMX).

As of 31 December 2016, the number of publicly traded ordinary shares totaled 56,354,637. This represents 22.15% of the GrandVision's share capital.

Share price performance

The 2016 closing price for the share was €20.91, which represents a 24.4% decrease over the €27.66 per share on 31 December 2015. By comparison, the Dutch AEX index increased by 9.0% during the same period.

GrandVision share price performance since IPO on 6 February 2015



Shareholders

Shareholders as of 31 December 2016

At the end of 2016, HAL Optical Investments B.V. held 76.72% of the shares in GrandVision, while 0.48% were held by the Management Board. The shares held in treasury (0.65%) enable the company to hedge price risks relating to grants made under long-term incentive plans. Since the IPO, the remaining shares in GrandVision are held by a number of institutional and retail investors across several jurisdictions.
For a full overview of shares held by the Management Board, please refer to the 'Remuneration' chapter in this Annual Report.

Shareholders holding more than 3% equity

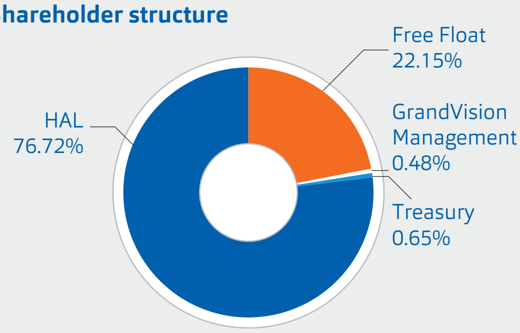
Under Dutch law, shareholdings of 3% or more in any Dutch company must be disclosed to the Dutch Financial Markets Authority (AFM). According to the register kept by the AFM, at 10 February 2015, the following shareholder has disclosed that it owns more than 3% of GrandVision's total share capital:

- HAL Optical Investments B.V.

Shareholder structure

The chart below provides an indicative overview of our shareholder structure as per publication date of the 2016 Annual Report:

Shareholder structure



Investor Relations

GrandVision aims to provide its shareholders, potential shareholders and other stakeholders with relevant information about its business model, strategy and results. The majority of its communications to the investment community take place through corporate press releases which are widely distributed, made generally available and filed with the AFM. In addition, the Company makes all relevant and important information available on its Investor Relations website (investors.grandvision.com).

GrandVision also communicates directly with the investment community on a regular basis. These exchanges with shareholders, analysts and potential investors are based on publicly available presentations, and only price-sensitive information that is publicly available is discussed.

At present, GrandVision is covered by 15 financial analysts.

Financial year and quarterly reporting

GrandVision's financial year runs from 1 January until 31 December. The Company publishes both annual and semi-annual results. For the first and third quarters, the company publishes trading updates. GrandVision also organizes conference calls for analysts and investors that can be accessed via the corporate website.

In addition to these communications, GrandVision keeps stakeholders informed through corporate press releases on any price-sensitive information and other material developments that occur throughout the financial year.

Closed periods

As per the Company's bylaws, GrandVision observes a 'closed' period shortly prior to the publication of the regular financial information. The closed period for the annual results starts two months prior to the publication date. The closed period for the semi-annual results runs from the first day of the quarter until the semi- annual results announcement. For trading updates, there is a closed period of one month prior to the publication date.

Disclosure of non-IFRS financial measures and operating data

GrandVision's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Certain parts of GrandVision's financial reporting and disclosure may contain non-IFRS financial measures and ratios, such as system wide sales, organic growth, revenue growth from acquisitions, comparable growth, EBITA, EBITDA, adjusted EBITDA, adjusted EPS, free cash flow and net debt, which are not recognized measures of financial performance or liquidity under IFRS. In addition, certain other operational data, such as the number of stores, number of countries in which the company is present and number of brands, may be disclosed.

The non-IFRS financial measures presented are measures used by management to monitor the underlying performance of the business and operations and, accordingly, they have not been audited or reviewed. Furthermore, they may not be indicative of the historical operating results, nor are they meant to be predictive of future results. These non-IFRS measures are presented because they are considered important supplemental measures of GrandVision's performance and the Company believes that these and similar measures are widely used in the industry in which GrandVision operates as a way to evaluate a company's operating performance and liquidity.

Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis. As a result, these measures and ratios may not be comparable to measures used by other companies under the same or similar names.

Annual General Meeting

At least once a year a General Meeting is held. Votes representing shares can be cast at the General Meeting either personally or by proxy. No restrictions are imposed on these proxies, which can be granted electronically or in writing to the Company or to independent third parties. GrandVision shareholders may cast one vote for each share. All resolutions adopted by the General Meeting are passed by an absolute majority of the votes cast, unless the law or the Articles of Association prescribe a larger majority.

The Company's Articles of Association detail the proposals that the Management Board may submit to the meeting and the procedure according to which shareholders may submit matters for consideration by the meeting, and can be found on the GrandVision corporate website.

Important matters that require the approval of the (Annual) General Meeting are:

- The adoption of the financial statements
- The declaration of dividends
- Any significant changes to the Company's corporate governance
- The remuneration policy
- The remuneration of the Supervisory Board
- The Management Board's discharge from liability
- The Supervisory Board's discharge from liability
- The appointment of the external auditor
- The appointment, suspension or dismissal of members of the Management Board and the Supervisory Board
- The issuance of shares or rights to shares, the restriction or exclusion of preemptive rights of shareholders and the repurchase or cancellation of shares; and
- Any amendments to the Articles of Association.

GrandVision's 2017 Annual General Meeting of Shareholders (AGM) will be held on 2 May 2017 in Haarlemmermeer, the Netherlands.

Dividends

2016 dividend

GrandVision's Supervisory Board proposes a dividend of €0.31 per share for the fiscal year 2016, subject to shareholder approval.

If approved, the shares will trade ex-coupon as of 4 May 2017 and dividends will be payable as from 11 May 2017. The record date will be 5 May 2017. The dividend represents a payout of 33.9% of net income attributable to equity holders.

Dividend policy

GrandVision pays an annual ordinary dividend in line with the Company's medium to long-term financial performance and targets in order to increase dividend-per-share over time. The Company envisages that, as a result of this policy, the ordinary dividend payout ratio will range between 25 and 50%.

Manner and time of dividend payments

Payment of any dividend in cash will be made in euros. Any dividends that are paid to shareholders through Euroclear Nederland will be automatically credited to the relevant shareholders' accounts without the need for the shareholders to present documentation proving their ownership of the shares. Payment of dividends on the shares held in registered form (i.e. not held through Euroclear Nederland, but directly) will be made directly to the relevant shareholder using the information contained in GrandVision's shareholders' register and records. Dividend payments on GrandVision shares are generally subject to withholding tax in the Netherlands.

Uncollected dividends

A claim for any declared dividends or other distributions lapses five years after the date those dividends or distributions were released for payment. Any dividend or distribution that is not collected within this period will be considered to have been forfeited to GrandVision.

Important dates

Date	Event
3 March 2017	Publication 2016 Annual Report
2 May 2017	First Quarter 2017 Trading Update
	General Shareholders Meeting
4 May 2017	Ex-dividend date (2016 dividend)
5 May 2017	Dividend record date
11 May 2017	Dividend payment date
1 August 2017	Half-Year 2017 Results
27 October 2017	Third Quarter 2017 Trading Update

Heritage, GrandVision's Exclusive Brands' collection

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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BE FLEXIBLE. BE BRIGHT.

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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