EYE CARE, WE CARE MORE

ANNUAL REPORT 2017

GrandVision

This is GrandVision!

With 7,001 stores in over 40 countries across Europe, the Americas and Asia, GrandVision operates 30 leading retail banners and is a global platform for eye care.

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

GrandVision has more than 36,000 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.

40+
Countries

7,001
Stores

2.6M
Social media followers

700,000+
Store visits per day

16M
Spectacles sold

30
Retail banners

Number of stores

G4	Other Europe	Asia & Americas
3,348	1,876	1,777

The year in numbers

In 2017, we continued to deliver on our vision to provide high quality and affordable eye care to more and more people around the world.

Our store network grew by 7.4% through store openings and acquisitions. The continued network expansion reached its highest contribution ever with more than 450 opened stores, resulting in a net addition of over 250 stores. Acquisitions, including Tesco Opticians in the UK added over 220 stores. As a result, GrandVision's network reached 7,001 stores at the end of the year.

Vision, mission, strategy

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.

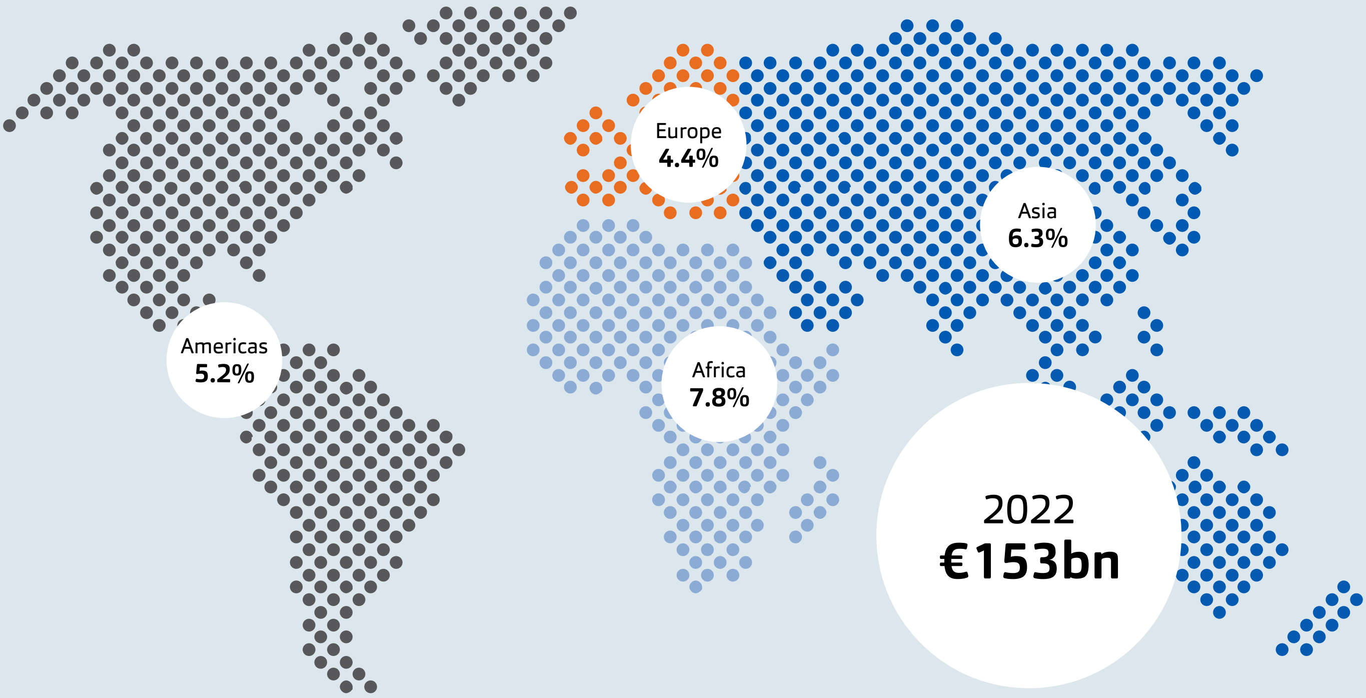
Our mission
We are committed to further growing and achieving a market-leading position in each country we operate in, thereby creating value for all our stakeholders including the communities we are a member of.

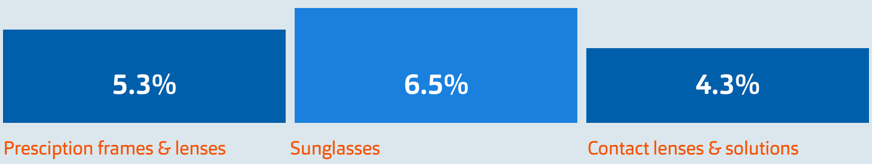
Our strategy
We aim to further expand our global presence and develop and deploy state-of-the-art global capabilities in eye care and optical retailing, to deliver high quality and affordable eye care to more and more people around the world.

Our market

The global eyewear market is expected to grow by approximately 5% each year over the next five years. Among the major trends driving the expansion of the global consumer base are increased consumer awareness about eye health, higher levels of disposable income and population ageing. Lifestyle also plays a role, with digitalization causing ever more people to spend more time in front of digital devices that can strain their eyesight. Given that eye care is a basic need for the majority of people worldwide, the optical retails sector is comparatively resilient to macroeconomic trends and characterized by steady repurchase cycles on an annual basis.

Global eyewear market 2017-2022

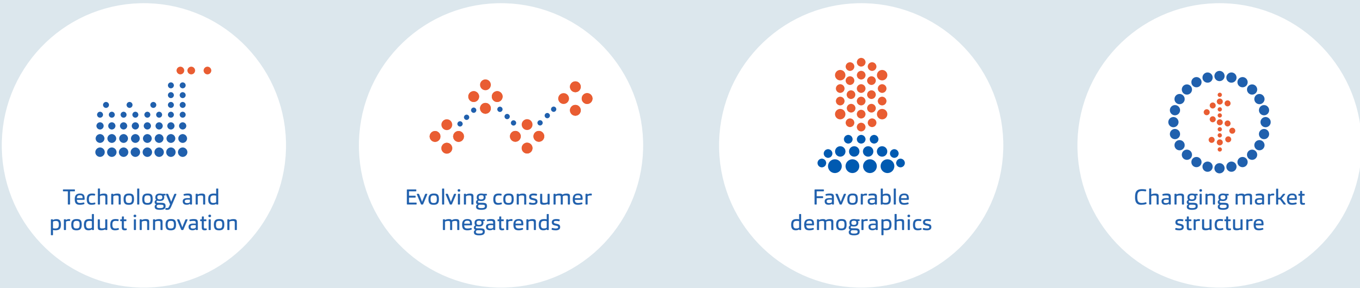




5.3%

CAGR

Long-term drivers in the global eyewear market



One global customer journey

Our people

GrandVision has more than 36,000 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.

Our passion to provide customers with the best possible service, while our quality in eye care is enabled by the excellence of our people. GrandVision continuously invests in its people to develop their expertise and capabilities to help them meet the individual eye care needs of our customers.

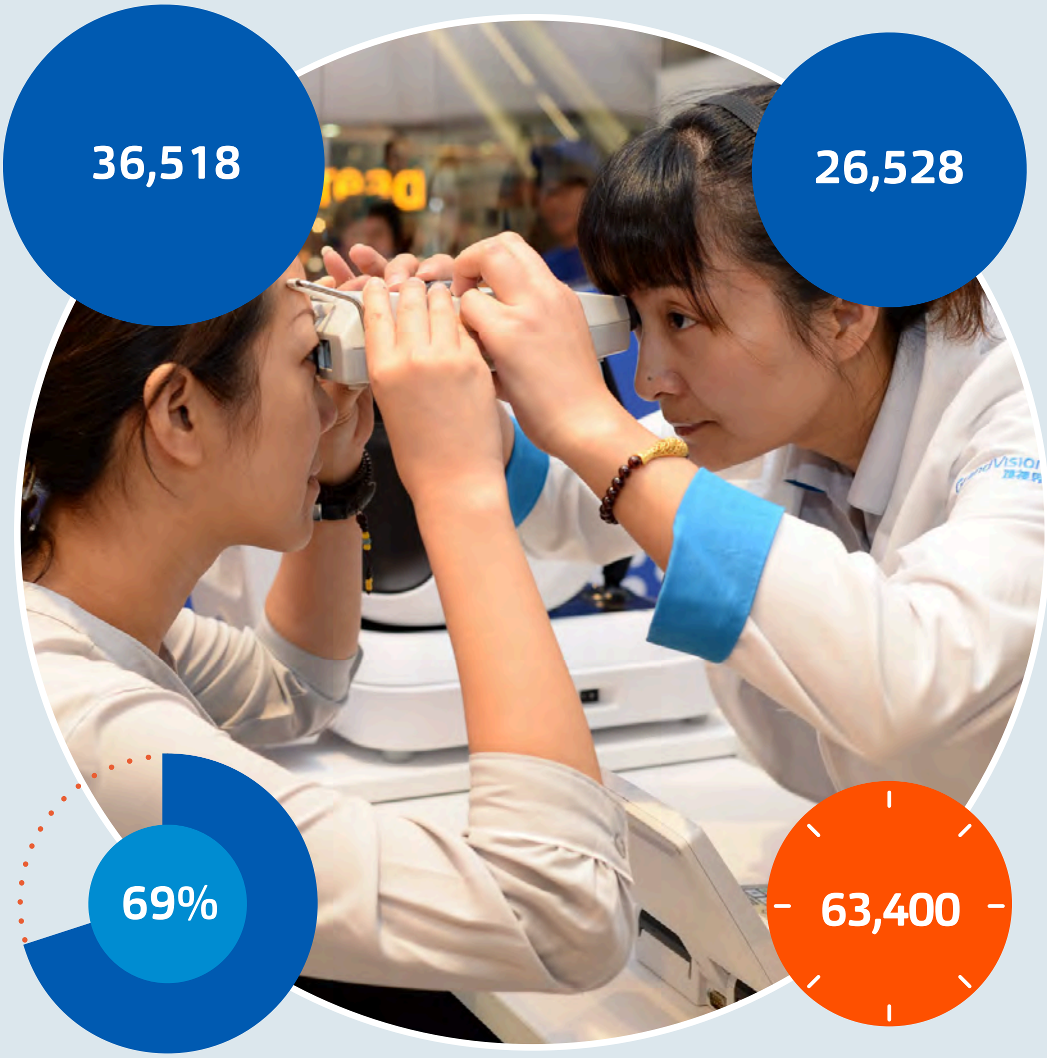
We have a diverse workplace that accepts and respects differences between people across the organization. We want to reflect the diversity of the communities in which we work and we are committed to being an equal opportunities employer at every level. This approach distinguishes us every day, across our stores, our TechCenters and our retail support functions.

GrandVision employees

36,518

GrandVision in-store employees (FTEs)

26,528



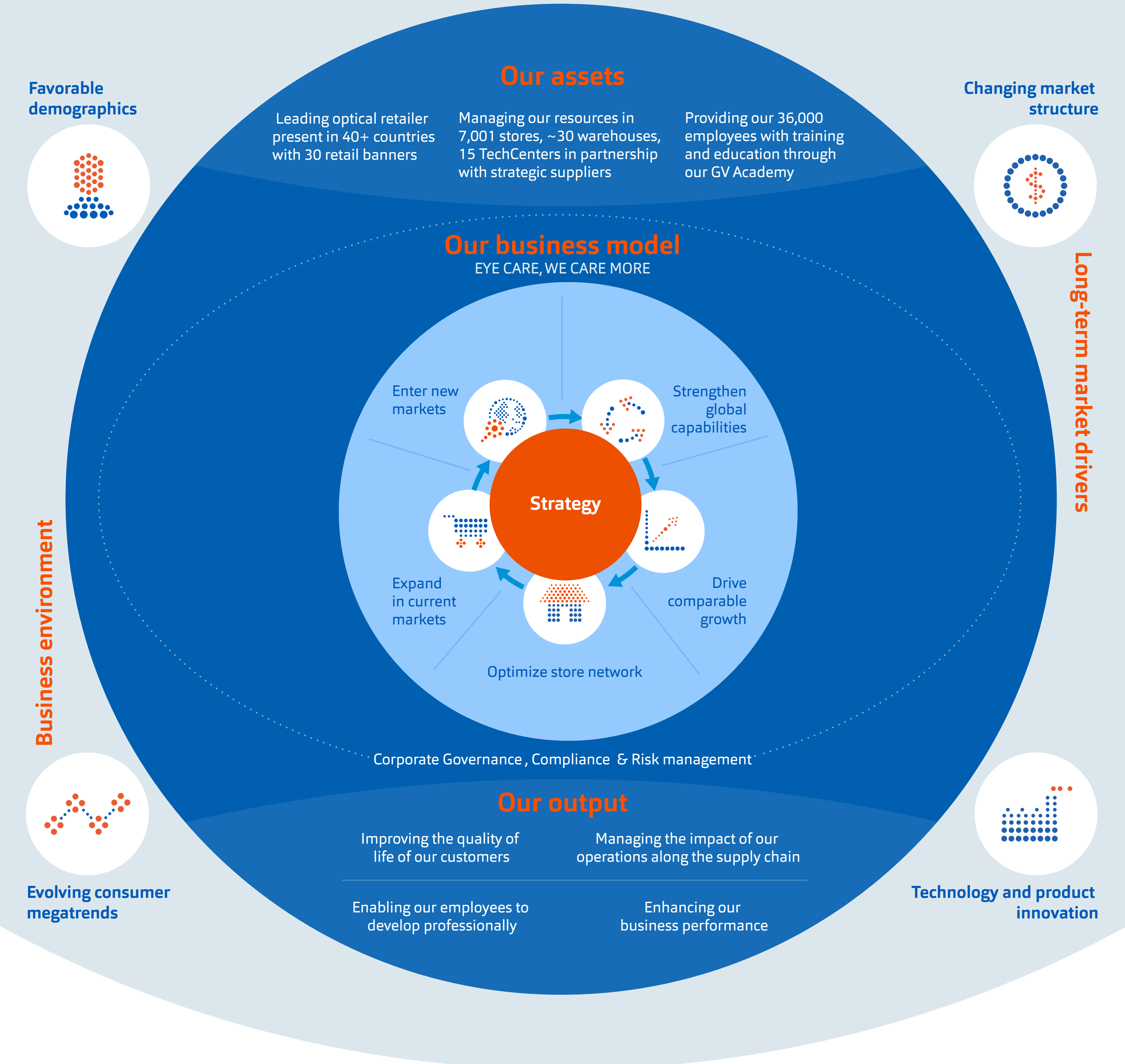
69%

of employees are female

63,400

days of professional training delivered across our network

How we create value



The value we create for society

We contribute to a better quality and safety of life
By increasing the awareness of eye health and improving the accessibility to high quality and affordable eye care, we support the socio-economic inclusion of people who suffer from undiagnosed eyesight problems.

We contribute to economic growth
By creating high-quality employment opportunities, providing access to professional training and fair pay of employees and taxes, we contribute to alleviation of poverty and personal and professional development. Furthermore, by providing high quality and affordable eye care to more and more people around the world, we contribute to the development of literacy and the educational standards required for economic development.

We contribute to sustaining the environment for future generations
By reducing our environmental footprint, we contribute to sustaining the environment for future generations.

Key performance indicators

	2017	2016	2015	2014	2013	2012
Results						
Revenue (€ million)	3,450	3,316	3,205	2,817	2,620	2,518
Organic growth (%)	3.5%	3.5%	5.3%	5.7%	2.5%	3.0%
Comparable growth (%)	1.8%	2.2%	4.1%	4.3%	1.6%	0.8%
Adjusted EBITDA (€ million)	552	537	512	449	400	372
Adjusted EBITDA margin (%)	16.0%	16.2%	16.0%	16.0%	15.3%	14.8%
Operating result (€ million)	327	358	353	289	270	231
Net result (€ million)	249	252	231	175	156	117
Earnings per share, basic (in €)	0.90	0.92	0.84	0.64	0.56	0.40
Adjusted EPS, basic (in €)	0.97	0.96	0.87			
Operational Information						
System wide sales (€ million)	3,784	3,657	3,541	3,145	2,927	2,822
Number of stores	7,001	6,516	6,110	5,814	4,993	4,876
Number of own stores	5,817	5,402	5,014	4,744	3,982	3,893
Number of franchise stores	1,184	1,114	1,096	1,070	1,011	983
Number of countries	44	44	44	43	40	40
Number of employees (average FTE)	31,802	28,766	27,510	25,776	22,235	21,487
Number of retail banners	30	29	34	33	25	24
Liquidity and Debt						
Free cash flow (€ million)	143	255	220	222	220	208
Capital expenditure (€ million)	197	176	162	158	113	114
Store capital expenditure (€ million)	140	124	122	117	84	91
Non store capital expenditure (€ million)	57	52	40	41	29	23
Net debt (€ million)	832	750	941	922	837	1,017
Net debt leverage (times)	1.5	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.

Message from the CEO

Dear reader,

GrandVision has delivered a successful 2017, with increased growth in revenue and adjusted EBITDA and a stronger position in each of our markets, thereby creating significant value for our customers and the communities in which we operate.

Revenue rose by 5.6% at constant exchange rates to €3.45 billion for the full year, with organic growth at 3.5%. Comparable store growth contributed 1.8% to revenue growth or 2.3% if adjusted for fewer trading days in 2017. Acquisitions, primarily Visilab in Switzerland and Tesco Opticians in the UK, contributed 2.1% to revenue growth. All three of our regional segments registered organic revenue growth, and among our product categories, sunglasses showed the highest growth rate due to the continued expansion of our Solaris concept.

GrandVision's store network registered its largest-ever organic increase of more than 450 opened stores around the world, resulting in a net addition of over 250 stores, bringing the total to more than 7,000 by the end of the year.

The adjusted EBITDA increased by 4.0% at constant exchange rates, of which half was attributable to acquisitions, mainly the Swiss Visilab business. The EBITDA margin fell by 21 bps to 16% because of lower comparable growth in the G4 segment and high integration and restructuring costs in the United States. Excluding these costs, the margin rose by 20 bps to 16.4%, demonstrating the positive development in our margins in other markets.

Underlying conditions for eyewear have continued to be favorable in the year, supported by long-term consumer and demographic trends that favor our growth strategy with its focus on value and quality. Markets in Western Europe, North America and Asia have shown similar growth levels to previous years, despite the impact in France, our largest market, from changes to insurance reimbursements that have stretched customer repurchasing cycles.

These results confirm the further strengthening of our position in the steadily growing and evolving eye care market. As a globally leveraged organization we are continuing to benefit from megatrends that are shaping and driving growth in the markets. Rising populations, ageing and expanding middle classes are fuelling demand for more and better eye care services and products. Technical innovation, consolidation and de-regulation are transforming the customer journeys with the increasing need for large scale technology and supply chain platforms. Major consumer trends such as greater health and lifestyle awareness, fashion consciousness, functional expectations and the shift to the convenience of omni-channel solutions, also favor our business model and strategy.

In recent years, our response to the changing needs and priorities of our customers has led to the accelerated development of omni-channel capabilities. Increasingly, our customers' eye care experience is being supported by online solutions while other parts of the customer journey remain based in physical stores. We are continuously creating a range of new propositions that enable us to deliver an extended, and deeper customer journey across all channels, including new, digitally powered innovations. These include appointment booking tools and virtual try-on functionalities, in addition to investments in our websites to improve their relevance, user-friendliness and functionality. We have aligned our organizations, both locally and centrally, to effectively meet the needs of an increasingly digitalized future world in eye care.

At the same time, we continue to increase also our physical proximity to customers as part of our omni-channel strategy by expanding and optimizing our existing network of stores. For example, in Turkey, where revenues were more than 30% higher than in the previous year, growth was fueled by new store openings, high comparable growth in existing stores as well as growing ecommerce activities. In just two years we have established ourselves as the market leader in Turkey, with an increasingly dense store network and a complementary online strategy. In total, GrandVision has added 485 stores to the network in 2017 leading to further market coverage as well as accessibility and omni-channel convenience for our customers.

The implementation of our growth strategy is not always without its challenges. For example, in the US, while achieving comparable growth during the year, re-structuring and managerial challenges have, in the short term, delayed the profitability improvement and the kick-off of the planned high growth program. We expect this to change in 2018. In France, we continued to increase market share despite changes to insurance reimbursements, which have negatively impacted customer repurchase cycles and led to a decline of the overall market.

In 2017, we also took further significant steps in acquisition-based growth. In Switzerland our majority acquisition of Visilab in September presents an exciting growth opportunity in this highly developed and profitable eye care market. In the UK, our acquisition of 209 Tesco optical stores in December has given us improved store density, increased scale and market share. These stores will be rebranded to our local banner Vision Express in 2018.

In every country in which we operate, we have fully embraced Corporate Social Responsibility (CSR) through dedicated activities and initiatives. CSR is not a new activity for GrandVision, but it has developed consistently over the years to become an integral part of our business strategy. The publication of our first stand-alone CSR Report in the year reflects the importance we attach to it and our commitment to create value for all stakeholders. As a globally leading provider of eye care we are strongly aware also of our social responsibilities and will maintain a sharp focus on the further enhancement of our CSR objectives and activities.

Long term value creation by providing high quality and affordable eye care to more and more people around the world remains our key objective. Competing locally with global capabilities for the benefit of our customers enables us to achieve market-leading positions in the countries in which we operate. As we maintain this course in the period ahead and focus on our strategic priorities, it will remain crucial to continuously evolve our business model; from being a supplier of eyewear to becoming a leading platform for eye care in the digital age. I am very satisfied with the overall progress we have made over the last years and specifically in this evolution process. I have the highest confidence that our future CEO, Stephan Borchert, will further enhance GrandVision's position as the global leader in eye care and thereby continue our growth and success story in the future.

This is my final Annual Report as GrandVision's CEO. I thank all team members and stakeholders of GrandVision for the many years of great cooperation and the opportunity to participate in a unique, rewarding and fulfilling success story. For the past year, I thank each of our more than 36,000 employees for their exemplary passion and commitment to our customers and their local communities – it has been an immense privilege to work alongside them.

We face another exciting and promising year in 2018 to deliver on our vision to provide high quality and affordable eye care to more and more people around the world. Let us continue to work as we have until now, safe in the knowledge that we have the ingredients to succeed in our mission, and to demonstrate every day that in EYE CARE, WE CARE MORE!

Theo Kiesselbach, CEO

IN FOCUS

Preventing dangerous conditions through extensive eye examinations

GrandVision's specialized professionals conduct eye examinations based on the regulatory guidelines for eye care in each country. This determines whether our certified medical specialists can perform screenings on customers in-store or refer them to hospitals when they identify underlying eye conditions.

Some of the countries we operate in are optometry driven, such as Denmark, Sweden, Norway, the UK, Poland and the US. These countries allow extended eye examinations to be done in-store. A large part of GrandVision's in-store staff are either certified opticians or optometrists. The main difference between opticians, optometrists and ophthalmologists is that opticians are technicians trained to design, verify and fit lenses and frames, contact lenses, and other devices to correct eyesight. The latter two have medical degrees, allowing them not only to perform routine eye exams but also extensive eye screenings to detect, diagnose and manage eye diseases that require medical and non-medical treatment.

Many of our retail brands cooperate with medical or charitable organizations to raise awareness around important eye health issues. For example, Vision Express in the UK works with the International Glaucoma Association, the Macular Society, the Childhood Eye Care Cancer Trust, Temple Street Children's Hospital, the Stroke Association and Brake. Among their many initiatives, they organize 'Know Your Blood Pressure' events to educate customers about stroke and its impact on sight. Up to 60% of people that have suffered a stroke will also experience visual problems, yet many are not aware of this problem, or that treatment is available. Over half of all strokes are caused by high blood pressure, which means that a simple check is crucial. Our experts know that high blood pressure problems can be detected through an eye test.

Hilary Reynolds, Executive Director of Strategy and Research at the Stroke Association commented: *"Every year there are over 100,000 strokes in the UK. Many stroke survivors who are recovering from one of the most frightening experiences of their lives face the additional challenge of visual impairment. Vision Express has become part of the fight to conquer stroke in the UK, and we're looking forward to working with them to raise awareness of stroke and its risk factors."*

Eye test	**Optician**	**Direct visual accuracy test –** subjective	**Regular eye check –** Check visual accuracy to prescribe glasses or contact lenses.
Full eye exam	**Optometrist/ Ophthalmologist**	**1. Direct visual accuracy test –** subjective **2. Ocular health –** objective	**2.1. Ophthalmoscopy** – Examines the inside the fundus of the eye and other structures. Can detect retinal detachments and tears, macular pucker, diabetic retinopathy and glaucoma. **2.2. Retinoscopy** – Obtains an objective measurement of the refractive error of the eyes. Also used to evaluate the accommodative ability of the eye and detect latent hyperopia. **2.3. Tonometry –** Detects changes in the eye pressure long before you may be aware of them. Can help to determine whether there is a risk of glaucoma. **2.4 Digital retinal photography** – Photographs the back of the eye. Helps detect the presence of diseases such as macular degeneration, glaucoma, retinal tears or detachments, central retinal vein or artery occlusion, optic strokes, as well as diabetes and high blood pressure. **2.5. Visual field testing –** Measures the central and peripheral vision, used to determine the severity of, and monitor glaucoma.

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.

"My perception of life is not blurry and thanks to Synoptik - nor is my vision."

Ulrik Rosenberg (49),
customer of Synoptik, Denmark
R +2,50 / L +2,25

With 7,001 stores in over 40 countries across Europe, the Americas and Asia, GrandVision operates 30 leading retail banners. In addition to our optical store network, GrandVision has become a platform for eye care. Each year, a growing number of customers experience our wide range of expert vision services – online and in-store – and can make a choice from a unique assortment of prescription glasses, contact lenses and care products, and sunglasses, both with and without prescription lenses.

GrandVision has more than 36,000 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.

Our Value Creation Model

We operate in a world driven by constantly changing trends, and so we therefore continuously innovate and adapt our business model and develop products and services that meet the needs of our customers for eye care, visual correction, protection and prevention. We do that by maintaining a dialogue with all of our stakeholders and we take our social and environmental impact into consideration.

Our Value Creation Model reflects the insights gained from our assessment. It also shows how we use the resources and expertise at our disposal to create value for our stakeholders. We start by taking a good look at the environment we operate in and then we define the type of "input" – or different type of capital, we need to invest in order to generate value. Our business model transforms this capital – such as the skills and knowledge of our people, our physical store network, our Exclusive Brand products, our strong retail brands and GrandVision brand identity, and others – in order to make a positive contribution not only to the development of the business in general, but also to improve the lives of our customers and employees, and manage better the impact of our operation along our supply chain. The outcome of our activities also contributes to the United Nations Sustainable Development Goals (SDGs). These 17 goals were adopted by the 193 countries of the UN General Assembly and include 169 targets, covering a broad range of sustainable development issues. These include ending poverty and hunger, improving health and education, making cities more sustainable, combating climate change, and protecting oceans and forests.

CONTRIBUTING TO THE SDGS

After comparing our outcomes against the SDGs, we have identified contributions to the following three goals:

- **Goal 3: Good health and well-being** – We contribute to better quality and safety of life by increasing the awareness of eye health and improving the accessibility to high quality and affordable eye care. In this way, we support the socio-economic inclusion of people who suffer from undiagnosed eyesight problems.
- **Goal 8: Decent work and economic growth** – We contribute to alleviation of poverty and personal and professional development by creating high-quality employment opportunities, providing access to professional training and fair pay of employees and taxes. Also, by providing high quality and affordable eye care globally to more and more people we contribute to the development of literacy and the educational standards required for economic development.
- **Goal 12: Responsible consumption and production** – By reducing our environmental footprint, we contribute to sustaining the environment for future generations.

We intend to align our targets with the SDGs to further operationalize our objectives in the coming years. We have also developed non-financial KPIs to help us measure our progress against the SDGs, for example we track our CO_2 production and transportation emissions (for our Exclusive Brand products) and we are refitting our stores with LED lighting. These will be presented more extensively in our upcoming 2017 CSR Report.

2018

EYE CARE, WE CARE MORE

How we create value

GrandVision

Long-term market drivers

Favorable demographics
- › Emerging middle class
- › Rapidly growing and ageing population

Changing market structure
- › Market deregulation
- › Market consolidation
- › Online eyewear market growth
- › Scale benefits for big players

Our assets

Highly qualified employees
Over 36,000 employees in more than 40 countries worldwide

Well established distribution network
- 30 retail banners
- 29 strategic suppliers

Optimized product portfolio
- In-house & Exclusive Brands
- GV Brand Identity

Robust infrastructure
- 7,001 Stores
- ~30 warehouses
- 15 TechCenters

Constantly developing intellectual capital
GrandVision Academy's training & educational portfolio

Responsibly utilized natural capital
- Energy
- Water
- Raw materials

Our business model

Our mission
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.

Strategy
Expand our global presence and develop and deploy state-of-the-art global capabilities in eye care and optical retailing.

- Enter new markets
- Strengthen and deploy global capabilities
- Drive further comparable growth
- Optimize the existing store network
- Expand in current markets also through bolt-on acquisitions

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.

Corporate Governance, Compliance & Risk management

Our output

We improve the quality of life of our customers
- We offer a wide range of expert vision services and unique assortment of high quality (prescription) eyewear products
- We are implementing an omni-channel tailored for every individual, at each step of the customer journey, at the moment of need

We enhance our business performance
- We grow our position across all segments of the expanding optical retail market
- We expand our store network to enable further improvement of accessibility
- We meet tax obligations in an ethical and transparent way

We manage the impact of our operations along our supply chain
- We select our suppliers responsibly
- We manage our environmental footprint throughout the value chain

We enable employees to develop professionally
- We invest in the expertise, capabilities and engagement of our people
- We support diversity and inclusion in our workplace

Business environment

Evolving consumer megatrends
- › Growing demand for fashionable products
- › Healthy lifestyle awareness
- › Premiumization
- › Shopping reinvented

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

The value we create for society

3 GOOD HEALTH AND WELL-BEING

We contribute to a better quality and safety of life
By increasing the awareness of eye health and improving the accessibility to high quality and affordable eye care, we support the socio-economic inclusion of people who suffer from undiagnosed eyesight problems.

8 DECENT WORK AND ECONOMIC GROWTH

We contribute to economic growth
By creating high-quality employment opportunities, providing access to professional training and fair pay of employees and taxes, we contribute to alleviation of poverty and personal and professional development. Furthermore, by providing high quality and affordable eye care to more and more people around the world, we contribute to the development of literacy and the educational standards required for economic development.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We contribute to sustaining the environment for future generations
By reducing our environmental footprint, we contribute to sustaining the environment for future generations.

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.

Across our network of over 7,000 stores, we deliver a harmonized customer experience and comprehensive after-sales service, supplemented by omni-channel features and digital communication. 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 that is entirely customer-oriented. We identify new trends at an early stage through our close proximity to customers. Without the constraints of an own production footprint and thanks to our central purchasing and 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. Furthermore, 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.

Optimizing our Exclusive Brands share

With our simple and transparent value-for-money proposition, we offer affordable and high quality exclusive eyewear brands, in addition to well-known international brands. Our global assortment of Exclusive Brands covers the full consumer spectrum, with various styles and price points. The assortment is supported by globally developed in-store and media marketing tools to communicate their styles and technical features. Product optimization and harmonization and our supplier base strengthen our value proposition and the positioning of each Exclusive Brand with faster replenishment cycles, more reliable deliveries, higher quality and lower costs.

Our Exclusive Brands have distinct features in terms of design and technology that provide high quality at affordable prices to our customers and attractive margins for the business. They are a key ingredient in our commercial strategy that differentiates us in our markets and brings benefits to our customers. The Exclusive Brand frames portfolio consists of 21 distinct frame brands, seven of which also offer a sunglass line. Additionally, we have our unique sunglass brand – Solaris, and the branded lenses and contact lenses – eyexpert and iWear.

Escape the ordinary with Fuzion - our edgy Exclusive Brand for unconventional men and women

In 2017, the volume share of our Exclusive Brand frames remained stable at approximately 70% of total sales. This reflects the constant effort we make to optimize the frames' style and technical features in order to respond to evolving customer and social trends. Our results demonstrate the success of our marketing strategy, and the work of our global Exclusive Brands team to develop offline and online content for our in-store and online communication. This was complemented with marketing tools including CRM, and traditional and digital media. Each roll-out of our Exclusive Brands assortment is accompanied by elaborate staff training to ensure our incentives and objectives are fully aligned. We also take the opportunity to review and optimize our assortment of third-party brands.

We ensure that all our Exclusive Brands are sourced by suppliers committed to business practices 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 Supplier Code of Conduct, we clearly communicate our expectations in these areas and assess supplier performance. We ensure all suppliers receive and acknowledge a copy of our Responsible Sourcing Policy and verify compliance with the Policy through regular third-party audits. A copy of GrandVision's Supplier Code of Conduct and Responsible Sourcing Policy can be found on www.grandvision.com.

HERITAGE: SPECTACLES OF TIME

Heritage is one of GrandVision's Exclusive Brands built on a foundation of passion for eyewear, artful craftsmanship, exquisite detail and technical precision. The brand is dedicated to those seeking a classic look that goes beyond the trends of the moment. In 2017, Heritage launched its "Spectacles of Time" capsule collection. This unique collection celebrates the evolution of eyewear through the 20th Century by reproducing several iconic styles inspired by three decades: the 1930s, 1950s and 1960s. The acclaimed Italian manufacturer Mazzucchelli 1849, collaborated with us on this 'journey through history', to ensure the quality, durability and craftsmanship of each design.

The launch of the collection was marked by intense in-store and online communication guided by the global Exclusive Brands team and adapted to the local markets. Implementation was supported by marketing materials such as key visuals, brand manuals and launch packs, while its digital and social media presence was enriched through the use of GIFs, creative pictures, introduction of hashtags, and involvement of fashion and design influencers.

Heritage - our timeless line of Exclusive Brand frames and sunglasses for the sophisticated customer

Operating leading retail brands

GrandVision operates 30 retail banners of which most target the mass-market segment in their respective countries.

In some countries we operate a second banner that serves the mid- to-high market segment, for example, in Belgium, France, the Netherlands and Mexico. In addition, we operate the international sunglass retail brand Solaris across most markets. The reputation and consumer awareness of our brands contribute to their success and performance. Our local retail banners enjoy high brand awareness that generates traffic into stores, encourages potential purchases and helps build and maintain customer loyalty. During the year various brands, such as Apollo in Germany, Pearle in the Netherlands and Interoptik in Norway, were chosen as best optical retailers and service champions in their local markets.

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

Solaris store-in-store concept drives growth

The global sunglass market is an attractive part of the eyewear market, representing approximately 15% of sales and a projected growth rate of 6.5% over the next five years. This growth is driven by increased consumer awareness and demand for protection against ultraviolet radiation and glare, and the increasing popularity of sunglasses as a fashion accessory.

Solaris is GrandVision's rapidly expanding global sunglass retail brand. In 2017, it reached over 3,500 points of sale in 40 countries – an almost 50% increase compared to last year, contributing to the strong sunglass category growth in 2017. These highly visible Solaris stores are typically corners in optical or department stores or seasonal pop-ups. They generate additional traffic while providing cross-purchasing opportunities for our customers.

SOLARIS' FOUR CHANNEL STRATEGY

- **Solaris corners in optical stores:** In 2017, this channel witnessed its fastest expansion with the creation of 1,200+ new corners and expansion into two new countries – Switzerland and Argentina.
- **Dedicated stand-alone Solaris stores:** In 2017, we continued to expand in airports and other high traffic locations, while exploring new territories, such as new stores in the south of Turkey. GrandVision now operates 190+ stand-alone Solaris stores, mainly in France, Italy, Mexico, and Spain.
- **Department Stores:** Solaris increased its presence in department stores across the Netherlands, Belgium, Italy and Finland through long-term partnerships with local department store chains such as Hudson's Bay in the Netherlands, and Galeria Inno in Belgium and Stockmann in Finland.
- **Pop-ups:** This year, we added temporary pop-ups during the peak sunglass season. The concepts included mobile points of sale in shopping malls and other high traffic locations.

Sunglasses have traditionally been 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 – only 19% 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, yet fashionable, sunglasses, of which 70% can be fitted with prescription lenses. Numbers consistently show that optical stores with Solaris corners deliver higher comparable growth than stores without.

To ensure Solaris' brand consistency and a harmonized customer experience around the world, GrandVision provides its stores with centrally developed tools such as marketing materials, store concept books, operations manuals, checklists, and brand launch packs. All Solaris store openings are centrally reviewed and certified based on our concept parameters. Training our staff to bring the Solaris concept to our customers each day is one of the most important parts of our operations. We centrally provide training materials in e-learning or classroom formats to ensure a consistent sales experience at every Solaris point of sale.

Accelerate development and implementation of omni-channel and digitally empowered customer experience

The optical retail market is at an inflection point with new business models, products and services emerging from start-ups and traditional competitors alike. Customer expectations are changing too. 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 offline sales process and customer journey are increasingly being influenced by digital technology. Empowered by it, our customers expect us to deeply understand their journeys and their priorities, anticipate their needs and fit in with their lifestyles. It has therefore become a strategic priority for GrandVision to deliver a seamless omni-channel customer experience, supported by new forms of training, technology and tools for our employees.

Our vision is to become an essential and trusted advisor for our customers in all aspects of eye care. To achieve this, we are creating a range of new propositions that enable us to deliver an extended, and deeper customer journey across any channel. This creates more flexible product and service options for our customers and gives them the freedom to shape their own eye care experience in line with their preferences and needs. Online, offline, any time, anywhere.

We have defined a portfolio of strategic initiatives that accelerate the advancement of our existing offer and develop a number of new, digitally powered innovation propositions. In addition, we are implementing organization-wide innovation processes, that harness the GrandVision internal knowledge, as well as collaboration with external players to create sustainable models for the continuous development of new customer propositions.

In line with our omni-channel strategy and in answer to the shifting consumer behavior, our marketing approach is evolving to accommodate new skills, new digital tools and platforms new techniques to make sure we are successfully reaching our target audience with relevant and personalized products and services at their moment of need.

ADRESSING THE EVER-CHANGING CONSUMER TRENDS

In EYE CARE, WE CARE MORE – for GrandVision this is not only a slogan, it is a guiding principle in everything we do.

What distinguishes us is our simple, safe and honest customer journey – in-store and online. To guarantee that, we continuously monitor and adapt to the evolving market trends and customer preferences. We derive qualitative and quantitative insights from customer ethnography, omni-channel retail diagnostics, customer surveys, forward-looking trend research and data science modelling of our customer, product and transaction data.

These help us improve our omni-channel experience by identifying the most valuable customer journeys and uncovering pain points and unmet needs. We then develop innovative solutions to address these and enhance, deepen and extend our customer experience.

In addition to more traditional, above-the-line media, such as print, radio and TV, and below-the-line marketing, our retail banners are now increasingly using search engine optimization and paid listings, social media marketing, pay-per-click advertisement and e-mail marketing. We have embarked on initiatives to analytically measure performance across our online and offline customer experience and have been launching a number of omni-channel commerce propositions. Furthermore, our Exclusive Brands’ toolkits now include media formats such as GIF animations, videos and creative images.

As part of this approach, our retailers can gather and analyze their data to reap the benefits of targeted digital marketing campaigns. Through more relevant personalized communication, they are able to further build GrandVision’s brand digitally. One of the most successful digital campaigns in 2017 was executed by our Turkish business, Atasun. They implemented an influencer marketing approach that reached millions of people through various social media channels. That increased their online and in-store traffic and strengthened their brand presence and recognition.

IN FOCUS

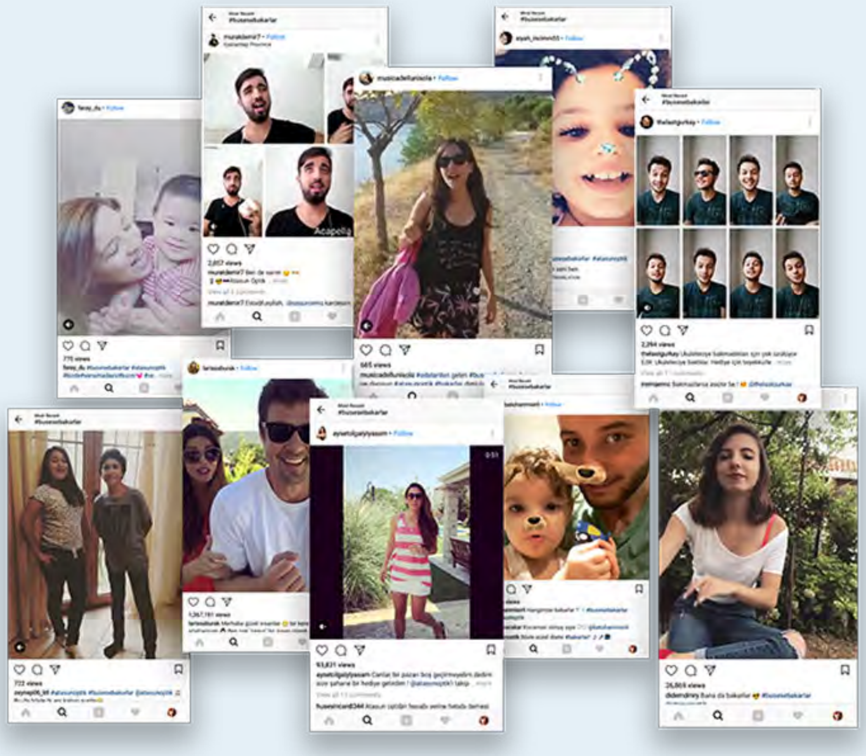
Digital brand building in Turkey

GrandVision's Turkish business, Atasun, operates 184 stores in one of the fastest developing and digitally savvy markets today, where social media penetration is as high as 65%. However, Turkey also has one of the strictest legislative environments in eye care, as it explicitly prohibits the advertisement of prescription glasses and contact lenses.

Our colleagues have embraced this challenge by unifying their communication strategy for both the optical and sunglass categories, and finding the right way to address these two very different target groups. To achieve this, they adopted a relatively new approach – influencer marketing, to tell their individual brand stories via social content and conversations.

With a strategy based on the three main pillars of TV, Radio and Digital Media, Atasun created a word-of-mouth effect with a link to their main campaign by using Instagram influencers. Music was one of the strongest element in the campaign and was the key point in terms of creating 'mental availability' to enable buyers to notice, recognize and think of Atasun brand in buying situations.

The campaign took place over the summer in 2017 and was supported by a song contest on Instagram and Spotify involving relevant Turkish social media Influencers. These influencers had a total of almost four million followers who they encouraged to participate in the contest. The success of this campaign has been undeniable. It has led to more than 10 million impressions on social media, 7 million video views, and more than 400,000 clicks on the display advertisement. As a result, Atasun has not only strengthened its brand presence and recognition, it has also increased its online and in-store traffic.

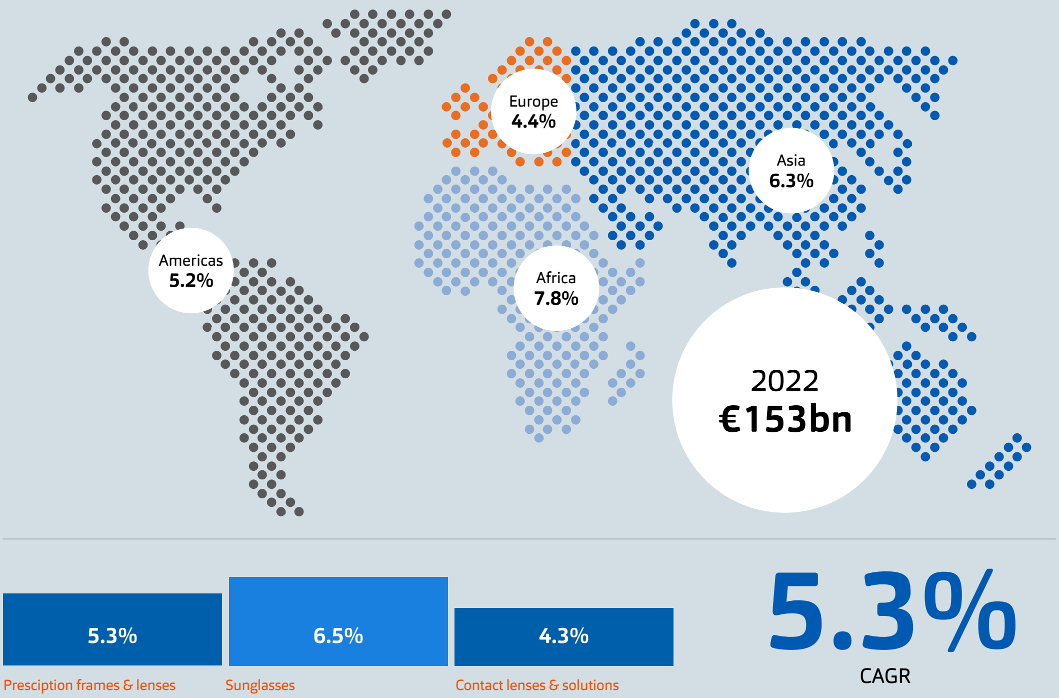


Business environment

The global eyewear market is expected to grow by approximately 5% each year over the next five years. Among the major trends driving the expansion of the global consumer base are increased consumer awareness about eye health, higher levels of disposable income and population ageing. Consumer lifestyles also play a role, with digitalization causing ever more people to spend more time in front of digital devices that can strain their eyesight. These trends are also creating alternative revenue streams for eyecare providers, with an increasing number of marketing campaigns stressing the importance of prevention.

The optical retail sector is relatively resilient and is characterized by steady repurchase cycles over the span of one year. At a national level, retail competition is generally characterized by local competitors and easily identifiable banners. The optical retail market remains highly fragmented with a large share in the hands of independent retailers. This is typically due to history or local market regulations and subsidies that tend to protect smaller but less efficient eyewear market players. While market share held by independents differs by country, it generally remains above 50% in most of GrandVision's markets although this is gradually decreasing over time. There are also many regional and national optical retail chains, but only a few multi-country chains and even fewer that are truly international. With its leading market position, size, global presence, and advanced capabilities, GrandVision is well positioned to continue tapping the growth potential of its markets and reaping the benefits of the following favorable long-term trends.

Global eyewear market 2017-2022



Favorable demographics

Megatrends in social demographics underpin the long-term growth potential of consumer demand in the global eyewear market.

RAPIDLY GROWING AND AGEING POPULATION

As populations continue to expand, so does the addressable global market for eyewear. An estimated 60% of the current global population, equivalent to more than 4 billion people, already requires some form of vision correction. Furthermore, according to the World Health Organization, over 600 million people worldwide are blind or highly vision impaired because they do not have the access to the right eye care.

Ageing is one of the most significant global demographic factors impacting eyewear as the need for vision correction increases and becomes more complex as a person ages. Older people are more prone to visual disorders and have greater requirements for vision correction and more complex eye care solutions. In 2017, almost one-third of the global population is above the age of 45, which is the average onset age of presbyopia. This proportion is expected to increase in the coming years, representing a major global market opportunity.

EMERGING MIDDLE CLASS

The size of the eyewear market and its development is closely correlated to economic development, with fast-developing markets in Latin America and Asia offering the greatest growth potential. Access to eye health facilities and higher disposable income levels are driving consumer demand in these markets, and attracting global operators to them. We estimate that more than 2 billion people worldwide are vision impaired but do not 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

Changing market structure

Key trends in the market are also creating favorable business conditions for GrandVision. Among these trends are market deregulation, the gradual consolidation of the optical retail market, and the growth of the online market for eyewear. The main market trends in global optical retail include:

DEREGULATION BENEFITS OPTICAL RETAIL CHAINS

Market deregulation is increasing globally, easing restrictions on eye tests and measurement services, redefining collaboration between optometrists and opticians, and facilitating market access by full-service optical retail chains like GrandVision. Price competition is also rising due changes in to social security and health insurance reimbursements, which had previously provided effective subsidies to less efficient retailers.

UNDER-PENETRATION

The penetration of eyesight correction remains low across many emerging markets, providing strong opportunities for eyewear providers, particularly in highly populated countries such as China and India. Due to their large populations, the growth of the global eyewear market is expected to be strongly led by these markets in the short–to-medium term.

CONSOLIDATION OF FRAGMENTED MARKETS

The highly fragmented optical retail market continues to consolidate, favoring the growth of more larger and more efficient retail formats. Larger players like GrandVision offer better 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 marketing campaigns. These translate into lower prices for consumers and support the development of best practice standards in customer service.

EMERGING ONLINE EYEWEAR MARKET

Although consumers typically regard opticians to be highly important in the purchase of eyewear, online retailing has continuously grown, and currently represents approximately 5% of global eyewear sales, which is still 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, where the convenience offered by the internet proves more important than the in-store personal advice and expertise.

Even so, the need for personal interaction of consumers with vision experts to administer eye tests and examinations, as well as the high degree of product individualization, the requirement to fit finished prescription eyeglasses, and the long repurchase cycles of up to four years, are still a major limitation for pure online players.

Nevertheless, consumers increasingly expect broader and more flexible forms of retail interaction and service. For this reason, GrandVision has established an omni-channel route to market that is integrated with its in-store services. This allow consumers to complete a number of actions online, such as preselecting their frames, booking appointments and replenishing contact lenses.

Technology and innovation driving category growth

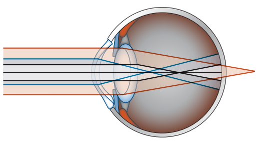
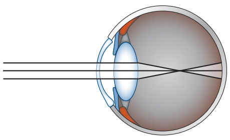
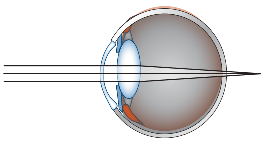
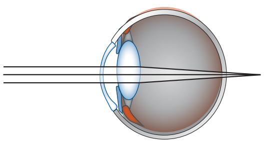
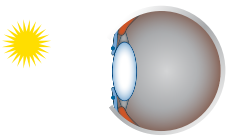
In addition to long-term demographic and structural market changes, the global eyewear market is experiencing a number of product-driven trends. These include:

SHIFT TO HIGHER VALUE EYEWEAR PRODUCTS

Increasing consumer awareness, ageing population and penetration of technical innovations in the eyewear market are strengthening demand for higher value eyewear products. These innovations relate to both the quality of lens material and to functionality and design features (e.g. progressive, light, thin, antireflective, shockproof, photochromic, scratch resistant, anti-dirt, anti-fog, polarized and ultraviolet protective lenses). Higher value products generally command higher retail prices and wider profit margins, but they also require increased service levels. To read more about product innovations by GrandVision, please see the 'Mask it up!' case study.

INCREASED CONVENIENCE DRIVING CONTACT LENS CATEGORY GROWTH

The global market for contact lenses, particularly daily disposable ones, is expanding rapidly and creating shorter repurchase cycles that are shifting to daily or monthly disposable versions. The average annual spend for contact lenses is higher per customer than it is for prescription glasses. In addition, contact lens wearers also tend to

	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 short focus at two different distances.	• Single vision lenses • Contact lenses • Laser surgery
	**Myopia** **Nearsightedness: ~30% of population** 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 ones 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% of population** Imperfection in the eye (often when the eyeball is too short or the lens cannot become round enough), causing difficult 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% of population** 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 from to 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

purchase prescription glasses and sunglasses, and demonstrate higher levels of customer engagement. While the share of contact lenses as a proportion of total eyewear sales still varies across different markets, the combination of convenience and affordability is encouraging more consumers to make the switch and combine their usage with glasses.

We address this trend with our leading range of exclusive contact lens brands, eyexpert and iWear, which combine high-quality and comfort for a comparatively lower price. In 2017, we developed a new customer-oriented training program for in-store employees to ensure accurate guidance and practical advice while picking the right product for our customers. This program also teaches employees and customers how to best apply and remove contact lenses.

HIGH QUALITY SUNGLASSES

While 60% of the world population is in need of vision correction, 100% needs to protect their eyes from the sun. Therefore, 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. Even so, the penetration of eyesight protection from ultraviolet radiation remains relatively low in mature and emerging markets. Only approximately 19% of sunglasses sold in Europe today have prescription lenses.

Our expectation is that, as health awareness increases, the demand for high-quality sunglasses, such as the ultraviolet protective prescription sunglasses, will also grow. To this end, our Solaris store-in-store concept offers an attractive assortment of functional and fashionable sunglasses, of which 70% can be fitted with prescription lenses. At the same time, innovations in design and lens technology, including light weight, polarized and flash lenses are also contributing to shorter average repurchase cycles.

Global consumer megatrends

From a growing demand for fashionable products through to an increased awareness of health and lifestyle, to personalization as status symbol – consumer attitudes and purchasing decisions have been evolving and reshaping the eyewear industry.

GROWING DEMAND FOR FASHIONABLE PRODUCTS

Aesthetics have become a strong determinant in consumer preferences. With the emphasis moving from eye care to eye wear, and despite the medical considerations in this category, more purchases are moving to fashion-related channels. GrandVision responds to this trend through its portfolio of Exclusive Brands. This recently included the launch of the new 'Mask it up!' collection; a product that combines optical frames and sunglasses in one.

HEALTH, LIFESTYLE AND AWARENESS

The global health and wellness trend has permeated almost every consumer industry, and eyewear is no exception. As a result, consumers have become more proactive about preventive eye care. As GrandVision strengthens its market position as a global platform in every aspect of eye care, it is using its channels to promote eye health and conduct community initiatives that educate and create awareness about eye care. For example, our UK brand, Vision Express, has a dedicated area for eye health and eye care on its website and gives practical advice and educates about how to take proper care of your eyesight.

PREMIUMIZATION

Premiumization is a major driver in today's global eyewear market. As technological advances and innovation drive growth, the quality and features of eye wear products are notably increasing. With this trend has come a growing demand for premium lenses, contact lenses and sunglasses. GrandVision therefore offers different types of lens packages with varying levels of performance; from the latest technological developments and tailor-made options for the best possible vision, to great value ranges that are suitable for all budgets – available in both single vision and varifocal versions.

Single vision lenses have one prescription across their entire surface and are suitable in all scenarios. Whether as glasses for driving, working or reading, they can include scratch-resistant coating, an anti-reflection or anti-reflection plus blue coating, or be significantly thin and light. In every case, our clear in-store communication and optical specialists provide expert recommendations to find the best lens solution for each customer.

SHOPPING REINVENTED

As economic and technological realities evolve, our way to shop is also changing. Nowadays, consumers purchase products and inform themselves across multiple platforms, which makes it necessary that retailers be prepared to engage them at every opportunity. Our simple, safe and honest customer journey complemented by an omni-channel retail strategy ensures that we capture the customers' needs and expectations across multiple channels, transmitting consistent brand values and experience, and building a long-term relationship with our customers. Our retail banners are present on social media, and use increasingly digital marketing. This includes search engine optimization, paid listings, social media marketing, pay-per-click advertising and e-mail marketing.


Junior
-50%
50%
-50%
-50%
-50%
REGARDEZ LA CAMERA
GET READY
0
Solaris
THE ULTIMATE SUNGLASS SELECTION

IN FOCUS

Solaris at Hudson's Bay in the Netherlands

GrandVision's sunglass brand Solaris offers customers the ultimate sunglass selection in almost 3,500 points of sale in 40 countries. The highly visible Solaris shops and corners inside GrandVision stores generate additional traffic while providing customers with the latest sunglass trends and technologies.

Sunglasses are widely seen as a cool fashion accessory, which is why the Solaris sunglass brand shows that fashion and eye care can go hand in hand. Sunglasses protect from UV radiation, which can prevent the development of eye diseases, such as cataracts and macular degeneration.

Solaris stores are present in high traffic locations in countries with high sunglass demand such as France, Italy, Spain, Turkey and Mexico. In 2017, GrandVision began moving beyond traditional channels, bringing Solaris to Hudson's Bay – a chain of 90 department stores expanding in the Netherlands. The company is focused on high-end fashion apparel, accessories and home goods, and addresses trend and lifestyle oriented consumers.

By placing Solaris' specialized sunglass corners within the Hudson's Bay department stores in Amsterdam, Rotterdam and other major cities in the Netherlands, GrandVision takes an important strategic step to increase the diversity of its retail channels and partnership opportunities, while growing the brand awareness of Solaris with Dutch customers.

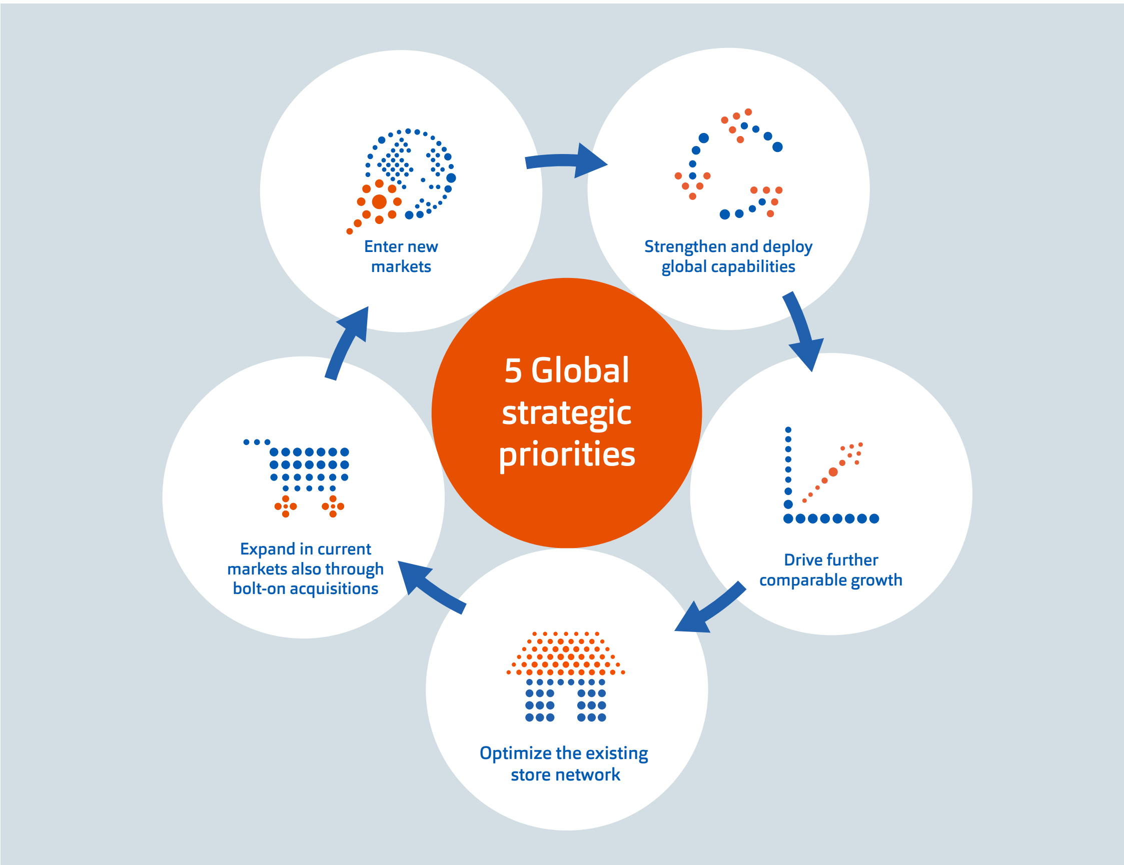
Strategy and objectives

Our vision is to provide high quality and affordable eye care to more and more people around the world. We are doing this by acting not only as a provider of eye wear, but also as a platform for eye care. Our mission is to grow further and achieve a market-leading position in each country in which we operate. In doing so, we create value for our stakeholders, for the communities we are present in, and most importantly, 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. To maintain our leadership, we continuously enhance our proposition 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 our existing store network
4. Expand organically in current markets, and through bolt-on acquisitions
5. Enter new markets



Strengthen and deploy global capabilities

While every optical retail market has its unique characteristics, we recognize that customers' underlying needs and key purchase drivers are very similar in most parts of the world. Based on these insights, we deploy a range of global capabilities in all our markets, regardless of size and maturity. Among others, these include the implementation of the global ERP system, the continued roll-out of the Solaris concept and an attractive assortment of Exclusive Brands, and a standardized store concept.

Drive further comparable growth

We consider comparable growth to be the most sustainable and profitable source of growth, as it 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
- Increased average consumer spending through value-added products such as multifocal lenses and prescription sunglasses
- Growth in the sales of contact lenses and sunglasses, supported by cross-selling initiatives
- Continued evolution of our customer journey, including omni-channel features and digital marketing
- Further improvements to customer loyalty

Optimize the existing store network

Market share growth is one of our main areas of focus, 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, as well as store closures in places where customer traffic patterns have changed.

We generally pursue store network expansion in countries where there is a strategic growth ambition to do so as, a proven and profitable store format in place, and an opportunity to increase the density of our network. 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, alongside the financial and internal controls and governance practices.

Expand organically in current markets, and through bolt-on acquisitions

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

In 2017, GrandVision acquired Tesco Opticians in the UK. The acquisition incorporates Tesco Opticians' network of 209 stores across the UK and Republic of Ireland, bringing the total number of Vision Express outlets to 600.

Vision Express intends to retain the valued experience of the Tesco Opticians personnel in all stores, which will now operate under the Vision Express brand.

Enter new markets through acquisitions or greenfields

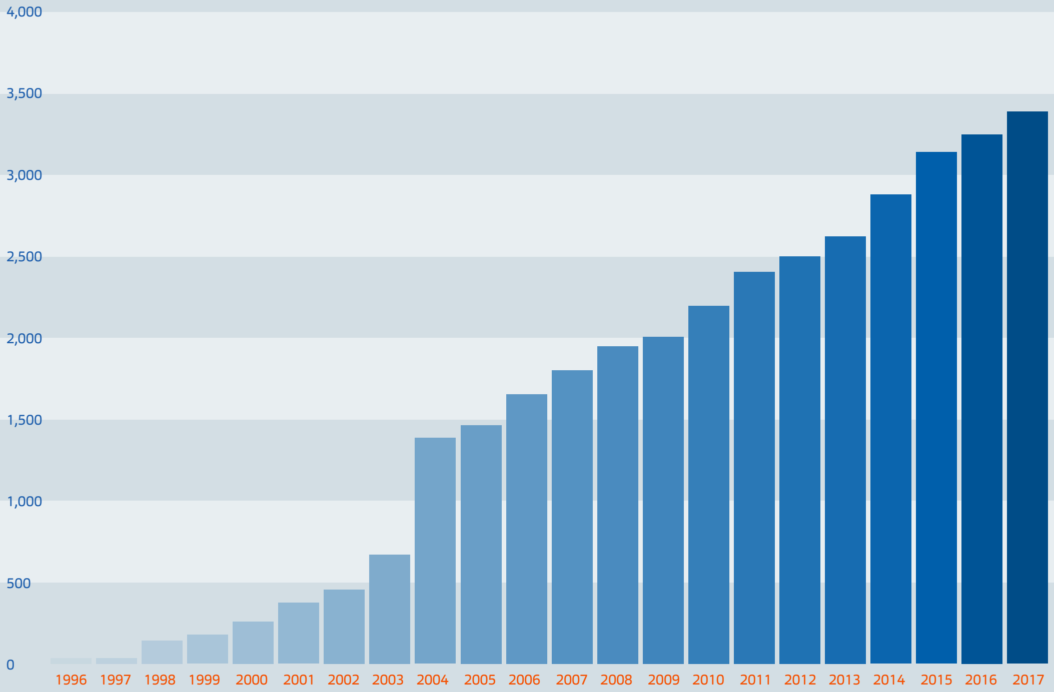
We have a presence in over 40 countries and are always exploring ways to expand in new markets. We continuously evaluate the attractiveness of potential new markets by looking at macroeconomic factors, market growth and the local conditions for operating an optical retail chain. In 2017, GrandVision increased its shareholding in Visilab to 60%. Visilab is a leading optical retailer in Switzerland founded in 1988. It employs more than 900 people and operates 106 stores across the country. Through Visilab we have facilitated the entry of Solaris into the Swiss market in the year.

GRANDVISION HISTORY

Historically, our growth was fueled by numerous acquisitions since the international investment company HAL Holding entered the optical market in 1996 by first acquiring the Dutch and Belgian operations of Pearle Vision. Eventually, they acquired the French-based multinational optical retailer GrandVision SA in 2005. In 2011, the two multi-national groups merged into a single entity named GrandVision, one company with one vision – to deliver superior eye care to more and more people around the world.

Historical revenue development

(in € million)




HERITAGE
ICONIC LUXURY


MASK IT UP!
IN STYLE
• SPOTTED IN THE STREET •


JULIUS
FOR THE SMART CITIZEN


FUZION
ESCAPE THE ORDINARY


JULIUS
FOR THE SMART CITIZEN


MIKI NINN
The colors inside you.


5TH AVENUE
METROPOLITAN LOOK


IN STYLE
• SPOTTED IN THE STREET •


UNOFFICIAL
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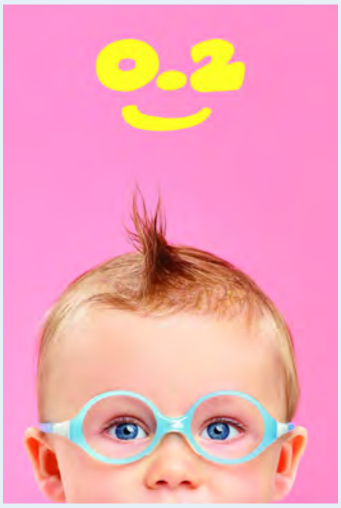
HERITAGE
ICONIC LUXURY


MIKI NINN
The colors inside you.


Sensaya
SENSE OF SEDUCTION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PLAY!
A wonderful world to see


twiins
ADVENTURE BUDDIES


FUZION
ESCAPE THE ORDINARY

IN FOCUS

GrandVision expands through Walmart in Mexico

The rapid expansion of middle classes in emerging markets is helping to drive eye care penetration. In Mexico, where many still do not have access to high quality corrective eyewear, an aging population is also contributing to a growing need for affordable, high quality eye care.

Optical stores are main distribution channel for eyewear in Mexico and people rely heavily on the expertise of eye care specialists. Optometry has been practiced there for many decades, and the country is home to the oldest and largest optometry school in Latin America.

Opticas Lux and MasVision are GrandVision's retail banners in Mexico. The business has made education and training a differentiator in its market since 1942, and a cornerstone of its customer-centric and personalized service approach. With these two retail banners, GrandVision has become a market leader in Mexico with 622 stores at the end of 2017.

In 2016, GrandVision accelerated its expansion in Mexico by acquiring 181 optical stores within Walmart stores, through its other local banner – MasVision. In 2017, MasVision added 62 more Walmart stores to the business. The stores were rebranded as MasVision and converted according to its standardized store format. MasVision also implemented an optical training program to enhance the competencies of the former Walmart employees and help them be more successful at work.

The expansion has greatly strengthened MasVision's penetration and brand awareness in Mexico and immediately improved sales performance in rebranded stores.

Javier Martinez Rangel, store manager at MasVision, shares:
"I worked at Walmart Optics for 5 years when MasVisión acquired the chain. The best quality of the new concept is that it empowers both staff and customers. Our staff role evolved into a customer advisor role, as now we engage more with customers to help them choose the best, most suitable product and/or treatment. That makes them feel better informed and taken care of. And ultimately – generates more sales value."

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. Employee satisfaction is equally important to us as customer satisfaction, and as such, it is continuously measured and improved. This approach distinguishes us every day, across our stores, our TechCenters and our retail support functions.

Expanding our talent base

With our global presence we are creating high quality employment opportunities throughout our network. In 2017, the average number of full time equivalent employees (FTE) increased by approximately 3,000 to 31,802 due mainly to acquisitions and the expansion of our store network. Overall, the total number of employees, including part-time employees, reached more than 36,000 in the year.

	2017	2016
G4	13,996	12,625
Other Europe	9,120	7,942
Americas & Asia	8,453	8,009
Corporate, Other	233	189
Total	31,802	28,766

Managing for excellence

Our experienced local HR organizations continuously work on improving staff efficiency and operational excellence. Next to that, local HR Leaders share best practices and principles globally, to further develop people policies and practices, invest in common enablers and generate efficiencies across the organization.

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

To measure our progress, we have begun to track a common set of Key Performance Indicators (KPIs) on a quarterly basis. These provide 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 in areas such as productivity, retention, recruitment, vacancies, sick leave, and engagement levels.

All local operating companies now report these KPIs on a quarterly basis and the overall results are shared among all HR Directors. In 2018, we will broaden our KPIs to include a Net Promoter Score (NPS) indicating employee satisfaction.

Engaging our people

Listening to our employees and creating high levels of engagement and alignment is central to our people strategy. Our local businesses have long used employee surveys to track engagement.

In 2017, we began applying a consistent approach across all countries with aligned methodologies. We now globally track and measure these efforts on a quarterly basis. They provide us with valuable information about levels of engagement, our people’s understanding of the company’s plans and objectives, and the effectiveness of their managers. Each local organization, including the central office at Schiphol, is acting effectively on the outcome of the surveys and is constantly looking for ways to increase the results.

Supporting diversity and inclusion

At GrandVision we have a diverse workplace that accepts and respects differences between people across the organization. We recognize that each individual is unique, and acknowledges those differences, which may include ethnicity, gender, sexual orientation, age, physical abilities, family status, religious beliefs, perspective, experience, or different ideologies.

We see diversity as an integral part of how we do business that is crucial to our commercial success as it also reflects the diversity of our customers. Therefore, we are committed to fostering, cultivating and preserving a culture of diversity and inclusion that reflects the communities we operate in.

This starts from the moment we select a candidate. We are committed to a fair recruitment process based on objective criteria. Our internal remuneration 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.

GRANDVISION'S GLOBAL HUMAN RIGHTS POLICY

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

Our Global Human Rights Policy sets out standards, expectations, and commitments in relation to our responsibility to respect human rights across our own operations, and to not knowingly contribute to human rights violations by other parties.

You can find our Human Rights Policy on our website.

Next to recruitment, our diversity initiatives extent to all other areas of our business. These include talent development, skills enhancement, recruitment, appointments to the Management Board, employee retention, mentoring and coaching programs, succession planning, among others.

By paying special attention to diversity in all our operations, we aim to build a work environment that encourages:

- Respectful communication and cooperation between employees
- Teamwork and employee participation among all employee groups
- Work/life balance through flexible work schedules to accommodate employees' varying needs
- Employer and employee contributions to the communities in which we serve to promote a greater understanding and respect for diversity

In terms of gender representation, almost 70% of all GrandVision full-time employees are women. Women represent approximately 30% of GrandVision's senior leadership team of about 180 people.

To reflect the diversity of the communities in which we work, as well as the diversity of our entire workforce, GrandVision has also implemented a diversity policy for the Management Board and Supervisory Board. The policy can be found on GrandVision's website. It takes into consideration the variety of differences between people in an organization and acknowledges the importance, acceptance and respect of differences between individuals.

The Supervisory Board's aim is to reflect a diversity of age, gender, nationality, education and work experience. The statutory objective for a balanced governance composition is a minimum of 30% male and female representatives. This objective is currently not met by GrandVision.

In the long term, the Supervisory Board's aim is to ensure that its composition and that of the Management Board represents a fair and balanced representation.

FOSTERING RESPECTFUL WORKING ENVIRONMENT

Within GrandVision we aim to foster a culture of respect and openness that enables all employees to reach their potential. This 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

GrandVision's Management Board believes that a respectful working environment creates a culture focused on long-term value creation for the company and its affiliated enterprises. The Supervisory Board supervises the activities of the Management Board in this regard. The Management Board and the Supervisory Board actively promote a culture of integrity, openness and a strong focus on customer service and store performance.

I CARE MORE

The four "I care more" values are the driving force of our business and the foundation of our brand promise as well as the guiding principle of our corporate culture.

- I care more about EYE CARE
- I care more about SUPPORTING RETAIL
- I care more about PERFORMANCE
- I care more about PUTTING A SPARKLE IN OUR CUSTOMERS' EYES

All GrandVision employees, both in stores and in operating companies, share these values and live and breathe this service-oriented mindset.

We believe our core values are key ingredients of our success. It is important that we also share a common understanding and set of guidelines to help reinforce and uphold them. 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. An Antitrust and Competition Law Compliance policy is also established across the entire group. The Management Board is responsible for monitoring the effectiveness and implementation of these policies while every GrandVision employee receives an awareness training on these topics once a year.

Copies of the GrandVision Code of Conduct, Whistleblower Procedure and Antitrust and Competition Law Compliance policy can be found on www.grandvision.com.

Encouraging learning and development

We are committed to enabling our people's professional development so they fulfil 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 we are able to deliver learning and development programs in a consistent and effective manner.

In 2016, the GV Academy expanded a common training framework for all commercial and retail staff including retail, optical and sunglass expertise, and a specific curriculum for Store Management. In 2017, this new framework was successfully introduced in many countries in Europe and Latin America. All GV countries are now aligned on the common GV Academy framework and its further roll out will continue into 2018.

Next to continuously updating the GV Academy training portfolio with new brands products, in 2017 we also focused on renewing the full range of training material for our contact lenses category. In the year ahead, we will roll out new e-learning modules, movies and in-store material according to our business needs.

The framework applies a balanced learning approach comprising e-learning, classroom lessons and on-the-job training. It is empowered by an integrated Learning Management System (LMS), 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.

Our optical specialists combine technical expertise complemented by strong communication skills and an empathetic approach

In 2017, 63,400 days were devoted to professional training. We are looking to reduce classroom-training days in favor of e-learning modules and more in-store training material.

To further leverage the LMS, GV Academy has set-up a successful international collaboration tool that enables users to quickly onboard to the system, learn about its features and connect easily with international colleagues.

Promoting international careers

We recognize the benefits of international mobility among our employees. 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 constantly benchmarked against international best practices, and at the end of 2017 we conducted a thorough RFP process to select a new relocation provider to meet our ongoing demand for international relocations and assignments for both business and talent management purposes .

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 have continued to streamline and professionalize our recruitment process, while further strengthening our HR activities. We have made further use of assessments in recruitment processes across the organization, and in many local organizations we operate a strong onboarding process as well, including store working days for non-store staff.

However, we not only believe in attracting the best talent; we aim to retain it as well. To further strengthen our internal pipelines and career opportunities, we will be further developing our global talent management, management development and succession planning in 2018.

GrandVision's Dutch retailer, Pearle Opticiens, was named "Best opticians in the Netherlands" in 2017.

IN FOCUS

Field-based training in Turkey

Improving the communication skills, the empathetic approach and a positive attitude has become an important part of the professional training we offer, complementing the technical expertise of our sales and optical specialists. On-the-job training is also one of the ways GrandVision customizes and adapts the customer journey to a specific region.

In Atasun, our business in Turkey, a new process has been implemented to select store managers with the necessary skills and expertise to become regional training leaders, in addition to the e-learning and class activities already implemented by GV Academy.

Atasun regional training leaders are responsible for two or three regions and have a specific expertise in one or more fields. Their responsibility is to support the sales process training and technical training of store employees. They are also ambassadors for new customer journeys and processes. They train new store managers, develop the skills of existing managers and help strengthen the company's focus on its most promising areas of business.

Atasun has adapted this approach to better learn how to serve local customers. The training leaders share their findings and experiences with regional managers who then help to define further steps in the approach. At the same time, if a regional manager detects an area that needs improvement – they inform the training leader. This has resulted in training programs with highly specific content for open classes, classroom trainings and role playing.

The approach has been highly successful so far, with improved test scores, especially in relation to specific products, such as progressive lenses – showing the effect of technical training in the field.

Sustainability

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. We continuously innovate and adapt our business model and develop products and services that meet the needs of our customers for eye care, visual correction, protection and prevention. We maintain a dialogue with all of our stakeholders and we take our social and environmental impact into consideration.

Bringing our customer promise to life in a sustainable and environmentally conscious manner

Caring for the environment is a major consideration when conducting business. We therefore look to minimize our environmental footprint through our suppliers, production centers, logistics and stores. We also undertake activities by balancing economic initiatives and environmental needs, while respecting the requirements of the law and applicable regulations.

Our 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. We are committed to ensuring that we deal with suppliers who 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, and the International Labor Organization's Declaration on the Fundamental Principles and Rights at Work.

We use GrandVision's Supplier Code of Conduct to clearly communicate our expectations and assess supplier performance through a variety of measures. Our suppliers receive and acknowledge a copy of the Supplier Code of Conduct, and we verify their alignment and Social Compliance Standards through regular third-party audits, using a certified grading system. By 2025, our target is to have all our suppliers in OECD and non-OECD countries sign our Code of Conduct and comply fully with all our working requirements.

We also rely on our transportation partners to bring our product from warehouses to stores in the least carbon-intensive way. Therefore the majority of our products are being transported by ocean, while we are also analyzing other solutions to further reduce the environmental footprint of our transport.

REDUCING OUR CARBON FOOTPRINT

While the environmental impacts of both processing and transportation have decreased, transportation remains our most carbon-intensive activity. Our 2025 target is to reduce our carbon footprint from processing by 20% (base year 2016) and our carbon footprint in transport by 30% (base year 2015).

The centralization of our cut, edge and fit facilities to GrandVision TechCenters not only reduces the environmental footprint of our production activities, but also opens up opportunities for efficiency gains in areas such as transportation, water and waste management.

The expected result from centralizing these activities will include:

- Increased efficiency in electricity and water usage due to more sophisticated equipment in the TechCenters
- Higher precision and a reduction in material scrap (and therefore a reduction in waste management volumes and environmental impact)

- Increased activity control executed by dedicated staff
- A significant reduction in occupied space, leading to savings in supply and management resources.

TECHCENTER IMPLEMENTATION

Shifting industrial processes from traditional in-store solutions to industrial TechCenters has resulted in improved energy efficiency rates, from 4.6 MJ to 4.2 MJ per pair of glasses, in 2016. The CO2 efficiency rate improved from 361 to 256 grams of CO2 per pair of glasses. Water efficiency also improved slightly. In the cutting, edging and fitting of a pair of lenses into a frame, GrandVision now uses 2.21 liters of water – a reduction of 0.03 liters compared to 2015. Our 2025 target is to reduce the water consumption per spectacle by 15% to 1.87 liters. We will talk more about our progress in 2017 in this year's CSR report.

Last but not least, we understand that a large part of our environmental impact comes from the electricity we use to light out stores. By the end of 2017 over 35% of our stores were equipped with LED lighting. Our goal is to fit all stores with LED lighting by 2025.

Additionally, we have developed a standardized GrandVision store concept that is being rolled out internationally. This standardized store design and technical specifications include guidelines for efficient technical installations, such as LED lighting and efficient air conditioning systems, as well as a more optimized store layout, leading to reduced floor space. Currently, around 20% of our worldwide store portfolio follows this concept.

GrandVision by Opticas Lux, Uruguay

Our CSR report

As our global organization expands, we have become acutely aware of the impact we have on our stakeholders and the world around us. Over the years, we have initiated many CSR initiatives which have also become an important part of our business strategy and our global capabilities. In doing so, we have identified our impact and set clear goals so we can better measure the value we create for our stakeholders.

As part of our efforts, in 2017 we published our first report dedicated to Corporate Social Responsibility (CSR), available online. 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.

The report presented our CSR Ambition and outlined the impact we measured in 2016 as a baseline for future measurement and goalsetting. Our CSR Ambition is based on an internal assessment of our value chain and an analysis of the external factors that influence our business, such as local legislation, and the needs of our stakeholders and customers. Stakeholder consultation and an internal materiality analysis are presented in our 2016 CSR Report. This has contributed to the selection of the themes that are most important to our organization and which we believe are also significant for our stakeholders.

OUR CSR AMBITION ADDRESSES FOUR FOCUS AREAS:

- Improving the quality of life of customers and employees
- Enhancing socio-economic development
- Being a responsible and trustworthy partner
- Minimizing our environmental footprint

We will be reporting on the progress in our focus areas in our dedicated 2017 CSR report which will be published later this year. Meanwhile, our goal is to transition to integrated reporting as of 2019 and disclose our environmental outcomes in GrandVision's Annual Report.

IN FOCUS

Empowering communities around the world

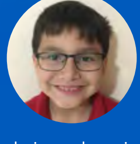
At GrandVision we acknowledge our responsibility towards economic development, improving the quality of life of our customers and employees, and creating value in the communities in which we operate. Our local retailers have embraced many CSR activities and initiatives over the years, which have grown to become an important part of our strategy.

In total, GrandVision banners operate over 20 partnerships and collaborations worldwide with highly respected Non-Governmental Organizations and research institutions, sharing our values, ambitions and eye care expertise. These include, among others, the Macular Society and Childhood Eye Care Cancer Trust in the UK, Hellen Keller in France, the Salvation Army in Brazil, and Ophthalmology Worldwide in Belgium. Several of these initiatives have involved trips abroad by GrandVision volunteers to Congo, Ghana or Peru where they have carried out over 8,300 eye exams and distributed glasses to people in need. Similarly, our business have collected and distributed over 160,000 second-hand glasses to poor communities – either in their own country or for disadvantaged regions around the world.

For example, GrandVision Portugal collaborates with Caritas, one of the world largest humanitarian networks helping children and the elderly, and provides both low priced and free spectacles, and free eye examinations in disadvantaged Portuguese communities. While Synoptik Denmark, in collaboration with the Danish Association of the Blind and Ghana Blind Union, collects more than 10,000 glasses each year, and once a year sends a delegation to Africa to conduct eye exams and share know-how. They have also established an eye clinic in Accra. Last but not least, Vision Express' "Eye Tests Save Lives" campaign has encouraged the British government to introduce needed changes to ensure more drivers have regular eye tests – ultimately saving sight and lives.

Wherever they take place, GrandVision's initiatives empower local communities with knowledge and services and they are aligned to our mission of delivering high quality and affordable eye care to more and more people around the world.

Business performance



"Learning, playing and growing are much more fun when you see the world clearly."

Xavier Saenz (8),
customer of For Eyes by GrandVision, US
R -2.25 / L -2.25

Group performance

GrandVision reported €3.5 billion in revenue and €552 million in adjusted EBITDA for 2017. Revenue and EBITDA growth were driven by comparable and revenue growth, acquisitions and organic network expansion as well as the continued deployment of our global capabilities across our business.

in millions of EUR (unless stated otherwise)	FY17	FY16	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	3,450	3,316	4.0%	5.6%	3.5%	2.1%
Comparable growth (%)	1.8%	2.2%				
Adjusted EBITDA	552	537	2.7%	4.0%	2.0%	2.0%
Adjusted EBITDA margin (%)	16.0%	16.2%	-21bps			
Net result	249	252	-1.2%			
Net result attributable to equity holders	228	231	-1.5%			
Adjusted earnings per share, basic (in €)	0.97	0.96	0.0%			
Earnings per share, basic (in €)	0.90	0.92	-1.7%			
Number of stores (#)	7,001	6,516	7.4%			
System wide sales	3,784	3,657	3.5%			

Revenue grew by 5.6% at constant exchange rates to €3,450 million, driven by comparable growth of 1.8%, new store openings and a 2.1% contribution from acquisitions. Adjusted EBITDA increased by 4.0% at constant exchange rates to €552 million, while net result decreased by 1.2% to €249 million. System wide sales, which reflects the retail sales of GrandVision's own stores and those of its franchises, increased by 3.5% to €3,784 million.

Operational highlights

In 2017, market conditions in eyewear continued to be favorable overall. While most markets in Western Europe, North American and Asia showed similar growth levels compared to previous years, the market growth rate in France, GrandVision's biggest market, was negatively impacted by changes in insurance reimbursements, limiting customer repurchases to once every two years, from previously every year.

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 1.8% in 2017 and total revenue growth at constant exchange rates of 5.6%. As a result, we further increased our global market share and strengthened our position as a leading global optical retailer.

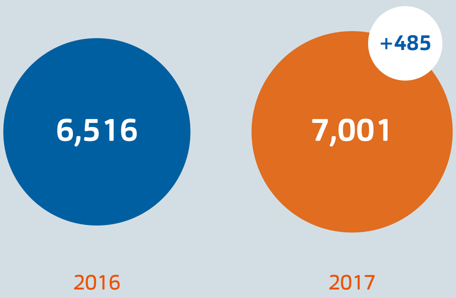
Operational information

	2017	2016
Number of stores	7,001	6,516
Number of own stores	5,817	5,402
Number of franchise stores	1,184	1,114
Number of countries in which GrandVision is present	44	44
Number of retail banners	30	29
Number of employees (average FTE)	31,802	28,766

During 2017, GrandVision completed two sizable acquisitions of optical retail chains in Europe. We acquired the majority stake in Visilab, a leading optical retail chain in Switzerland. In addition, we strengthened our market position the United Kingdom through the acquisition of Tesco Opticians with 209 stores across the UK and Ireland. Overall, acquisitions added 2.1% to revenue growth during 2017.

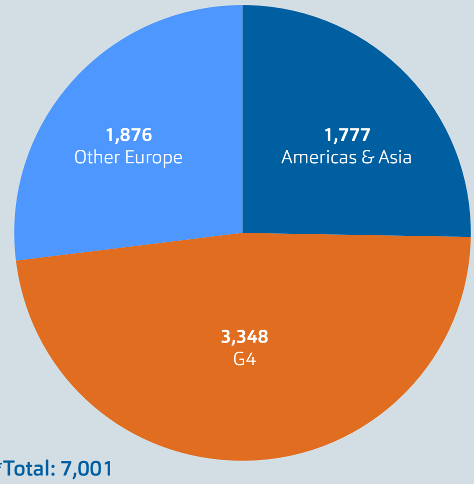
In 2017, GrandVision expanded its store network by opening more than 450 new stores around the world. The acquisitions, combined with a continued organic expansion of the store network, led to a total Group store network of 7,001 stores at year-end 2017, of which 5,817, or 83%, were own stores and 1,184 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



The G4 segment showed the strongest store network growth during the year as acquisitions, mainly Tesco Opticians in the UK, and store openings added almost 11% to the store base. For example, the store network in Germany and Austria expanded to reach almost 1,000 stores across the region.

Number of Stores in 2017
by segment



*Total: 7,001

Financial review

Summarized consolidated income statement

in millions of EUR	2017	% of revenue	2016	% of revenue
Revenue	3,450	100.0%	3,316	100.0%
Cost of sales and direct related expenses	- 924	-26.8%	- 901	-27.2%
Gross profit	**2,526**	**73.2%**	**2,415**	**72.8%**
Selling and marketing costs	- 1,749	-50.7%	- 1,668	-50.3%
General and administrative costs	- 452	-13.1%	- 393	-11.8%
Share of result of associates	2	0.1%	4	0.1%
Operating result	**327**	**9.5%**	**358**	**10.8%**
Fair value gain on remeasurement of Associate	38	**1.1%**	**-**	**0.0%**
Net financial result	- 15	-0.4%	- 10	-0.3%
Result before tax	**350**	**10.1%**	**348**	**10.5%**
Income tax	- 101	-2.9%	- 96	-2.9%
Result for the period	**249**	**7.2%**	**252**	**7.6%**

Revenue development

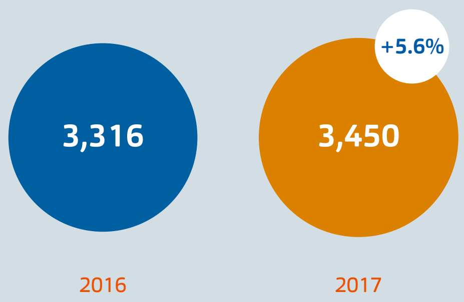
Revenue growth at constant exchange rates was 5.6% for the full year 2017 with organic growth of 3.5%. The first growth pillar, comparable store growth, contributed 1.8% to revenue growth. When adjusted for the impact of effect of fewer selling days in 2017, comparable growth would be 0.5% higher at 2.3%

The continued strong organic expansion of the store network, GrandVision's second pillar of growth, reached its highest contribution ever in 2017. GrandVision opened more than 450 new stores, resulting in a net addition of 250 stores, bringing the network to over 7,000 at the end of the year. This further strengthened GrandVision's position as the world's largest retailer of prescription glasses.

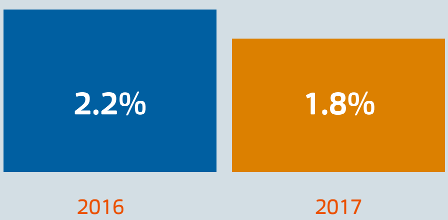
The third growth pillar, acquisitions, contributed 2.1% to revenue growth for the full year and 6.5% in 4Q17. This included Visilab in Switzerland and Tesco Opticians in the UK, growing our leading position in Europe.

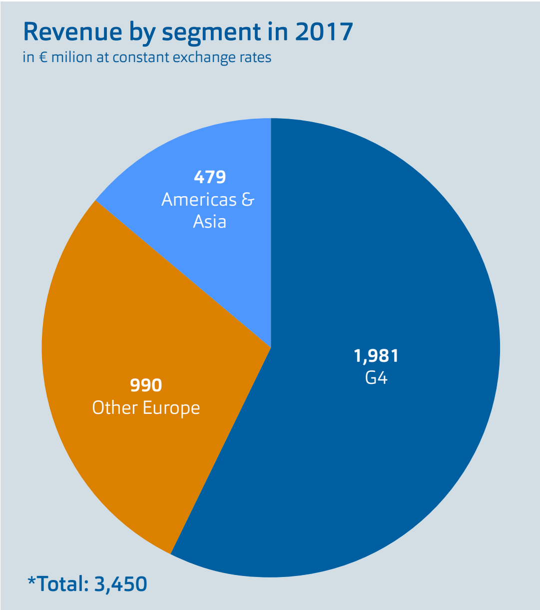
System wide sales, which reflects the retail sales of GrandVision's own stores plus that of its franchisees, increased by 3.5% to €3,784 (FY16: €3,657 million).

Revenue
in € milion at constant exchange rates



Comparable growth





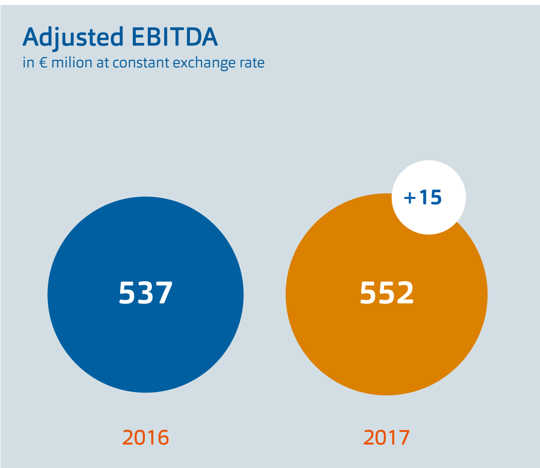
In 2017, all three regional segments delivered organic revenue growth. Among GrandVision's product categories, sunglasses showed the highest growth rate, benefiting from the continued expansion of the Solaris concept across our business. From a strategic perspective, we have been able to utilize our existing network to open more than 1,300 new Solaris points of sale, bringing the total number to more than 3,500 at year-end.

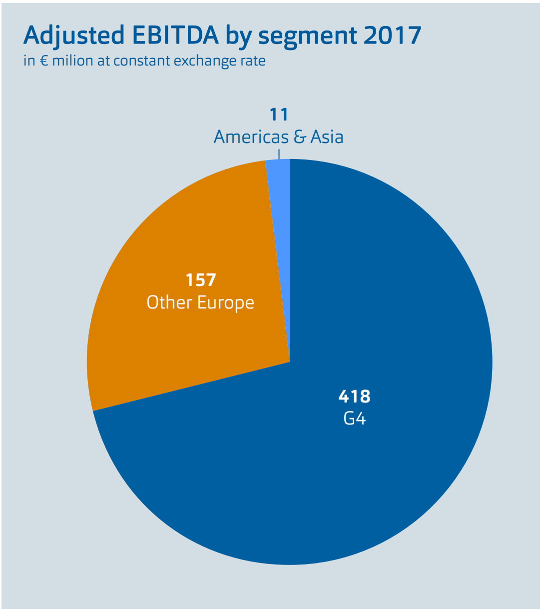
Revenue development

in millions of EUR (unless stated otherwise)	2017	2016	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
G4	1,981	1,969	0.6%	2.1%	1.4%	0.7%
Other Europe	990	907	9.2%	9.4%	4.1%	5.4%
Americas & Asia	479	440	8.9%	13.2%	11.8%	1.5%
Total	3,450	3,316	4.0%	5.6%	3.5%	2.1%

(Adjusted) EBITDA development

Adjusted EBITDA increased 4.0% at constant exchange rates to €552 million in FY17 (FY16: €537 million) with 2.0% organic growth and a positive contribution of 2.0% from acquisitions, mainly attributable to the Swiss Visilab business.





The adjusted EBITDA margin decreased by 21 bps to 16.0% due to higher than average growth in the Other Europe and Americas & Asia segments, which, however, still have lower than average margins and higher than expected restructuring costs in the United States, which reduced overall EBITDA by €15 million during the year. Excluding the loss in the US, the margin would have increased by 20 bps to 16.4%, reflecting the margin progress in the Other Europe and the Americas and Asia segments.

Other reconciling items, which primarily consist of corporate costs not allocated to specific segments, were €35 million in FY17, compared to €34 million in FY16.

Adjusted EBITDA

in millions of EUR (unless stated otherwise)	2017	2016	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
G4	418	423	-1.0%	-0.1%	-0.1%	0.0%
Other Europe	157	138	13.7%	14.0%	6.1%	8.0%
Americas & Asia	11	11	1.9%	27.4%	33.0%	-5.6%
Other reconciling items	- 35	- 34				
Total	552	537	2.7%	4.0%	2.0%	2.0%

Adjusted EBITDA margin (%)	2017	2016	Change versus prior year
G4	21.1%	21.5%	-33bps
Other Europe	15.9%	15.3%	62bps
Americas & Asia	2.2%	2.4%	-15bps
Total	16.0%	16.2%	-21bps

EBITDA increased by 2.4% from €522 million in FY16 to €534 million in FY17. This increase also includes exceptional and non-recurring items for a total of -€17 million recorded in 2017, which mainly relate to certain exceptional acquisition related costs, integration activities and software impairment. The non-recurring items in 2016 related 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.

Amortization and impairments of -€71 million (-€37 million in 2016) includes the previously announced goodwill impairment charge of €38 million, in line with IFRS accounting guidelines. This reflects the delayed improvement of the profitability in the United States resulting from the organizational rebuild and continued investments in the growth platform.

Reconciliation EBITA, EBITDA, adjusted EBITDA and operating result

in millions of EUR	2017	% of revenue	2016	% of revenue
Adjusted EBITDA	552	16.0%	**537**	**16.2%**
Non-recurring items	- 17	-0.5%	- 16	-0.5%
EBITDA	534	15.5%	**522**	**15.7%**
Depreciation and amortization of software	- 136	-4.0%	- 127	-3.8%
EBITA	398	11.5%	**395**	**11.9%**
Amortization and impairments	- 71	-2.1%	- 37	-1.1%
Operating result	327	9.5%	**358**	**10.8%**

Operating result

GrandVision's operating result (EBIT) decreased by 8.8% to €327 million in 2017, compared to €358 million in 2016. The increase in the operating result was mainly driven by the €38 million non-cash goodwill amortization in the United States.

Financial result

Net financial result increased from -€10 million in 2016 to -€15 million in 2017. A number of factors contributed to this including the revaluation of earn-outs relating to minority shareholders, non-operational FX losses and the release of interest costs relating to a VAT dispute. However, these increases in financial cost were partly offset by reduced interest charges on our financing facilities.

Income tax

Income tax increased from €96 million in 2016 to €101 million in 2017. The tax rate increased from 27.5% to 28.9%.

In 2017, the effective tax rate (ETR) was negatively impacted by unrecognized tax losses from several countries. This increase was partially offset by the positive effect on the ETR from the reduction of the statutory rates in France, Belgium, Turkey and the UK. The US tax reform did not impact the tax positions in 2017.

Net result for the period

The net result for the period decreased by 1.2% to €249 million in 2017, compared with €252 million in 2016.

The result includes a non-taxable gain of €38 million from the remeasurement of the existing 30% interest in Visilab following the acquisition of the majority stake on 2 October 2017. Before that date, Visilab was reported as an associate.

Net result attributable to equity holders decreased by 1.5% to €228 million in 2017 from €231 million in 2016 mainly due to lower operating income and higher net finance costs and income tax.

Earnings per share (EPS)

Adjusted Earnings per share, which excludes non-recurring items, increased to €0.97 in FY17 (FY16: €0.96). Earnings per share decreased by -1.7% to €0.90 in FY17 (FY16: €0.92) mainly due slightly higher non-recurring items in 2017.

The weighted average number of shares outstanding was 253,285,780 in FY17 (FY16: 252,623,738). On a fully diluted basis, EPS was flat at €0.90 in FY17 (FY16: €0.91).

Financial position

Summarized balance sheet

in millions of EUR	2017	2016
Property, plant and equipment	489	444
Intangible assets	1,654	1,458
Other non-current assets	63	96
Non-current assets	**2,206**	**1,998**
Inventories	350	293
Other current assets	336	303
Cash and cash equivalents	165	181
Current assets	**851**	**777**
Total assets	**3,056**	**2,775**
Total equity	**1,121**	**1,007**
Borrowings	377	388
Other non-current liabilities	237	179
Non-current liabilities	**615**	**568**
Trade and other payables	640	588
Borrowings	613	543
Other current liabilities	69	69
Current liabilities	**1,321**	**1,200**
Total equity and liabilities	**3,056**	**2,775**

Non-current assets increased from €1,998 million to €2,206 million in 2017 mainly as a result of investments and acquisitions which was partly offset by depreciation, amortization, impairments and currency effects. Current assets increased from €777 million to €851 million as inventories and receivables increased from operations, store expansion and acquisitions.

Total equity increased from €1,007 million to €1,121 million mainly as a result of the 2017 net result offset by dividends paid and currency translation effects.

Non-current liabilities increased from €568 million to €615 million mainly as a result from an increase in post-employment benefits from acquisitions. Current liabilities increased from €1,200 million to €1,321 million, driven by an increase in borrowings under the commercial paper program and an increase in payables from acquisitions and operations.

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	2017	2016
Net cash from operating activities	341	431
Net cash used in investing activities	- 308	- 169
Net cash used in financing activities	- 53	- 140
Inflow/(outflow) in cash and cash equivalents	**- 20**	**121**
Cash and cash equivalents at beginning of year	38	- 82
Inflow/(outflow) in cash and cash equivalents	- 20	121
Exchange gains/(losses) on cash and cash equivalents	- 5	- 1
Cash and cash equivalents at end of period	**12**	**38**

Net cash from operating activities decreased by €90 million to €341 million in 2017 in comparison with €431 million in 2016. While EBITDA increased by €12 million, working capital movement in 2017 was significantly lower than in 2016. Inventories and receivables showed a larger increase than in 2016 as a result of stronger expansion and the movement in payables, which contributed strongly positively in 2016, was not replicated as payables levels were maintained. In addition, taxes paid were €16 million higher in 2017.

Net cash used in investing activities increased strongly from €169 million in 2016 to €309 million in 2017. This increase was the result of a higher level of acquisitions and higher capital expenditure from investing in store network optimization and expansion.

Net cash used in financing activities is an outflow of €53 million in 2017, compared to an outflow of €140 million in 2016. Net debt increased in 2017 from acquisitions, capital expenditure and lower operating cash flow. Dividends paid in 2017 were €43 million higher than in 2016.

Capital expenditure

Capital expenditure not related to acquisitions increased by €21 million to €197 million (5.7% of revenue) in 2017, compared with €176 million (5.3% of revenue) in 2016. The majority of capital expenditure is dedicated to optimizing the store network. The following table shows the capital expenditure not related to acquisitions.

Capital expenditure

in millions of EUR	2017	2016
Capital expenditure (not related to acquisitions)	197	176
Store capital expenditure	140	124
Non-store capital expenditure	57	52

Store capital expenditure increased from €124 million in 2016 to €140 million in 2017 and primarily reflects the improvement of existing stores through renovations and refurbishments, including the further implementation of our standardized store concept, as well a record number of new store openings.

Non-store capital expenditure of €57 million in 2017 increased compared to €52 million in 2016 mostly due to investments in IT systems, including the ongoing deployment of the global ERP system and omni- channel capabilities.

Cash outflows related to acquisitions

In 2017, cash outflows relating to acquisitions of companies (net of cash) amounted to €132 million, mainly resulting from the acquisitions of Tesco Opticians in the UK and the acquisition of an additional 30% stake in Visilab in Switzerland, bringing our shareholding to 60%. In 2016, cash outflows related mainly to the acquisition of 181 smaller points of sale of within the Walmart network in Mexico.

Free cash flow and cash conversion

Free cash flow was €143 million in 2017, compared to €255 million in 2016. The decrease in free cash flow was mainly driven by lower cash flow from operating activities and higher capital expenditure. The lower cash flow from operating activities resulted from a lower movement in working capital than in 2016, linked to the strong network expansion and temporary effects of the transition to a more global supply chain, as well as a one-off payables improvement in 2016.

Free cash flow and cash conversion

	2017	2016
Free cash flow (€ million)	143	255
Cash conversion (%)	26.9%	48.8%

Financial indebtedness

Throughout 2017, 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

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)	2017	2016
Total borrowings	990	931
Cash and cash equivalents	- 165	- 181
Derivatives (liabilities)	8	5
Derivatives (assets)	- 1	- 5
Net debt	832	750
Adjusted EBITDA (last twelve months)	552	537
Net debt leverage (times)	1.5	1.4

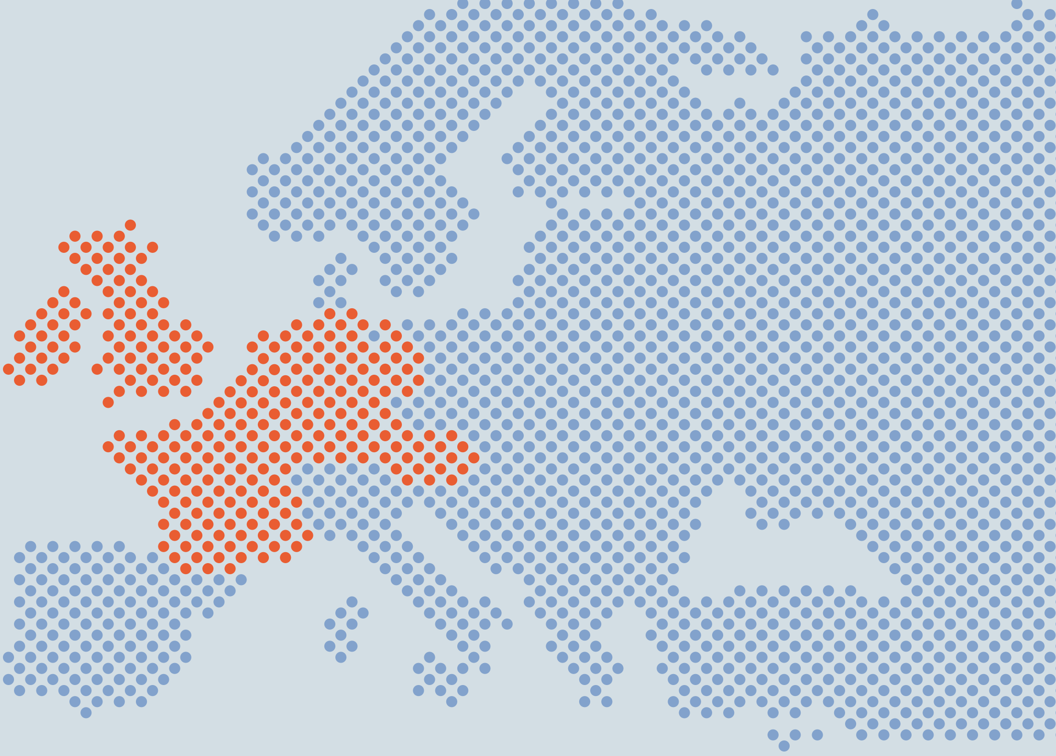
At year-end 2017, GrandVision's net debt increased from €750 million to €832 million. The net debt leverage ratio remained flat at 1.5 times adjusted EBITDA (2016: 1.4 times). The increase in net debt was driven by the higher level of acquisitions, as well as lower operating cash flow and higher capital expenditure compared to the previous year.


Auto Lensometer
NIDEK
LM-1000P
Please remove lens from Nosepiece.

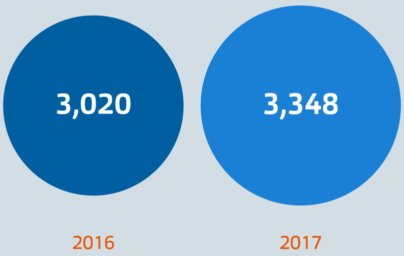
G4

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

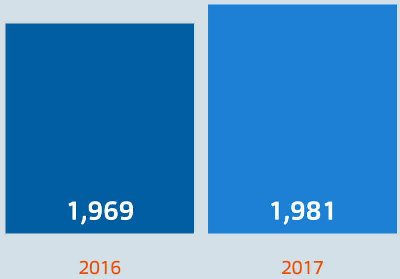
* Franchise in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates managed by the UK business unit



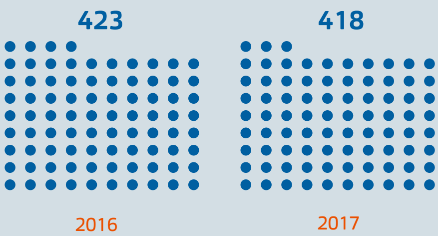
Stores



Revenue
in million €



Adjusted EBITDA
in million €



millions of EUR	2017	2016	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,981	1,969	0.6%	2.1%	1.4%	0.7%
Comparable growth (%)	0.0%	1.5%				
Adjusted EBITDA	418	423	-1.0%	-0.1%	-0.1%	0.0%
Adjusted EBITDA margin (%)	21.1%	21.5%	-33bps			
Number of stores (#)	3,348	3,020				
Number of employees (average FTE)	13,996	12,625				

Apollo
GrandOptical
Robin Look
eye wish opticiens
LENSTORE.co.uk VISION CARE EXPERTS
Solaris
Generale d'Optique
Pearle opticiens
vision express

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 2017, the G4 segment operated a network of 3,348 stores, an increase from 3,020 stores in 2016. Key banners in the G4 segment include Apollo Optik in Germany with 838 stores, Pearle in Austria, Belgium and the Netherlands with 650 stores, Générale d'Optique in France with 613 stores and Vision Express in the UK, Ireland and Middle East with 631 stores.

REVENUE

In the G4 segment, revenue increased by 2.1% at constant exchange rates to €1,981 million in FY17 (2016: €1,969 million) excluding a negative effect of 1.5% from a weaker British pound against the euro.

Of this 2.1%, organic growth contributed 1.4% and acquisitions, particularly Tesco Opticians in the UK, contributed 0.7%.

Comparable growth for the segment was flat against the previous year mainly due to the temporary weakness in the French market following the change to insurance reimbursements, which led to slightly negative comparable growth in France for the full year. The segment was also impacted by fewer selling days during the year, which led to a negative impact on comparable and revenue growth of 0.8%.

The total number of stores in the G4 segment increased by 328 to 3,348 (FY16: 3,020), including net openings of 100 stores across the region. New stores contributed almost 2% to revenue growth during the year.

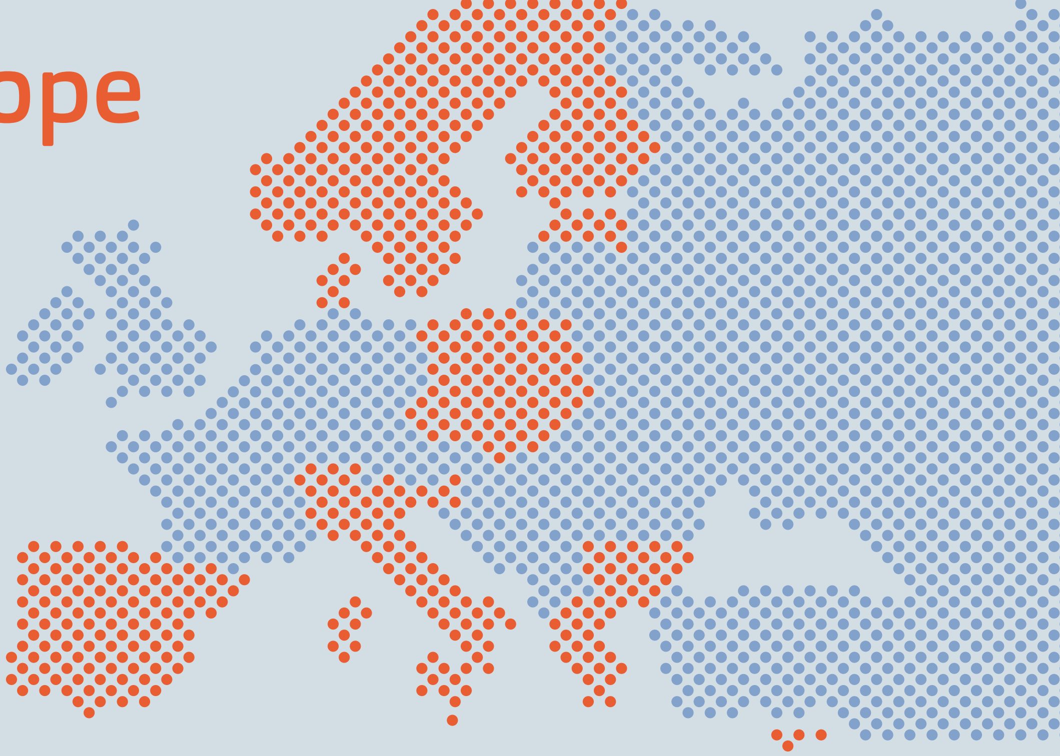
ADJUSTED EBITDA

Adjusted EBITDA in the G4 segment decreased by 0.1% at constant exchange rates to €418 million (FY16: €423 million). The adjusted EBITDA margin decreased by 33 bps to 21.1% in 2017 (FY16: 21.5%), driven by the lower comparable growth and therefore less operating leverage during the year.

EyeWish is one of GrandVision's leading brands in the Netherlands

Other Europe

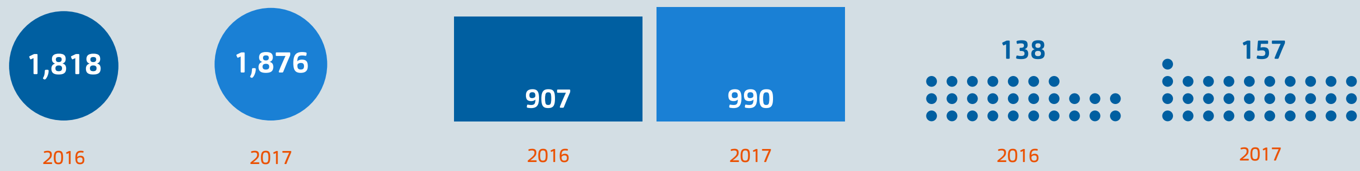
Bulgaria
Cyprus
Czech Republic
Denmark
Estonia
Finland
Greece
Hungary
Italy
Malta
Norway
Poland
Portugal
Slovakia
Spain
Sweden
Switzerland



Stores

Revenue
in million €

Adjusted EBITDA
in million €



millions of EUR	2017	2016	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	990	907	9.2%	9.4%	4.1%	5.4%
Comparable growth (%)	3.3%	1.6%				
Adjusted EBITDA	157	138	13.7%	14.0%	6.1%	8.0%
Adjusted EBITDA margin (%)	15.9%	15.3%	62bps			
Number of stores (#)	1,876	1,818				
Number of employees (average FTE)	9,120	7,942				

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 283 stores across Italy, Multiopticas in Portugal with 213 stores, Vision Express in Poland, Hungary and Bulgaria with 243 stores, as well as Synoptik in Sweden and Denmark with 238 stores. At the end of 2017, there were 1,876 stores in the Other Europe segment, an increase from 1,818 stores in 2016.

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 the Other Europe segment, revenue increased by 9.4% at constant exchange rates to €990 million in FY17 (FY16: €907 million) with organic and comparable growth of 4.1% and 3.3%, respectively. Revenue and comparable growth was achieved across all businesses: Northern, Southern and Eastern Europe. Acquisitions, primarily Visilab in Switzerland, contributed 5.4% to revenue growth.

ADJUSTED EBITDA

Adjusted EBITDA in the Other Europe segment increased by 14.0% to €157 million in FY17 (FY16: €138 million), driven by organic growth of 6.1% and a positive contribution from acquisitions of 8.0%. The adjusted EBITDA margin increased by 62 bps to 15.9% reflecting positive organic growth during the year as well as the margin accretive addition of the Visilab business.

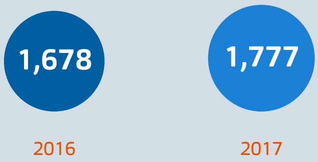
In 2017, GrandVision increased its holding in Visilab, Switzerland, from 30% to 60%

Americas & Asia

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

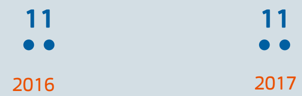
* Joint venture

Stores



Revenue
in million €

Adjusted EBITDA
in million €



millions of EUR	2017	2016	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	479	440	8.9%	13.2%	11.8%	1.5%
Comparable growth (%)	6.5%	7.4%				
Adjusted EBITDA	11	11	1.9%	27.4%	33.0%	-5.6%
Adjusted EBITDA margin (%)	2.2%	2.4%	-15bps			
Number of stores (#)	1,777	1,678				
Number of employees (average FTE)	8,453	8,009				

Atasun Optik
Lafam
Solaris
Econolentes by GrandVision
Линзмастер салоны оптики
+VISIÓN
For Eyes by GrandVision
OPTICAS LUX
+Vision
GrandVision by FOTOTICA
optica XPRESS
VISION CENTER
GrandVision 观视界
Rotter & Krauss
vision express

Americas & Asia

The Americas & Asia segment includes the businesses in Latin America, Asia, Russia, Turkey 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.

During 2017, the store network increased by 99 to 1,777 mainly through network expansion, particularly in Mexico and Turkey.

REVENUE

In the Americas & Asia segment, revenue grew by 13.2% at constant exchange rates to €479 million in FY17 (FY16: €440 million). Organic growth was 11.8% and bolt-on acquisitions contributed 1.5% during the year. Comparable growth was 6.5% with a particularly strong performance in Chile, Mexico and Turkey.

The US business delivered both revenue and comparable growth in 2017. However, the longer than expected organizational rebuild has led to a negative EBITDA of €15 million during the year and resulted in the previously announced non-cash goodwill impairment of €38 million. In 2018, we expect to see the first benefits of this restructuring through an improved top and bottom line performance.

ADJUSTED EBITDA

Adjusted EBITDA remained stable at €11 million in FY17 as strong underlying organic EBITDA growth of €18 million was offset by a negative currency translation effect of €3 million and the operating result of the United States. The adjusted EBITDA margin was 2.2% compared to 2.4% in FY16. Excluding the loss in the US, adjusted EBITDA more than doubled to €26 million due to the strong underlying development in the segment.

GrandVision by Optica Lux in Uruguay

IN FOCUS

Bringing leading edge ophthalmic technology to Colombia

GrandVision's Colombian retail banner, Lafam, operates two state-of-the-art ophthalmology centers and one clinic, specialized in refractive surgery. Lafam opened its first eye clinic in 2000 and since then has successfully referred its customers from its stores to its eye clinics.

Lafam's eye centers and clinic are run by ophthalmologists specialized in oculoplastic and refractive surgery, and optometrists, contactologists and orthoptists who perform hundreds of procedures per month. In 2017, they did around 5,400 surgeries including Lasik and PRK surgery to correct refractive defects, the implantation of all types of intraocular lenses, blepharoplasty, as well as other resection surgeries of chalazions and pterygium.

Lafam, the nation's leading optical chain, provides truly modern and highly specialized services in this fast-growing market, and offers access to the highest safety and quality standards to its customers. In 2017, GrandVision invested €430,000 to provide its ophthalmic clinic in Bogota with state-of-the-art equipment and technology.

Demand for laser procedures and ophthalmologic surgeries in the clinic has reached approximately 370 patients each month. To meet GrandVision's goal to provide affordable eye care and to impact more people's lives, Lafam offers the lowest prices in its market. This is particularly important given that surgery is usually not covered by health insurance, and patients pay out of their own pocket. To help make the surgery even more affordable, Lafam offers a range of payment options, including cash, credit card and various types of financing.

"*We know many people don't want to or might not be able to wear glasses or contact lenses, and that these are not the only solutions to be able to see well*," says Yesmid Piraquiva, the clinic's Regional Sales Manager at Lafam. "*It therefore gives me great satisfaction to have this love and passion for refractive surgeries, and to give all Colombians the opportunity to correct their vision.*"

Lafam clinic in Bogota, Colombia

Corporate governance

Good corporate governance is an important instrument to ensure that companies are being managed in a responsible, sustainable way and in accordance with the interests of its stakeholders. Therefore, GrandVision has put global policies and management systems in place, to make sure that all our employees and business partners around the world comply with external regulations and act ethically and lawfully.

"I want to learn and develop throughout my life therefore having a good vision is so important to me."

Jiayi Xie (14),
customer of GrandVision, China
R -0.75 / L – 1.00

Explaining our Corporate Governance

GrandVision N.V. is a Dutch public limited company listed on Euronext Amsterdam. GrandVision applies the new Dutch Corporate Governance Code which was published in 2016. GrandVision has prepared this Corporate Governance report in accordance with the new Dutch Corporate Governance Code and applicable law.

GrandVision is subject to both external regulations and internal control documents. Responsibility for management and control of Grandvision's Corporate Governance and Compliance is shared between the shareholders, Supervisory Board and Management Board. This is further elaborated in the Supervisory Board Rules and Management Board Rules.

Examples of some of the external regulations with regards to Corporate Governance that apply to GrandVision are:

- Dutch Company Act
- Dutch Civil Code
- EU Market Abuse Regulation (596/2014/EU)
- New Dutch Corporate Governance Code based on the principle of Comply or Explain
- Directive 2014/95/EU (please find reference table in Appendix)

Examples of some of the internal control documents that apply to GrandVision are :

- Articles of Association
- Code of conduct
- Supplier Code of Conduct
- Whistleblower Procedure
- Insider Trading Policy
- Antitrust Compliance Policy
- Supervisory Board Rules
- Management Board Rules
- Tax Policy
- Human Rights Policy
- Anti-Discrimination and Equality Policy

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 2017.

Activities of the Supervisory Board in 2017

The Supervisory Board held six ordinary and two extraordinary meetings in 2017. During all meetings the Management Board and Company Secretary were present and all members of the Supervisory Board attended either in person or by videoconference. One of the Supervisory Board's priorities is strategy development and one extended meeting was fully devoted to GrandVision's long-term value creation strategy.

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 2017, 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 February 2017, GrandVision's auditor, PricewaterhouseCoopers Accountants N.V. (PwC), participated in a Supervisory Board meeting to discuss the financial statements of 2016 as well as the external auditor's report and the findings summarized in the management letter. The auditor's recommendations in the management letter and the Board report were all related to improvement opportunities such as iSynergy, increase of recommendations for certain countries and attention to the payment process.

Furthermore, no material weaknesses in internal controls were identified. Nevertheless, a number of opportunities for improvement were identified by the external auditor. 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 2016 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 2017, the Supervisory Board had an extensive discussion regarding the 2018 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 2018 financial budget.

Supervisory Board Committees

AUDIT COMMITTEE

MR. BOLLIGER; MR. EELMAN (CHAIRMAN)

The Audit Committee met five times in 2017, according to its fixed schedule, the meetings were fully attended by its members, the CFO, internal auditor and Company Secretary. The CEO participated in one meeting. GrandVision's external auditor PwC was present at all meetings. At the meeting in February 2017, the Audit Committee reviewed the draft Annual Accounts for 2016. Important items on the agenda were the auditor's report for 2016 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 and the external auditor. The Management Board agreed with the external and internal auditor's comments and plans were made for follow-up. During the other meetings in 2017 the Audit Committee discussed a number of relevant topics including internal controls, internal audit, tax, financial reporting and risk management.

REMUNERATION COMMITTEE
MR. VAN DER GRAAF; MR. GROOT (CHAIRMAN)
The Remuneration Committee met three times in 2017, according to its fixed schedule. The meetings were fully attended. At the meeting in February, the achievements of 2016 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 2018 were discussed and proposed for approval to the Supervisory Board.

NOMINATION COMMITTEE
MR. VAN DER GRAAF; MR. GROOT (CHAIRMAN)
The Nomination Committee had one formal meeting in 2017, according to its fixed schedule, in addition to numerous informal meetings in the course of 2017. All the members attended all meetings. During its meetings the Nomination Committee discussed GrandVision's nomination procedures for the Supervisory Board and Management Board and confirmed these were followed systematically in 2017. Special attention was given in its meetings to the succession of Theo Kiesselbach as CEO of GrandVision and the desire to have gender differentiation in the Supervisory Board by the addition of a female member. The Nomination Committee furthermore 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 qualify as independent, except for Mr. Groot. As permitted by the Dutch Corporate Governance Code best practice provision 2.1.10, Mr. Groot does not satisfy all independence criteria.

At the end of the Annual General Meeting on May 2, 2017, the first term of Peter Bolliger and Jeff Cole expired. Mr. Bolliger and Mr. Cole were both eligible and available for reappointment and complied with the profile of the Supervisory Board. During the Annual General Meeting of May 2, 2017, Mr. Bolliger and Mr. Cole were re-appointed to the Supervisory Board for an additional term of four years.

In December 2017 Stephan Borchert was appointed to the Management Board effective as of January 15, 2018. The Supervisory Board appointed in its meeting on February 27, 2018 Stephan Borchert as the CEO of GrandVision per February 28, 2018. He succeeds Theo Kiesselbach who announced in May 2017 that he will retire during 2018, after 16 years with the Company

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.

Evaluation by the Supervisory Board

In accordance with best practice provision 2.2.6 of the Dutch Corporate Governance Code, the Supervisory Board conducted a self-assessment in 2017. The self-assessment related to the Supervisory Board, the individual Supervisory Board members and its three committees and covered a number of aspects including performance, composition, committee structure, compensation, responsibilities, role, meetings, preparation, communication, input on strategic direction and operating matters. The overall conclusion of the self-assessment was that the Supervisory Board and its committees performed well with a number of areas to be improved, for instance, in the area of succession planning.

2017 Financial Statements and Dividend

The financial statements for the year 2017, 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 2018 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 €0.32 per share for 2017.

The Supervisory Board recommends that the Annual General Meeting adopts the 2017 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, February 27, 2018

On behalf of the Supervisory Board

Kees van der Graaf, Chairman

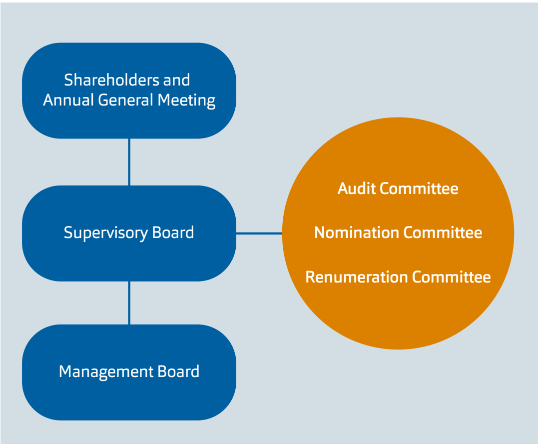

Amalfi
120

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. In 2017, the Management Board consisted of the CEO and the CFO, while the Supervisory Board is made up of five 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, such as the company's Code of Conduct, and compliance with all applicable laws including anti-corruption and anti-bribery regulations. The Supervisory Board also oversees 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 Board Directors have been carefully selected to ensure 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 members of the Management Board 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 new Dutch Corporate Governance Code, published in 2016, 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.mccg.nl. The company fully complies with the Code, with the exception of the following provisions:

Best-practice provision 2.1.6: The corporate governance statement should explain the diversity policy and the way that it is implemented in practice, addressing: i. the policy objectives; ii. how the policy has been implemented; and iii. the results of the policy in the past financial year. If the composition of the management board and the supervisory board diverges from the targets stipulated in the company's diversity policy and/or the statutory target for the male/female ratio, if and to the extent that this is provided under or pursuant to the law, the current state of affairs should be outlined in the corporate governance statement, along with an explanation as to which measures are being taken to attain the intended target, and by when this is likely to be achieved. GrandVision created a diversity policy but made insufficient progress in implementing its diversity policy in a timely fashion. The topic of diversity is on the agenda of the Supervisory board and its Nomination Committee for the coming years, the short term goal is to find a female Supervisory Board member.

Best-practice provision 2.2.1: 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. The new member of the Management Board and designated CEO, Stephan Borchert is appointed for a four year term, in line with best practice provision 2.2.1.

Best-practice provision 2.3.4: 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 and more than half of the members of the committees should be independent within the meaning of best-practice provision 2.1.8. Mr. Groot is the Chairman of the Remuneration Committee and not to be considered independent in the meaning of best-practice provision 2.1.8. 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 €0.02. At December 31 2017, 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. There are no agreements in place with shareholders that may result in restrictions on the transfer of shares or limitation of voting right. 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 2.22.3 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 November 2, 2018 to issue a maximum of 10% of the shares issued at February 5, 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 November 2, 2018 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 February 5, 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.

Stephan Borchert, member

A German national, Mr. Borchert joined GrandVision as Management Board member on 15 January 2018 and was appointed as CEO per 28 February 2018. He has in depth retail experience with a variety of service-oriented retailers. Prior to joining GrandVision, he was EMEA president of Sephora. Mr. Borchert began his professional career at fashion retailer Peek & Cloppenburg and then became a partner at Roland Berger Strategy Consultants. He went on to become president of Red Earth in Hong Kong and managing director of the international business of multinational cosmetics company Douglas. Subsequently, he became member of the Executive Board at Celesio, German healthcare and pharmaceutical company owning pharmacies in numerous countries. He holds a degree in Business Administration from the University of Dortmund.

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.

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 Basic Fit, 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. 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: 2017
- Current term of office: up to and including the 2021 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: 2017
- Current term of office: up to and including the 2021 Annual General Meeting
- Year of birth: 1941

Willem Eelman

A Dutch national, Mr. Eelman is the former CFO and 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 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, and the arrangements for remuneration in the form of shares that both have been revised and approved by the General Meeting on May 2, 2017.

As a listed company, GrandVision recognizes the principles of good governance, and best-practice provision 3.4.1 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.

The first part of this remuneration report describes the remuneration for the members of the Management Board in 2017. In accordance with art. 3.1.2. of the Corporate Governance Code the company will now also report on the pay ratio of the remuneration for the members of the Management Board.

The second part sets out the remuneration policy that has been adopted for 2017 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 2017.

Remuneration for the Management Board in 2017

The remuneration of the Management Board in 2017 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 2017 was €3,514. The total aggregate amount of fringe benefits amounted to €97 for the financial year ended 31 December 2017.

For more detail on the 2017 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 December 31, 2017 is set out in the table below.

	2017
	Shares owned
Th. A. Kiesselbach (CEO)	1,006,983
P.J. de Castro Fernandes (CFO)	179,615

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 December 31, 2017 is 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)
2017	
P.J. de Castro Fernandes	-
2016	
P.J. de Castro Fernandes	1,555

LONG-TERM INCENTIVE PLAN AWARDS

The CEO and the CFO have participated in the wider GrandVision long-term incentive plan. This plan consisted of shares and options in 2011-2013. The options were share appreciation rights which gave 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 participated in this plan. As from 2014 the GrandVision long-term incentive plan consists of shares only, except for the option awards under the Top LTIP plan. In the period 2011 to 2017 the CEO and the CFO have received awards, the following table shows the number of awards outstanding at December 31, 2017:

	Share awards	Option awards
Th. A. Kiesselbach (CEO)	46,537	118,611
P.J. de Castro Fernandes (CFO)	33,688	51,903

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

PAY RATIO

The ratio between the total average Management Board remuneration (in total) and a representative group of employees (employees working in the G4 countries) is 38. This is lower than in the previous year due to a lower average Management Board remuneration in 2017.

Remuneration Policy

The remuneration policy is the framework used by the Supervisory Board to establish the remuneration of GrandVision's CEO and CFO for 2017. 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 2017 financial target for revenue and did not achieve the 2017 financial target for profit growth. The personal targets of the Management Board were partially achieved. The Group objective for 2017 was not 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 2017 award is made under the 2015 plan. In addition, the general meeting approved in 2017 that members of the Management Board can also receive option awards under the GV Top LTIP plan, which functions as a replacement of the previous equity plan. Annual awards can be received in shares and options, 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.

The 2017 Top LTIP plan consists of options with a five year vesting period, a two year holding period and a 10% hurdle rate on the share price.

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 the Dutch maximum pensionable salary, according to tax laws. The CEO and the CFO are entitled to customary fringe benefits, such as a company car and reimbursement of any business related expenses 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 2017

The total aggregated remuneration of the Supervisory Board in 2017 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 December 31, 2017, 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 2017 remuneration of the Supervisory Board, see note 37.4 to the Consolidated Financial Statements, entitled 'Supervisory Board Remuneration'.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Risk management

Risk management system and governance

Risk Management plays an important role in the implementation of GrandVision's strategy. The Risk Management and Internal Control Framework of GrandVision is based on the COSO* Enterprise Risk Management Framework and is in line with the Dutch Corporate Governance Code. The framework aims to combine both 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. 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 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 Board performs oversight by setting the desired 'tone from the top', establishing risk appetite and risk strategy and by making decisions to identify, analyze or mitigate risks.

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 form the first line of defense as the risk owners. 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. Furthermore, the quality of internal control performance is an integral part of management incentive schemes at country or business unit level.

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 underlying root causes. Country management acts in accordance with the policies and standards set by the Management Board. These policies and standards are designed and monitored by global functional teams responsible for compliance, controlling and risk management and which form the second line of defense in the Framework.

The independent Internal Audit function of GrandVision, the management of which is partly outsourced to an international audit firm, forms the third line of defence and provides assurance and validation of the overall framework.

We act on our strengths by	We want to improve by
• Further building on our global brands • Keeping our highly skilled and motivated workforce engaged • Investing in a deep understanding of our customers • Leveraging our position to outgrow our markets, while entering into new markets both organically and through acquisitions • Building a scalable business model with the capacity to deploy across many locations	• Simplifying and integrating our IT systems to better serve our customers and our internal supply processes • Digitizing our operations and the way we provide services, while putting our customers at the center of all design and implementation • Investing in workforce training through online tailor-made courses, product and sales courses, and field training
We seize opportunities by	**We face our challenges by**
• Having quick decision-making processes with clear mandates at local levels to enable entrepreneurial approaches • Leveraging our businesses through new channels geographically and through an omni-channel approach • Acting on demographic, consumer, technological and market trends	• Staying on top of disruptive business models by continuously monitoring new developments • Staying up-to-date with changes in regulations and evolutions in international policies and adapting accordingly • Further building and developing our omni-channel capabilities

* For more information visit www.coso.org

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 effective-ness 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.

Risk culture

GrandVision's risk management is supported by its risk culture and enhanced by its values and policies. The organization aims to continually increase risk awareness through communication and training. Employees at all levels of the organization are expected to be aware of GrandVision's business principles, which are fundamental for how the company operates and for the behavior of its people. GrandVision's risk culture can be described with the following elements:

- **Disciplined.** As a global retailer with more than 7,000 locations around the world, discipline, standard operating procedures, policies and a low level of tolerance of deviations is inherent to the company's culture.
- **Entrepreneurial.** GrandVision continually drives for growth in order to serve more and more customers around the world. The company does not shy away from taking calculated business risks and is continuously evolving its business model.
- **Pragmatic.** The company aims to avoid bureaucracy and perfectionism and is driven by effectiveness and cost consciousness.

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 but is also not afraid to take decisive action in its business operations in order to continuously improve customer satisfaction
- **Financial risk** – the company has adopted a prudent financing strategy, aimed at maintaining sufficient financial headroom to continue to be able to invest in the pursuit of its strategic objectives. The company also has set very low tolerance levels with regards to deviations in internal controls and financial reporting
- **Compliance risk** – the company strives for full compliance with all legal, regulatory and tax requirements and does not tolerate non-adherence to its corporate governance policies

Risk management process

GrandVision has implemented an annual risk management cycle, in which identification of key risks and developments during the period are addressed in a continuous manner. During the annual budgeting process, all country management teams and central functional teams conduct risk assessments. Based on these assessments and on an evaluation of the outcomes of the risks already identified, the key risks are updated.

During 2017, approximately 150 risks were identified in this process. These were classified and consolidated, using a quantification method to weigh potential impacts and likelihoods of the different risks. In addition, the identified risks were benchmarked with risks identified by other retailers to ensure more general industry risks are included in the evaluation. The final key risk categories have been reviewed and approved by management, the Audit Committee and the Supervisory Board.

During the year, developments are monitored as an integral part of the performance management and internal controls/reporting cycles and necessary actions are taken to mitigate the identified risks.

Emerging trends

During 2017, several emerging trends could be identified. While the global economy is developing favorably in general, rising nationalism and populism can impact the economies of specific regions or countries.

Another trend is the continued increase of regulations and compliance requirements in many areas, such as data privacy, on the one hand, while on the other hand optical markets are becoming less subsidized by healthcare systems as governments aim to contain healthcare cost.

In global retail, the trend that continues to be very important is the shift of customer behavior in relation to digital and the resulting, and welcomed by GrandVision, price transparency in the market.

Finally, it can be noted that the scarcity of talent, in particular of qualified opticians but also other specialists, is generally increasing.

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 betaken.

Key risks are rated for potential impact and for likelihood of occurrence (low, medium, high ratings).

Key risks

Strategic risk		
RISK AREA AND POSSIBLE IMPACT	**IMPACT/ LIKELIHOOD**	**HOW DOES GRANDVISION MITIGATE THIS RISK?**
CUSTOMER PREFERENCE Becoming less relevant to our consumers, 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.	M/M	• We invest in our people, products and stores that enable us to remain relevant to our customers. • Our investment in the digital omni-channel customer journey, whereby the customer decides how, when and where they want to buy from GrandVision. • 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 . • By monitoring eye correction alternatives that we believe will very slowly take hold as many customers prefer to wear glasses over solutions that involve surgery.
PRICE COMPETITION Increased focus in retail on price as the main differentiator as a result of full transparency and availability of products online. This requires GrandVision to continuously adapt its retail price policies in order to stay competitive.	M/H	• By investing continuously in a portfolio of high-quality Exclusive Brands that are appealing to our customers. • We invest in (digital) marketing campaigns and added-value sales promotions that enable us to remain price competitive. • We invest in expanding our e-commerce capabilities and solutions, offering customer benefits complementary to those in our stores. • By relentlessly pursuing cost efficiencies in everything we do, from purchasing products to store and back office operations, to keep our retail prices competitive.
EXTERNAL FACTORS Unfavorable economic or political developments as well as natural or environmental disasters may occur in our markets.	L/M	• Our diversified portfolio in 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 savings, to counter the potential impact in the near term. • We have Business Continuity plans in place in case of natural disasters or other calamities, in addition to specific insurance that will help to reduce the financial impact of such events.

Operational risk		
RISK AREA AND POSSIBLE IMPACT	**IMPACT/ LIKELIHOOD**	**HOW DOES GRANDVISION MITIGATE THIS RISK?**
TALENT Inability to recruit, train and retain qualified management and suitably skilled employees to support our expansion. In addition, the process of transition of top management of GrandVision needs to be managed carefully.	M/H	• 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. • There is an extensive handover and induction process planned for new top management.
PRODUCT PRICE INFLATION Product purchasing prices of frames, lenses, sunglasses and contact lenses can increase, resulting in margin pressure or the requirement to adjust our commercial policies.	M/H	• By investing continuously in a portfolio of high-quality Exclusive Brands that are appealing to our customers. • Multi-year contracts are in place with key suppliers after competitive tender processes. • The increasing centralization of our supply chain and the reduction in the number of key suppliers allows us harmonize our portfolio and to achieve economies of scale. • Financial hedging of currency fluctuations related to the purchasing of products, providing time to the company to adjust its commercial policies to the changes in product prices.
DIGITAL CAPABILITIES The inability of GrandVision to develop customer relevant digital elements throughout the omni-channel customer journey. The organization needs to develop new skills in marketing, sales, operations and support functions.	H/M	• We have installed and are continuing to expand a center of excellence in digital marketing and customer experiences. • Each country has a clear 2018 digital roadmap which will be implemented with the support of the global center of excellence. • The digital capabilities being developed consist of both basic elements as well as innovative projects, both aimed at improving customers' experience. • We are investing in e-commerce, organically and through acquisitions.
OPERATING MODEL Risk of suboptimal implementation of global capabilities, including supply chain operations, will result in inefficiency, declining product availability and loss of confidence.	H/M	• The global supply chain function will focus in 2018 on optimization of the operations by means of an operational excellence program. • Harmonization and improvement of the product portfolio will continue, resulting in further benefits to the company.
PORTFOLIO Acquisitions need to be integrated into GrandVision effectively so as to develop a future platform for growth. In addition, multi-year contracts with key retailing partners need to be renewed on a rotating basis within our portfolio of markets.	M/H	• Strategic focus and strong management attention to developing the growth platforms in the USA and China and to further develop the Italian market. • Mitigated partly by the portfolio as the risk consists of multiple contracts with various parties. Continued management attention to renew key partner contracts when needed.

Financial risks		
RISK AREA AND POSSIBLE IMPACT	**IMPACT/ LIKELIHOOD**	**HOW DOES GRANDVISION MITIGATE THIS RISK?**
TREASURY AND INSURANCE Significant changes in financial markets that impact the financial condition or performance of the company.	M/L	• We have a €1.2 billion credit facility in place that needs to be renewed in 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 • We have Group insurance policies that are reviewed regularly. • We concluded interest rate swaps to fix our interest rates for longer time periods, effectively hedging our debt exposure into fixed rate debt.
WORKING CAPITAL As a retailer, managing working capital is important for GrandVision. Not only to generate sustainable levels of free cash flow, but also to keep the product inventory fresh and up-to-date so it remains relevant to our customers.	L/M	• The product category team will continue to develop and optimize the product portfolio, ensuring that customers can always find the products that fit their needs in stores and online. Best-selling products and the latest novelties are carefully selected and made available. • There is a comprehensive process in place to manage inventory in the stores, the central warehouses and tech centers to the lowest levels possible, including a project to further reduce lead times of Exclusive Brands which are sourced from Asia. • We strive to pay our suppliers and business partners on time, especially small and medium sized ones. • Receivables, which are mainly in the areas of credit cards, healthcare and business partners, are continuously monitored.

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

Legal and compliance risks		
RISK AREA AND POSSIBLE IMPACT	**IMPACT/ LIKELIHOOD**	**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.	L/H	• 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 level 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 monitor 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 that sets out policies, reporting, e-learning, training requirements and localization guidelines. • In 2017 again, 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 tax regulations is ensured through GrandVision's Tax Control Framework. The Tax Control Framework enables us to effectively monitor, control and manage the group-wide tax positions. It creates awareness of possible worldwide tax exposures and enables us to report our tax risks. GrandVision strives to maintain strong working relations with tax authorities. In countries where it is possible, this is done through collaborative working (horizontal monitoring) arrangements. For example, in 2017 GrandVision completed a compliance review program that resulted in the signing of a Covenant with the Dutch tax authorities.
HEALTHCARE REGULATIONS Changing consumer patterns due to healthcare contributions varying could impact future growth and profitability.	M/M	• 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. • In the short term, changing healthcare regulations can impact GrandVision's results. But in the longer term, it supports our position as high quality, affordable prices retailer and can enable us to gain market share in deregulating markets.

Management review and reporting

In Control Statement

The Management Board manages the company and is responsible for achieving its 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 2017. 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 and in accordance with best practice provision 1.4.3 of the Dutch Governance Code, the Management Board believes that, with respect to financial reporting, the internal risk management and control systems have performed satisfactorily during the year 2017 and provided a reasonable assurance that the financial reporting does not contain any errors of material importance. Based on the current state of affairs it is justified that the financial reporting is prepared on a going concern basis and this report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

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 2017 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 2017 and of GrandVision's development and performance during 2017, and describes the key risks to which GrandVision is exposed.

Schiphol, 27 February 2018

THEO KIESSELBACH, CEO
PAULO DE CASTRO, CFO
STEPHAN BORCHERT, MEMBER

IN FOCUS

Safely back to school with Pearle

In the Netherlands, two thirds of school children under the age of 12 walk or cycle to school on a daily basis. During a campaign at the start of the 2017/18 school year, Pearle Netherlands highlighted the importance of proper eye care with the return of children back to school. This initiative sought to raise awareness about the importance of eye care, not just in helping fulfil a child's potential in the classroom but also to keep them safe during the journey to school and back.

A comprehensive survey of approximately 1,000 parents, with children up to 12 years old, found that only 8% consider safety to be an important reason for conducting regular eye health checks on children. Experts believe that poor vision in children combined with little experience in traffic, creates life-threatening situations. Regular eye checks are therefore a necessity to ensure fewer accidents on the street.

Seeking to address these awareness gaps in the market, Pearle kicked off the campaign with a cycling eye test for children on their first day of school. The event received widespread attention in the media and positive coverage by bloggers and social media influencers. The study showed that around 30% of the participating children had undetected vision abnormality, mostly short-sightedness or long-sightedness.

As an extra incentive and to create awareness, Pearle gave away a special school bag full of fun stickers that kids can put on street objects and then post their pictures on social media. The initiative resulted in increased eye checks and a jump in the sale of children's glasses compared to 2016, as well as positive brand awareness for Pearle.

Shareholder information

Eye care, we care more

"The optometrists at Vision Express detected on time my detached retina – so I could get proper treatment that saved me from losing my sight."

Cynthia Faulkner (67),
customer of Vision Express, UK

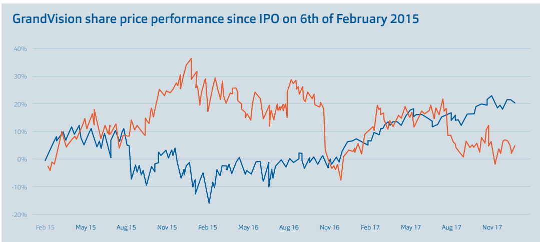
Initial Public Offering and listing

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 2017, the number of publicly traded ordinary shares totaled **57,193,094**. This represents 22.48% of the GrandVision's share capital.

Share price performance

The 2017 closing price for the share was €21.30, which represents a 1.9% increase over the €20.91 per share on 30 December 2016. By comparison, the Dutch AEX index increased by 14.8% during the same period.



Shareholders

SHAREHOLDERS AS OF 31 DECEMBER 2017

At the end of 2017, HAL Optical Investments B.V. held 76.72% of the shares in GrandVision, while 0.47% were held by the Management Board. The shares held in treasury (0.34%) 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.

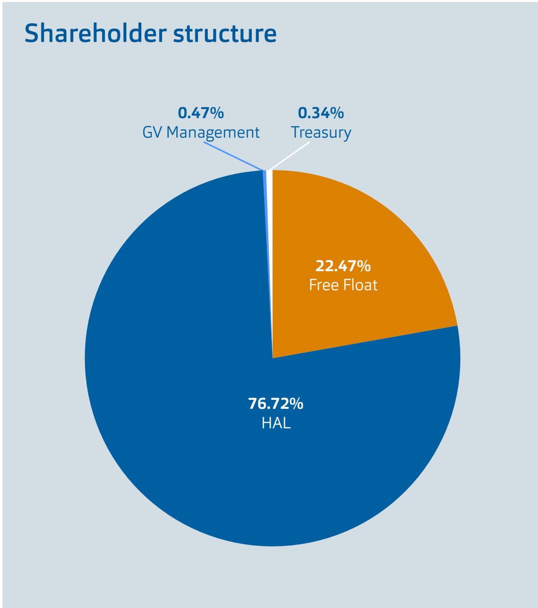
SHAREHOLDERS HOLDING MORE THAN 3% EQUITY

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 2017 Annual Report:



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 18 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 2018 Annual General Meeting of Shareholders (AGM) will be held on 26 April 2018 in Haarlemmermeer, the Netherlands.

Dividends

2017 DIVIDEND

GrandVision's Supervisory Board proposes a dividend of €0.32 per share for the fiscal year 2017, subject to shareholder approval.

If approved, the shares will trade ex-coupon as of 30 April 2018 and dividends will be payable as from 4 May 2018. The record date will be 2 May 2018. The dividend represents a payout of 35.6% 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.

Financial Calendar 2018

Date	Event
9 March 2018	Publication 2017 Annual Report
26 April 2018	First Quarter 2018 Trading Update
	General Shareholders Meeting
30 April 2018	Ex-dividend date (2017 dividend)
2 May 2018	Dividend record date
4 May 2018	Dividend payment date
6 August 2018	Half-Year 2018 Results
31 October 2018	Third Quarter 2018 Trading Update

IN FOCUS

MASK IT UP! sets the fashion

A deep-seated understanding of customers' needs and preferences, and our expert views on market and fashion trends, has allowed us to develop a unique global portfolio of products. Our assortment of Exclusive Brands of frames, sunglasses, lenses and contact lenses has become central to our retail positioning and overall identity in the market.

Typically, frames for spectacles and sunglasses are considered two separate categories. One is a medical and functional product for correcting vision, while the other is seen as a fashion item, despite its UV protection quality. Although 70% of our sunglasses can already be fitted with prescription lenses, in 2017 we took another strong step in this direction with the launch of the new 'MASK IT UP!' collection; a 2-in-1 product that combines optical frames and sunglasses while staying at the top of the trends.

Developed by our fashion-focused label In Style, the 'MASK IT UP!' collection offers a range of optical frames and mirror lensed masks that can be placed on top of the spectacles. The magnetic clip-on mask brings a playful touch, allowing customers to switch very easily from regular spectacles to sunglasses with just one touch. These masks come in different shapes and colours and allow customers to play with their look and style, according to their mood, the occasion and even the weather.

The product launch was backed up by strong in-store and digital campaigns and supported by centrally provided materials that each market adapted locally. Through 'MASK IT UP!' In Style remains at the cutting edge of the hottest trends from the coolest towns and cities. It appeals to connected and dynamic individuals who like to experiment and express their individuality through the latest high street fashion.

Financial Statements

Eye care, we care more

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

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

Consolidated Financial Statements

Consolidated Income Statement

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

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

Consolidated Statement of Other Comprehensive Income

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

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

Consolidated Balance Sheet

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

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

Consolidated Statement of Changes in Shareholders' Equity

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

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

Consolidated Cash Flow Statement

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

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

Notes to the Consolidated Financial Statements

1. General Information

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

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

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

2. Summary of Significant Accounting Policies

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

2.1. BASIS OF PREPARATION

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

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

2.2. NETTING OF DEFERRED INCOME TAX POSITIONS

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

2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

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

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

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

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

2.4. GROUP ACCOUNTING

2.4.1. SUBSIDIARIES

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

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

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

2.4.2. BUSINESS COMBINATIONS

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

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

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

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

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

2.4.3. COMMON CONTROL ACQUISITIONS

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

2.4.4. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

2.4.5. ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

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

2.5. FOREIGN CURRENCY

2.5.1. GENERAL

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

2.5.2. TRANSACTIONS, BALANCES AND TRANSLATION

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

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

2.5.3. FOREIGN SUBSIDIARIES

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

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

2.6. SEGMENTATION

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

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

2.7. REVENUE RECOGNITION

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

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

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

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

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

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

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

2.8. CUSTOMER LOYALTY

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

2.9. OPERATING LEASE

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

2.10. FINANCE INCOME

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

2.11. FINANCE COSTS

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

2.12. PROPERTY, PLANT AND EQUIPMENT

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

The useful lives used are:

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

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

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

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

2.13. GOODWILL

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

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

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

2.14. OTHER INTANGIBLE ASSETS

2.14.1. SOFTWARE

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

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

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

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

2.14.2. KEY MONEY & RIGHTS OF USE

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

2.14.3. TRADEMARKS

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

2.14.4. CUSTOMER DATABASES

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

2.14.5. REACQUIRED RIGHTS

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

2.14.6. FRANCHISE CONTRACTS

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

2.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

2.16. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

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

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

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

LOANS AND RECEIVABLES

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

FINANCIAL LIABILITIES

DERIVATIVES

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

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

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

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

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

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

HEDGE ACCOUNTING

The Company designates certain derivatives as either:

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

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

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

CASH FLOW HEDGE

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

FAIR VALUE HEDGE

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

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

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

BORROWINGS

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

CONTINGENT CONSIDERATION

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

2.17. INVENTORIES

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

2.18. CASH AND CASH EQUIVALENTS

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

2.19. SHARE CAPITAL

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

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

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

2.20. FINANCIAL LEASES

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

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

2.21. CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

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

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

2.22. EMPLOYEE BENEFITS

2.22.1. PENSION OBLIGATIONS

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

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

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

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

2.22.2. OTHER POST-EMPLOYMENT OBLIGATIONS

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

2.22.3. SHARE-BASED PAYMENT PLANS

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

EQUITY PLAN

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

The equity plan is no longer granted.

LONG-TERM INCENTIVE PLAN (LTIP)

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

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

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

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

2.23. PROVISIONS

2.23.1. GENERAL

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

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

2.23.2. LEGAL AND REGULATORY PROVISIONS

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

2.23.3. WARRANTY PROVISION

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

2.23.4. EMPLOYEE-RELATED PROVISIONS

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

2.23.5. OTHER PROVISIONS

Other provisions are mainly related to restructuring provisions.

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

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

2.24. TRADE PAYABLES

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

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

2.25. PRINCIPLES FOR THE STATEMENT OF CASH FLOWS

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

3. Financial Risk Management

3.1. FINANCIAL RISK FACTORS

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

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

3.1.1. MARKET RISK

(I) FOREIGN EXCHANGE RISK

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

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

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

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

(II) INTEREST RATE RISK

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

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

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

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

(III) PRICE RISK

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

3.1.2. CREDIT RISK

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

3.1.3. LIQUIDITY RISK

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

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

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

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

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

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

3.2. CAPITAL RISK MANAGEMENT

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

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

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

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

3.3. FAIR VALUE ESTIMATION

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

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

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

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

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

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

LEVEL 2 CATEGORY

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

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

LEVEL 3 CATEGORY

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

4. Estimates and Judgments by Management

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

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

4.1. ESTIMATED IMPAIRMENT OF GOODWILL

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

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

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

4.2. INTANGIBLE ASSETS

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

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

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

4.3. ESTIMATED IMPAIRMENT OF KEY MONEY

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

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

4.4. INCOME TAXES

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

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

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

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

4.5. CONSOLIDATION OF THE SYNOPTIK GROUP

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

4.6. PROVISIONS AND CONTINGENCIES

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

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

4.7. POST-EMPLOYMENT BENEFITS

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

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

5. Segments

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

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

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

The Group’s reportable segments are defined as follows:

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

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

The following table presents total net revenue and adjusted EBITDA for the operating segments for 2017 and 2016. The adjusted EBITDA is defined as EBITDA excluding other reconciling items and exceptional non-recurring items. Non-recurring items are defined as significant items that are not included in the performance of the segments based on their exceptional nature. For 2017 these items mainly relate to some exceptional acquisition related costs, integration activities and software impairment. The non-recurring items in 2016 relate to acquisition costs for recently acquired businesses and integration costs following the merger of the Italian business. Further costs relate to legal and regulatory provisions as well as corrections related to prior years. A reconciliation from adjusted EBITDA to earnings before taxes is presented within each table below. Other reconciling items represent corporate costs that are not allocated to a specific segment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Store and chain acquisitions

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

Adjustments to purchase price allocation

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

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

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

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

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

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

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

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

7. Revenue

The Group's revenue can be specified as follows:

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

8. Cost of Sales and Directly Related Costs

The following costs have been included in the operating result:

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

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

The employee costs can be specified as follows:

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

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

9. Share of Result of Associates and Joint Ventures

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

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

10. Finance Income and Costs

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

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

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

11. Income Tax

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

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

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

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

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

12. Earnings per Share

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

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

13. Property, Plant and Equipment

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

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

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

14. Goodwill

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

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

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

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

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

The table below shows goodwill per segment:

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

15. Other Intangible Assets

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

KEY MONEY

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

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

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

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

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

Key assumptions used to determine the recoverable amount:

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

CUSTOMER DATABASES

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

TRADEMARKS

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

SOFTWARE

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

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

OTHER

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

16. Impairment Tests for Goodwill

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

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

Key assumptions used to determine the recoverable amount in 2017:

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

Key assumptions used to determine the recoverable amount in 2016:

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

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

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

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

G4 SEGMENT

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

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

OTHER EUROPE SEGMENT

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

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

AMERICAS & ASIA SEGMENT

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

17. Other Non-Current Assets

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

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

18. Associates and Joint Ventures

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

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

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

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

19. Inventories

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

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

20. Trade and Other Receivables

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

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

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

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

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

The ageing analysis for the trade receivables is as follows:

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

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

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

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

21. Cash and Cash Equivalents

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

Cash and cash equivalents by currency:

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

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

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

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

22. Share Capital

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

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

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

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

23. Other Reserves

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

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

24. Retained Earnings

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

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

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

25. Non-Controlling Interest

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

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

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

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

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

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

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

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

26. Borrowings

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

BANK FACILITIES

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

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

COMMERCIAL PAPER

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

Movements in liabilities from financing activities are as follows:

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

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

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

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

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

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

	2017	2016
Borrowings and commercial paper	0.28%	0.92%

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

The Group has the following undrawn borrowing facilities:

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

FINANCIAL LEASE COMMITMENTS

The financial lease commitments fall due as follows:

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

27. Deferred Income Taxes

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

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

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

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

SPECIFICATION OF GROSS DEFERRED INCOME TAX ASSETS

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

SPECIFICATION OF GROSS DEFERRED INCOME TAX LIABILITIES

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

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

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

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

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

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

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

28. Post-Employment Benefits

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

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

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

The most recent actuarial valuations were performed in December 2017.

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

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

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

The net defined benefit obligation of the funded plans mainly relates to the pension arrangement of Visilab of €23.9 million. The assets of the plan at 31 December 2017 are €39.9 million and the obligations of the plan at 31 December 2017 are €63.9 million. The pension arrangements (occupational pension plans) of Visilab are funded plans, providing benefits upon retirement, death, disability and termination. Those arrangements are the base of the second pillar of the Swiss social security system. Both employer and employees pay contributions to the pension plan. To comply with legal requirements, employers have to set up a pension arrangement for their employees. For this purpose, Visilab is affiliated to the Fondation BCV deuxième pilier ("the Foundation") which is a collective pension fund (group administration plan) under the supervision of the Supervisory Authority in the canton of Vaud. The pension plan is governed by a committee which consists of an equal number of employer and employee representatives and is managed by the Foundation. Visilab has no control over investments performed by the Foundation. Pension arrangements are subject to the mandatory insurance requirements according to the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Funds (LPP/BVG). Should the Foundation become underfunded according to Swiss Law, the Foundation Board must decide on recovery measures that will allow the coverage ratio to return to 100% within an appropriate time horizon. The latest known coverage ratio of the Foundation was 107.5% as at 31 December 2016.

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

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

The amounts recognized in the Income Statement are as follows:

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

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

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

ASSUMPTIONS

The principal actuarial assumptions used were as follows:

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

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

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

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

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

Plan assets are comprised as follows:

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

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

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

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

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

29. Provisions

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

LEGAL AND REGULATORY

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

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

WARRANTY

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

EMPLOYEE-RELATED

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

SHARE-BASED PAYMENT PLANS

Refer to note 30.

OTHER PROVISIONS

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

30. Share-based Payment Plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There were no option awards granted in 2014.

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

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

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

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

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

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

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

31. Other Non-Current Liabilities

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

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

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

32. Derivative Financial Instruments

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

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

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

INTEREST RATE DERIVATIVES

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

CURRENCY DERIVATIVES

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

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

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

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

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

33. Trade and Other Payables

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

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

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

34. Cash Generated from Operations

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

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

35. Contingencies

35.1. CONTINGENT LIABILITIES

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

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

35.2. OPERATING LEASE COMMITMENTS

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

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

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

36. Auditor Fees

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

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

37. Related Parties

37.1. TRANSACTIONS AND POSITIONS WITH RELATED PARTIES

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

Other positions with Related Parties are as follows:

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

37.2. LOANS TO/ FROM RELATED PARTIES

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

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

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

37.3. REMUNERATION

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

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

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

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

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

37.4. SUPERVISORY BOARD REMUNERATION

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

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

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

38. Non-GAAP Measures

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

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

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

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

39. Principal Subsidiaries, Joint Ventures and Associates

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

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

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

** joint venture

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

Parent Company Financial Statements

Income Statement

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

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

Balance Sheet (Before Appropriation of Result)

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

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

Notes to the Parent Company Financial Statements

1. Accounting Principles

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

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

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

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

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

2. Net Income

Net income relates to management fees received from subsidiaries.

3. General and Administrative Costs

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

4. Net Financial Result

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

5. Financial Fixed Assets

The movements in financial fixed assets are as follows:

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

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

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

6. Shareholders' Equity

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

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

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

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

7. Legal Reserve

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

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

8. Appropriation of Result

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

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

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

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

9. Borrowings

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

10. Employees

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

11. Contingencies

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

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

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

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

Schiphol, 27 February 2018

MANAGEMENT BOARD

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

SUPERVISORY BOARD

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

Other information

THE APPROPRIATION OF RESULTS

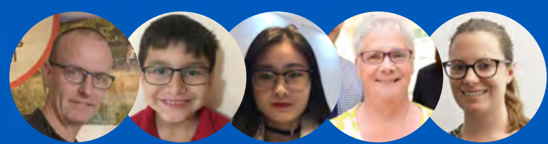
Pursuant to Article 10.1.4. of the Articles of Association of GrandVision N.V., the Management Board, subject to the prior approval of the Supervisory Board, may resolve to reserve the profits or a part of the profits. The remaining profits are at the free disposal of the General Meeting.

Subsequent events

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

Other information

Eye care, we care more



With the help of GrandVision's eye care specialists, people around the world can enjoy the benefits of healthy eyes and good sight.

Independent Auditor's Report

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

Report on the financial statements 2017

OUR OPINION

In our opinion:

- GrandVision N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 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;

- GrandVision N.V.'s parent company financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 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 2017 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 2017;
- the following statements for 2017: the consolidated Income Statement and the consolidated Statement 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 2017;
- 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' section of our report.

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

We are independent of GrandVision N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

OUR AUDIT APPROACH

OVERVIEW AND CONTEXT

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Management Board made important 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 judgments in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of goodwill, accounting for acquisitions of Visilab S.A. and Tesco Opticians and uncertain tax and legal positions, we consider these to be key audit matters as set out in the 'Key audit matters' 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, taxes and valuation, as well as actuarial experts in our team.

The outline of our audit approach was as follows:

Materiality	Overall materiality: €17.5 million
Audit scope	We conducted audit work in 25 locations covering 26 countries.
	Site visits were conducted by the group audit team to seven locations: Apollo (Germany), Vision Express (the United Kingdom), GrandVision Benelux (the Netherlands), GrandVision France, Synoptik (Denmark), GrandVision Italy and For Eyes (the United States).
	Audit coverage: 97% of consolidated revenue, 97% of consolidated total assets and 96% of consolidated profit before tax.
Key audit matters	Assessment of goodwill valuation
	Accounting for acquisitions of Visilab S.A. and Tesco Opticians
	Accounting for uncertain tax and legal positions

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'.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. 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, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€17.5 million (2016: €17.4 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 5% of profit before tax (which is consistent with prior year).
Rationale for benchmark applied	We used profit before tax as the primary 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 allocated materiality based on our judgement. All allocations were less than our overall group materiality. The range of materiality allocated across components was between €0.5 million and €11 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 (2016: €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.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

The group audit primarily focussed on the significant components: Apollo (Germany), Vision Express (the United Kingdom), GrandVision Benelux (the Netherlands) and GrandVision France. These four components were subject to audits of their complete financial information as those components are individually financially significant to the Group. Additionally and as agreed with the Supervisory Board, 21 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	97%
Total assets	97%
Profit before tax	96%

None of the remaining components represented more than 1% 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 components.

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 the audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their 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 the meetings of the component teams with local and group management either by visiting the component auditor or through conference calls in which the outcome of the component audit was discussed. The group engagement leader or 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 (the United Kingdom), GrandVision Benelux (the Netherlands) and GrandVision France given the relative size of the locations. For each of these locations we reviewed the selected working papers of the component auditors. In addition the group engagement team visited local management and component auditors of Synoptik (Denmark), GrandVision Italy and For Eyes (the 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 goodwill impairment test, the accounting for the long term incentive plan and tax position.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, 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. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, 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 separate opinions on these matters or on specific elements of the financial statements. Any comments or observations 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 2016 as these are inherent to the Company's business and its environment. Last year's key audit matter on the 'Assessment of the valuation of intangible assets as part of the final purchase price allocation of For Eyes' was specific for 2016 only, whilst the key audit matter 'Accounting for acquisitions of Visilab S.A. and Tesco Opticians' specifically relates to 2017 acquisitions.

Key audit matter	How our audit addressed the matter
Assessment of goodwill valuation	
Refer to note 2.13, 2.15, 4.1, 14 and 16 of the financial statements for the Management Board's accounting policies and underlying assumptions. The goodwill on the balance sheet of GrandVision N.V. concerns €1,065 million as at 31 December 2017. Of this, €423 million relates to the countries in 'the G4' segment, €481 million to 'Other Europe' and €162 million to 'Americas and Asia'. We especially focused our audit effort on the segment 'Americas and Asia' which have shown impairment, some countries were subject to economic challenges and/ or had limited headroom in prior year(s). The measurement of the carrying amount of groups of CGUs 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 sensitive of the discounted cash flow assumptions are the revenue growth rates and anticipated profit improvements. The discounted cash flow is highly dependent on the future achievability of the assumed growth rates and improvements. Especially, for the Americas & Asia segment management's forecast is that the revenue growth rate for most countries exceeds the revenue growth rates as used in 'the G4' and 'Other Europe' segments. For FVLCOD based on the sales multiple the key assumption is the sales multiple. Given the high level of management judgement regarding the aforementioned assumptions in the impairment assessment of goodwill, we considered this area to be important for our audit. In 2017 an impairment of €37.8 million on goodwill was recognized, relating to the United States which is part of the segment 'Americas and Asia'.	We evaluated the Management Board's policies and procedures to determine future cash flow forecasts, the process by which they were drawn up and also assessed design effectiveness of controls over the impairment process. We evaluated and challenged management's key cash flow assumptions, including but not limited to growth rates and compared them to long-term and strategic plans approved by the Supervisory Board. We tested the appropriateness of the VIU calculations by comparing the prior year's forecast with the company's actual performance in 2017, given this would be an indicator of the quality of the Company's forecasting process. Also, we verified the mathematical accuracy of management's valuation models. Also we involved valuation experts to evaluate the discount rates applied for each group of cash-generating units. We compared the growth rates to the Management Board's proven track record of improving performance by economies of scale and marketing. For certain countries within the segment 'Americas and Asia', the Management Board also prepared a FVLCOD valuation by applying a sales multiple. We evaluated the reasonableness of the applied sales multiple by comparing it with recent market transactions and listed peer companies. For the United States within the segment 'Americas and Asia', the Management Board prepared a FVLCOD by using the discounted cash flow method. Together with our valuation experts we assessed the key assumptions made in relation to revenue growth rates and anticipated profit improvements. Furthermore with assistance of our valuation experts we evaluated the methodology applied in management's calculation of the discount rate. We compared the discount rate used by management to our independently calculated discount rate and found it to be within the acceptable range. Our procedures also included relevant considerations on the sensitivity of the assumptions made in determining FVLCOD by using the discounted cash flow method. Based on our procedures, we consider management's key assumptions used to be within a reasonable range of our own expectations. Also, we have evaluated the adequacy of the related disclosures.

Key audit matter	How our audit addressed the matter
Accounting for acquisitions of Visilab S.A. and Tesco Opticians	
Refer to note 2.4.2, 2.13, 2.14, 4.2 and 6 of the financial statements for the Management Board's disclosures of the related accounting policies, judgement and estimates. In October 2017 GrandVision N.V. increased its shareholding in Visilab S.A. from 30% to 60%. As part of the agreement, the involved parties agreed that the shareholding of GrandVision N.V. will increase to 79% by 2019. Furthermore, GrandVision N.V. acquired Tesco Opticians in December 2017. For both acquisitions, the initial purchase price allocations have been performed. Acquisition accounting for the respective transactions comprises significant judgement of the Management Board mainly in relation to the valuation of customer databases, trademarks and the contingent consideration (in relation to Visilab S.A.). Given the high level of management judgement, we considered this area to be important for our audit.	We tested the (initial) purchase price accounting of the acquisitions of Visilab S.A. and Tesco Opticians by performing the following procedures: We performed an assessment of the purchase agreements and the process that management has undertaken to determine the allocation of the purchase price and contingent consideration (with respect to Visilab S.A.). Also, we verified that management applies a consistent and generally accepted valuation method for their fair value assessment. We evaluated the qualifications, competency and objectivity of the valuation experts engaged by the Company. Together with our valuation experts, we assessed the identification and valuation of the (in)tangible assets and liabilities assumed against available market data, in particular for the customer databases and trademarks. This includes assessing key valuation assumptions used (such as discount rates and attrition rates) and furthermore the accounting for the contingent consideration under the anticipated acquisition method in relation to the remaining non-controlling interest to be acquired by 2019. Based on our procedures, we considered management's allocation of the purchase price (and for Visilab S.A. also the contingent consideration) and identification of the (in)tangible assets and liabilities to be appropriate. Also, we considered management's key assumptions used in the valuation to be within a reasonable range of our own expectations. In addition we have evaluated the adequacy of the related disclosures.

Key audit matter	How our audit addressed the matter
Accounting for uncertain tax and legal positions	
Refer to note 4.4, 4.6, 29 and 35.1 of 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 the balance sheet date, GrandVision N.V. has a number of ongoing disputes. The disputes we focused on in our audit relate to a tax audit by the German Tax authorities (note 35.1) and an investigation by the French Competition Authority (note 29). The accounting for these uncertain tax and legal positions comprise significant judgement by the Management Board mainly in the area of whether to solely disclose these uncertain positions as a contingent liability or to recognize a liability in the form of a provision. Given the high level of management judgement, we considered this area to be important for our audit.	We assessed these tax and legal cases on an individual basis by evaluating the reports issued by the different authorities. We gained an understanding of the process management followed to assess the impact of the tax and legal cases. We especially focused on the current facts and circumstances for these tax and legal cases, the arguments of the different authorities and the status of pending legal proceedings. In addition, if appropriate with subject matters specialists in the engagement audit team, we 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 within the Group at GrandVision N.V. and outcome of 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 by considering amongst others the probability of cash outflows and subsequently concluded on the appropriateness of respective disclosure as provision or contingency in the financial statements. In addition we have evaluated the adequacy of the related disclosures.

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 including 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 the 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 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the Management Board report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

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 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 3 years.

NO PROHIBITED NON-AUDIT SERVICES

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

SERVICES RENDERED

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 36 to the financial statements.

Responsibilities for the financial statements and the audit

RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

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.

Amsterdam, 27 February 2018

PricewaterhouseCoopers Accountants N.V.

S. Laurie de Hernandez RA

Appendix to our auditor's report on the financial statements 2017 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. In this respect we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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.

Non-financial and diversity information

Requirements EU Directive	Subtopic	Chapter/section reference
A brief description of the business model	Business environment	Business and strategy: Business environment
	Organization and structure	Governance and compliance: Structure and responsibilities
	Our market	Business performance: Segment performance
	Strategy and objectives	Business and strategy: Strategy and objectives
	Long-term market drivers	Business and strategy: Business environment
Relevant social and personnel topics	A description of the policies pursued	Business and strategy: GrandVision's people
	The outcome of these policies	Business and strategy: GrandVision's people
	Principle risks in own operations and within the value chain	Corporate governance: Risk management
	How risks are managed	Corporate governance: Risk management
	Non-financial key performance indicators	Business and strategy: GrandVision's people
Relevant environmental topics	A description of the policies pursued	Business and strategy: Sustainability
	The outcome of these policies	Business and strategy: Sustainability
	Principle risks in own operations and within the value chain	Corporate governance: Risk management
	How risks are managed	Corporate governance: Risk management
	Non-financial key performance indicators	Business and strategy: Our Value Creation Model
Relevant human rights topics	A description of the policies pursued	Business and strategy: GrandVision's people
	The outcome of these policies	Business and strategy: GrandVision's people
	Principle risks in own operations and within the value chain	Corporate governance: Risk management
	How risks are managed	Corporate governance: Risk management
	Non-financial key performance indicators	Corporate governance: Risk management
Addressing anti-corruption and bribery	A description of the policies pursued	Corporate governance: Governance and compliance
	The outcome of these policies	Corporate governance: Risk management
	Principle risks in own operations and within the value chain	Corporate governance: Risk management
	How risks are managed	Corporate governance: Risk management
	Non-financial key performance indicators	Corporate governance: Risk management
Addressing board diversity	A description of the policies pursued	Business and strategy: GrandVision's people
		Corporate governance: Report from the Supervisory Board
	Diversity objectives	Business and strategy: GrandVision's people
		Corporate governance: Report from the Supervisory Board
	Implementation of policy	Business and strategy: GrandVision's people
		Corporate governance: Report from the Supervisory Board
	Results of the diversity policy	Business and strategy: GrandVision's people
		Corporate governance: Report from the Supervisory Board

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