

## EYE CARE, WE CARE MORE













## This is GrandVision!

With 7,000+ optical stores around the world and a growing online presence – GrandVision is a leading optical retailer offering a wide range of expert vision services and a unique assortment of prescription glasses, contact lenses, care products and sunglasses.

## 2018: a journey in numbers

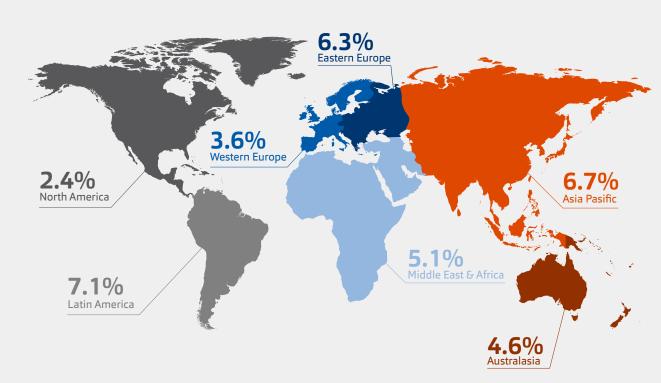
2018 was GrandVision's strongest year of topline growth since 2015, as we achieved 10.3% revenue growth at constant exchange rates, with 3.4% comparable growth. We also achieved a strong financial performance with adjusted EBITDA growth of 6.2%.

Our global expansion progressed well and our focus was on integrating the businesses we acquired during 2017, while improving the quality of our store network. We also sharpened our digital strategy with a clear and accelerated roadmap for our omni-channel as well as for the pure play e-commerce business.



## **Our market opportunity**

Annual growth in the global eyewear market is expected to be robust over the next five years. Evolving consumer megatrends, shifting market structures, technological changes and category growth are major drivers of this growth.



**4.6**%

#### PROJECTED GROWTH BY CATEGORY

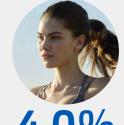


projected optical category growth



6.0%

projected sunglass category growth



4.0%

projected contact lens category growth

#### **OUR BUSINESS ENVIRONMENT**

Favorable demographics

Evolving consumer megatrends

Evolving market structure

Technology & category growth



## Vision, Mission, Strategy

#### Our Vision

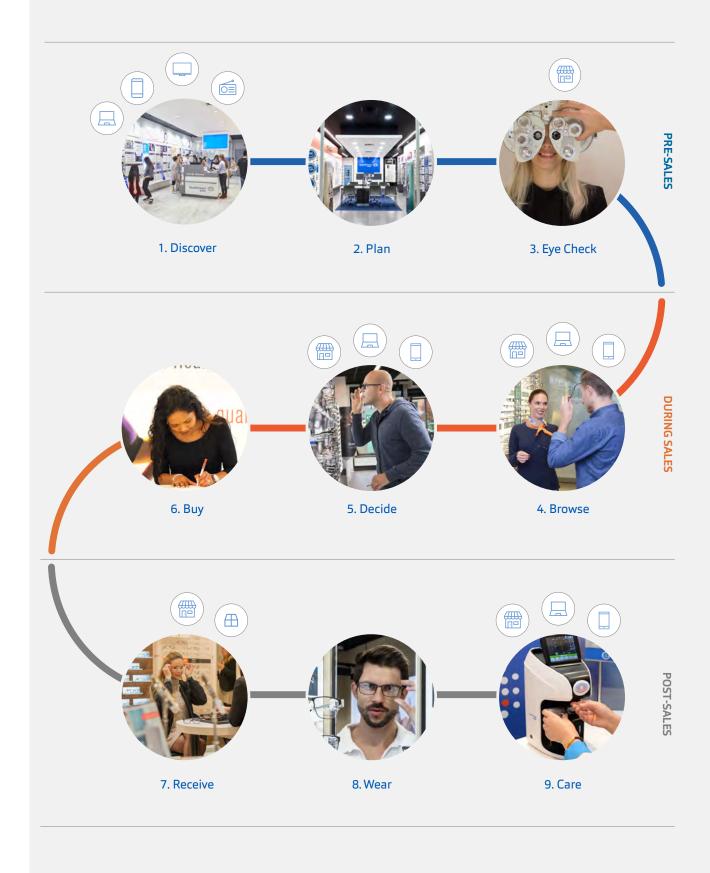
Secure undisputed global category leadership as THE destination of choice for eye care solutions, leveraging our best-in-class customer value proposition.

#### **Our Mission**

Provide unique high-quality and affordable eye care solutions to more and more customers all over the world and turn them into fans.

#### **Our Strategy**

Further expand GrandVision's global presence and further develop and deploy state of the art global capabilities in the area of eye care and optical retail.



## One global customer journey

Our customer journey is simple, safe and honest. We base it on high quality products and best-in-class optical services, and affordable and transparent pricing.

## **Our team**

Wherever we are around the world, we share the same passion for service and providing the best eye care to our customers.



"I love working closely with my colleagues and finding the best solution for each customer. The greatest satisfaction comes when we exceed their expectations."

> **Maja Kalm** Synoptik, Sweden

37,000+
GrandVision employees (headcounts)

27,000+

GrandVision average full-time in-store employees (FTEs)

546,000+

hours of professional training dlivered across our network

"I enjoy solving technical problems because they are always a good opportunity to learn and expand my competencies."

> **Marcin Jastrzębski** Vision Express, Poland

69% of total FTEs are female

## How we create value

#### **OUR VISION IS**

To provide high-quality and affordable eye care to more and more people around the world by securing undisputed global category leadership as the destination of choice for eye care solutions, leveraging our best-in-class customer value proposition.

#### **OUR BUSINESS ENVIRONMENT**









#### INPUT

7,000+ stores in 40+ countries

30 retail banners and over 37,000+ employees

Unique assortiment of Exclusive Brands & strong omni-channel presence 17 TechCenters, 30 warehouses and 47 strategic suppliers Energy, water and raw materials

#### **OUR MISSION IS**

to provide unique and high-quality and affordable eye care solutions to more and more people all over the world.

#### Working in a sustainable and ethical way

#### CORE ACTIVITIES



Centralized sourcing, procurement & production of high-quality eyewear and eye care products



Building a strong base of eye care experts by offering professional training and development

## 100

Operating a worldwide store network of leading optical retail brands



Establishing a global omni-channel eye care platform

#### Enter new Drive comparable markets growth OUR 5 **STRATEGIC** Expand in Strengthen **PRIORITIES** current markets and deploy also through global bolt-on capabilities acquisitions Optimize the existing store network

Corporate governance, compliance & risk management

## We enable employees to develop professionally

~550,000

total training hours

~16.9

average training hours per FTE

## We enhance our business performance

10.3%

Revenue increase (€ at constant exchange rates) compared to 2017

~€82M

income tax

#### OUTPUT

We improve the quality of life of customers

17M

spectacles sold

800,000+

store visits per day

## We manage the impacts along our supply chain

01%

of non-OECD suppliers were audited

564

gr. of CO<sub>2</sub> emissions per processed spectacle

#### OUR OUTCOME / VALUE FOR SOCIETY

We contribute to better quality and safety of life and support socioeconomic inclusion.



We contribute to alleviation of poverty and personal and professional development.



We contribute to sustaining environment for future generations.



	2018	2017	2016	2015	2014	2013	2012
Results							
Revenue (€ million)	3,721	3,450	3,316	3,205	2,817	2,620	2,518
Organic growth (%)	3.9%	3.5%	3.5%	5.3%	5.7%	2.5%	3.0%
Comparable growth (%)	3.4%	1.8%	2.2%	4.1%	4.3%	1.6%	0.8%
Adjusted EBITDA (€ million)	576	552	537	512	449	400	372
Adjusted EBITDA margin (%)	15.5%	16.0%	16.2%	16.0%	16.0%	15.3%	14.8%
Operating result (€ million)	337	327	358	353	289	270	231
Net result (€ million)	237	249	252	231	175	156	117
Earnings per share, basic (in €)	0.85	0.90	0.92	0.84	0.64	0.56	0.40
Adjusted EPS, basic (in €)	0.91	0.97	0.96	0.87			
Operational Information							
System wide sales (€ million)	4,079	3,784	3,657	3,541	3,145	2,927	2,822
Number of stores	7,095	7,001	6,516	6,110	5,814	4,993	4,876
Number of own stores	5,897	5,817	5,402	5,014	4,744	3,982	3,893
Number of franchise stores	1,198	1,184	1,114	1,096	1,070	I,OII	983
Number of countries	43	44	44	44	43	40	40
Number of employees (average FTE)	32,400	31,802	28,766	27,510	25,776	22,235	21,487
Number of retail banners	30	30	29	34	33	25	24
Liquidity and Debt							
Free cash flow (€ million)	238	143	255	220	222	220	208
Capital expenditure (€ million)	210	197	176	162	158	II3	II4
Store capital expenditure (€ million)	162	140	124	122	117	84	91
Non store capital expenditure (€ million)	48	57	52	40	41	29	23
Net debt (€ million)	743	832	750	941	922	837	1,017
Net debt leverage (times)	1.3	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 I 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.

Adjusted EPS: earnings per share based on net result attributable to equity holders 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

#### **Meet our CEO**





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### **Meet our CEO**

A German national with an international upbringing and a successful career in European retail, Stephan Borchert became GrandVision CEO in early 2018. Today, as he looks back on his first year at the helm, Stephan pays tribute to GrandVision's robust performance while urging the business to accelerate its response to evolving consumer trends.

## Stephan, how would you qualify 2018 for GrandVision? What did we get right and where is there room for improvement?

I'd say it was a good year overall. Our revenues grew by 10.3% at constant exchange rates and our financial performance was strong, with EBITDA up by 6.2%.

We also know our customers appreciate us more than ever before, as reflected in our average Net Promoter Score (NPS) which increased to 60+. Our strategic priorities are sharper than before and are helping us to drive further growth and long-term value creation for our stakeholders. We also recently entered the FTSE4Good Index. I'm immensely proud of these achievements.

But it's also true to say the year was one of significant change. After joining the company in the beginning of the last year, we took a fresh look at our strategy, especially in light of changing market and consumer trends. What we see around us are trends such as digitalization and the growing relevance of global fashion trends in eye wear that require us to work together even more strongly as a global GrandVision team. This is certainly one of my priorities in the coming years.

In order to capture these opportunities, we have sharpened our strategy and also undertaken several organizational changes to make sure our structure and people are deployed in the right way. Also, GrandVision has grown very rapidly over the years and through many acquisitions, so we will now make sure we take full advantage of our additional economies of scale.

## Describe how the global optical retail market developed in 2018. What regional variations did you see?

Overall, we're pleased with the progress we've made in our markets, which has led to an acceleration of comparable growth in all three segments.

In the G4 segment, we achieved 7.9% revenue growth. This was driven, on the one hand, by an improvement in the French market environment following changes to local insurance reimbursement schemes in 2017. We continued to increase our market share and achieved 2.4% comparable growth. Our performance there really demonstrates the resilience of our model, which is key in an environment that continues to change. As part of our core commercial proposition, we advocate for price

transparency and thus, markets in which affordability has become more important to customers remain a true opportunity for us.

We also had a strong year in Germany, where we launched a successful commercial campaign in the summer in which customers could temporarily purchase multifocal spectacles for the price of single vision glasses. It drove both market share gains and EBITDA margin expansion.

In the Other Europe segment, we had 15.8% revenue growth, due to the addition of the Swiss Visilab business and solid organic growth in most markets. While we continued to see strong organic growth in Eastern Europe, the Italian market remained below our expectations. We're starting to make progress in that market, but still aren't satisfied with the performance, especially EBITDA margin, when you consider the potential in terms of the size of the market and the scale of our business.

Finally, we probably saw the strongest ever performance in the Americas & Asia segment, both in terms of comparable growth and EBITDA margin progression. We achieved 8.8% revenue growth and comparable growth was even at 9.4%. EBITDA almost doubled and reached 20 million, and this was achieved across the board. Despite the currency headwinds in Turkey, revenue remained stable during the year and EBITDA expanded resulting in margin growth.

We also made some progress in the United States, even though we are not satisfied yet with the pace of the turnaround. We continue to further improve the business and are actively working on preparing a platform for further growth for GrandVision in the US.

#### At the Capital Markets Day you outlined GrandVision's new strategy and re-confirmed the medium-term objectives. What's changed since the previous strategy?

First of all, I reconfirmed the basic pillars of the GrandVision strategy of driving comparable growth, strengthening and deploying our global capabilities, optimizing our store network and expanding in current and new markets.

However, over the past few years, we have seen a number of external developments that are having an impact on our business.

I specifically want to mention the increasing tendency towards consolidation and the strong digital developments in all areas of our business. Particularly the latter has led to increased pressure to improve the customer journey at each and every touchpoint. It has also led to an emergence of new brands, and new digital and physical shop formats in our industry.

The world around us keeps evolving and I urge the entire GrandVision organization to be even more agile in increasing the relevance of our services, products, stores and online platforms to consumers.

It all starts with an even stronger customer focus in everything we do at GrandVision. Turning customers into fans and increasing their lifetime value is our predominant objective. In order to stay relevant to existing, but especially also new customer segments, we need to accelerate a leading digital proposition and ultimately boost e-commerce growth. In addition to this, we want to continue growing our global market share through strategic acquisitions.

## Are you satisfied with our global expansion in the year? Are there markets where you feel our progress was notable?

Our expansion generally progressed well in our focus markets. Of course, there are years in which we acquire more companies or enter new geographies than in other years. The focus during the year was to integrate the businesses we acquired at the end of 2017. For example, we integrated the Tesco Opticians stores in the United Kingdom and rebranded them to Vision Express. Through this acquisition we now have a bigger and stronger business in the UK and have much higher proximity to our customers. We also integrated the Visilab business in Switzerland.

In the Americas & Asia segment, we significantly improved our profitability. Over the past few years, we built up scale in important growth markets like Mexico and Turkey and already saw improvements in our margins in these markets. This year, our focus was on improving the effectiveness of our operations and the quality of our store network, for example by closing underperforming stores in a few markets. Overall, we now have a stronger business in the region with improved margins.

#### We pride ourselves in understanding the dynamics that drive trends in our markets. How well are we differentiating and how strong do you see our position?

I'd say we're in a position that is entirely unique. We're successfully tapping the enormous potential in some of the world's best structural growth markets by leveraging our size, global reach and capabilities. We're also benefiting from the advantages of having a high share of Exclusive Brands and products and we're well geared to capture higher growth rates in the sunglass and contact lenses categories through our digital capabilities.

From a customer viewpoint, our current, and most importantly, our future omni-channel strengths are another highly distinctive feature of what our retail brands can offer.

One of our main differentiators is in our core commercial proposition. We are still quite unique on a global scale in providing full price transparency to our customers

regardless of whether they're buying our products in our stores or online at every stage in the customer journey. In traditional optical retail, customers won't know until the end of the sales process what price they have to pay. In a world of 24/7 access to global information and data, consumers increasingly demand simple, transparent and honest propositions of high quality products at affordable prices.

In addition, we regard full price transparency as key to running a successful omni-channel business.

## GrandVision's evolving digital capabilities are becoming central to our customer proposition and this is an area you've had a lot of experience with previously. How do you qualify our efforts so far?

The omni-channel route to market isn't new for GrandVision – we have been investing in this area for some time. In some parts of our business we already see over 50% of our sales being supported by digital elements of the customer journey. We are talking here about our online appointment booking tools, our extensive websites with Virtual Try Ons and product preselectors.

In 2018 we sharpened our digital strategy with a clear and accelerated roadmap for our omni-channel as well as for the pure play e-commerce business. Digital strategy is not one size fits all, and some product categories, such as contact lenses and plain sunglasses, are more suitable for purchase through pure online channels than for example the spectacles category. That's why you've seen us strengthening our e-commerce activities through the acquisition of Linsenmax in Switzerland and the launch of Lenstore in Germany.

This is just the start. Our goal for 2023 is that e-commerce will grow to more than 10% of total sales.

## What can customers expect from GrandVision's digital proposition in the years ahead?

The future digital proposition has the clear ambition of being at the forefront of our industry and to grant our customers best-in-class 360 degree access to our offer – this is what they expect from a global market leader.

We are basically working on all three frontiers: strengthening our omni-channel proposition which is linked to our successful brick & mortar operations worldwide, evolving all digital tools to further enhance the customer experience and continuing to invest in pure play e-commerce.

## What are your views on sustainability, and how will you drive our performance and reporting in this area?

It's gratifying to have joined an organization that sees sustainability not just as a reporting imperative, but as an integral part of a business strategy.

As optical retailers we know what our responsibilities are



towards society in terms of helping more people have access to high quality eye care, but also with regards to the environment, which means reducing our footprint as we've done in recent years, by centralizing our production and managing our utilities in a more efficient way.

However, as a young company, we are still in the early stages of developing our sustainability strategy. We have now taken the important steps of combining our sustainability reporting and financial reporting for the first time ever, which makes perfect sense, as this is how we want to approach it in our business.

## What are the biggest challenges and opportunities you see for GrandVision in 2019?

Overall, unfortunately, we will continue to see more and more political instability which will have a direct impact on consumer sentiment. This will not only pose some challenges on short-term business goals, but even more on companies to provide security and motivation to their staff.

I feel GrandVision is well prepared to continue working and delivering on its long-term value creation strategy while achieving its short-to medium-term targets. A key

priority for me is to attract and retain the best people. As I said before, we see the world changing at a faster pace going forward. For GrandVision this means we face the challenge of evolving from a pure physical business model to a stronger omni-channel model.

## Is there any message you'd like to give to your external stakeholders and employees?

2018 was my first year as GrandVision's CEO... and it was a transitional year!

We made a number of strategic and organizational changes and also had to deal with a couple of issues from the past. But first and foremost, we have embarked on the exciting journey to evolve GrandVision to a new phase of growth, in physical store terms as well as a stronger digital offering. We have already made good progress, and this would not have been possible without the great support and engagement of the global GrandVision staff, for which I want to express my sincere gratitude to the entire team.

The trust of our shareholders was a vital support for us on our journey last year. For this I want to explicitly thank you on behalf of the entire GrandVision management team.



CHAPTER

# 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.

GrandVision operates 7,095 stores in over 40 countries across Europe, the Americas and Asia, and has 30 leading retail banners. In addition to our optical store network, GrandVision has developed a strong online and omnichannel presence. 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 37,000 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.



## The world around us

Eye care is a basic need for all, and as a leading global optical retailer we aim to play an important role in ensuring that an increasing number of people globally have access to it. We do this by adapting and aligning our business strategy and CSR Ambition to the changing needs of the world in which we operate as it continues to be shaped by major social developments and the impact of digital innovation.

#### A growing and ageing population

It is estimated that approximately 1.2 billion people around the world live with some form of vision impairment, very often because they do not have access to the right eye care, even though 80% of all vision related issues are considered avoidable. As populations continue to expand, so does the need for eye care. Ageing is one of the most significant global demographic factors impacting eye care as the need for vision correction increases and becomes more complex as a person grows older. Elderly people are more prone to visual disorders and have greater requirements for vision correction and more complex eye care solutions.

In 2018, around one-third of the global population was above the age of 45, which is the average onset age of presbyopia (long-sightedness caused by loss of elasticity of the lens of the eye). This proportion is expected to increase in the coming years.

#### Urbanization and expanding middle class

Increasing urbanization and the expansion of middle classes in fast-developing markets, particularly in Latin America and Asia, are transforming the economy and

local eye health requirements. The migration from an agricultural, rural-based existence to one in which production occurs in cities and jobs are increasingly taking place in offices, brings new literacy and health requirements and trends. Furthermore, employees and customers are demanding more regulations and good governance, fair and equal opportunities, and are paying more attention to leading a balanced and healthy lifestyle.

#### The impact of digitalization on eye health

Aside from the positive effects of technology on our lives, digitalization has also had a negative impact on our health.

One of these is the harm that screen time has on our eyes. Smart phones and tablets are now known to have more serious effects on our health than previously thought. These include declining eye health, tension, neck and back ache and headaches, particularly among children and teenagers [see case study: Smartphones can be toxic to children's eye health]. We therefore strongly believe in prevention through education and regular eye checks.



## **Business environment**

The social challenges stemming from the changes in the world around us effect the market dynamics, thus supporting the long term growth of the global eyewear market.

The global eyewear market has seen an average growth rate of nearly 4% over the past decade and is expected to continue expanding by approximately 4.6% each year over the next five years. Evolving consumer megatrends, shifting market structures, technological changes and

category growth are major drivers of this growth.

Acting on these markt trends and opportunities is decisive to GrandVision's success, therefore we have been refining our strategic priorities in line with these.

#### GrandVision's response to the ever evolving market trends

#### Favorable demographics

- · Rapidly growing and ageing population
- Emerging middle classes

Our portfolio is positioned in some of the world's best structural growth markets, and our growth across each category is underpinned by emerging markets.

#### **Evolving consumer megatrends**

- Healthy lifestyle awareness
- Fashion consciousness
- Shopping reinvented consumers embracing benefits of omni-channel

We are transforming customers into lifetime fans with a reshaped customer value proposition. This means updating our store experience and product and implementing a new digital and social native concept.

#### **Evolving market structure**

- Market deregulation/consolidation
- Growth in online eye wear market
- Scale benefits for big players

Our focus on key central capabilities and operational excellence to drive economies of scale in areas such as category management, procurement, production, omni-channel and marketing.

#### Technology & category growth

- More high-value products
- Growing contact lens category
- · Expanding high-quality sunglass market

We are enhancing our operating model and digital capabilities to help capture a higher share of growth in the sunglass and contact lens categories.



IN FOCUS

## Smartphones can be toxic to children's eye health

An astonishing 34% of German youngsters have health complaints which, according to their parents, are mainly caused by the daily, hours-long and uninterrupted use of digital media.

A new research by Apollo, GrandVision's German optical chain, shows that the number of eye glasses sold to youngsters under the age of 13 has increased by approximately 50% since 2007, when the first smartphones were introduced. Experts therefore recommend comprehensive precautionary measures and regular eyesight tests, especially for children.

Smart devices such as smartphones and tablets are believed to have more serious effects on health than previously suspected.

Over one third of German youngsters suffer physical complaints such as tension, neck and backache or headaches. Other nearly 30% also have difficulties with their eyes, while fatigue, concentration problems and nervousness are also broadly observed.

Parents are ultimately responsible for attending to the health of their children's eyes in a timely and preventative manner. The following simple rules when using digital devices can help avoid problems and impairments in the first place:

#### 1. Ensure digital devices are used in well-lit surroundings

Artificial light in dark surroundings may permanently impair the development of the eyeball.

#### 2. Spend two hours per day outdoors

Long-distance sight together with staying in bright daylight is important for eyeball development.

#### 3. Look into the distance

Eyes need to regularly look into the far distance of wider surroundings for at least 20 seconds during periods when using a smartphone or computer so the eye can adjust between near and far-sight.

#### 4. Regular eye tests

Children's eyes should be regularly examined by an ophthalmologist – this is the only way to recognize and correct problems at an early stage. Eyes should be tested at the before starting school and then every two years afterwards.

## **Business strategy**

Upon its IPO in 2015, GrandVision formulated a strategy to deliver on key medium-term objectives for top-line growth, profitability, financial leverage, global expansion and dividend pay-outs. As of 2018, these objectives had been successfully met, with average revenue growth at constant exchange rates at 8.9%, supported by organic and M&A expansion, adjusted EBITDA average growth at constant exchange rates at 7.4% and the further development of our leading portfolio which we have positioned in the world's best structural growth markets.

#### 2018 Strategy update

GrandVision now has a clear opportunity to build on the strength of its robust business model and use it as a platform for further growth by further refining its approach and capitalizing on the latest market trends. While our core strategic objectives remain unchanged, we have refined our priorities for the period between 2018 and 2023 to drive improved growth and value creation. Our vision is to secure undisputed global category leadership as THE destination of choice for eye care solutions, by leveraging our best-in-class customer value proposition. Our mission is to provide unique high quality and affordable eye care solutions to more and more to customers all over the world and turn them into fans. To achieve this we have complemented our strategic objectives with enabling accelerators.

#### **Strategic priorities**

Our strategic priorities enable us to compete locally with global capabilities for the benefit of our customers.

We achieve enhanced profitability through operating leverage and efficiency initiatives, while driving strong cash generation and resilient growth. At our core we have created a perfectly delivered proposition that differentiates us in the market.

To maintain our leadership, we continue to enhance our proposition in line with evolving customer expectations.

GrandVision's strategy is based on five fundamental priorities.



#### 1. Strengthen and deploy global capabilities

Having grown through acquisitions to become the global leader in optical retail, GrandVision has established a global headquarter that focuses on developing central capabilities, sharing knowledge and supporting its store network around the world.

We strongly believe that exchanging knowledge, using common business practices, and using a harmonized product range such as our Exclusive Brands, creates a better organization.

#### 2. Drive comparable growth

We consider comparable growth to be the most sustainable and profitable source of growth, as it strongly leverages our existing cost base. Comparable growth drivers include volume growth in prescription glasses, growth in the sales of contact lenses and sunglasses, customer loyalty, and the evolution of our customer journey, including omni-channel features and ecommerce.

#### 3. 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.

## 4. 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.

## 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 the coming years, our goal is to strengthen our global presence, especially in the United States and Asia.

#### Strategic accelerators

- Turn customers into fans and increase their lifetime value: Our goal is to provide unique, high-quality and affordable eye care solutions to more and more customers all over the world and turn them into fans, and in doing so, to secure an undisputed global category leadership as THE destination of choice for eye care solutions, leveraging our best-in-class customer value proposition.
- Create leading digital value proposition and boost ecommerce sales: Our ambition is to become a leader in e-commerce with more than 10% of e-commerce sales by 2023. To this end, we are investing in our existing e-commerce platforms and are actively looking for acquisition opportunities.
- Boost end-to-end Product value chain and leverage economies of scale: In order to achieve these goals, we are in the process of transforming our Supply Chain into a true end-to-end product value chain – and capturing all opportunities, from better brands and products, to reduced lead times and inventory, increased margins and improved buying conditions, as well as strong and consolidated go-to-market mechanisms.
- Create the organization of the future: We are aiming to strengthen our management organization in preparation for accelerated growth, for example, through talent management.
- Strengthen market share through strategic acquisitions: We continue to see opportunities to capture additional market share in Europe through small bolt-on acquisitions and rolling up independents. 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 FOCUS** 

## Optician for the social media age

Finland's leading optical brand Instrumentarium has always looked for innovative ways to bring eye care closer to the people. It recently launched an innovative campaign to help locals find expert eye healthcare advice on mainstream web and social media channels.

"We knew Finnish people increasingly prefer to research information about eye health on online forums", explains Jan Koskinen, Marketing Director at Instrumentarium. "But we came to realize there were very few professional resources available to them in Finnish that were approachable. So, we saw an opportunity to provide this type of high-quality content."

Instrumentarium launched a production concept based on a combination of motion graphics and video to create online content that is fresh, memorable and positively different. The videos, which were shared on Facebook, Youtube and Google among several other channels, contain professional but easy-to-understand answers to eye health questions that are often difficult to explain.



Videos are search engine-optimized so they're easy to find, while the content also supports the business as an inbound channel. Video audiences are later retargeted for tactical campaigns, such as discount offers and the videos themselves are integrated with campaign themes. To find out what kind of themes people were looking for, Instrumentarium used social listening tools and interviewed store personnel. Furthermore, it casted its own opticians as the stars of the videos.

"Our opticians speak from human to human without using difficult words or terms," share Eveliina Rantahalvari and Ida Paulamäki, part of the Instrumentarium team that brought the social media optician concept to life. "We wanted to make our brand more approachable and warm-hearted as our personnel really are in our stores! So, we made them the stars and brought them closer to our customers, and we see that this has made them extremely proud!"

## **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. By integrating environmental, social and governance considerations into our business model, we are able to effectively respond to the demands and expectations of our stakeholders and the world around us.

With 7,095 stores in 43 countries across Europe, the Americas and Asia, and 30 leading retail banners, GrandVision is a global leader in optical retailing. As a true platform for eye care, our customers experience a full range of expert vision services, both online and instore. They can also choose from a unique assortment of prescription glasses, contact lenses and care products, and sunglasses, both with and without prescription lenses.

Our highly adaptive business model is optimum for the different regulatory environments and market structures in which we operate. Thanks to its success we have seen the rapid expansion of our geographic footprint and an increased revenue contribution from fast-growing markets in our Americas & Asia segment.

To continue our success story, we have identified six overarching objectives, which in turn are aligned to the goals of our CSR strategy. These are explained in more detail in the following pages:

- 1. to broaden appeal & strengthen our Exclusive Brands portfolio
- 2. to accelerate our sunglass & contact lens businesses
- 3. to enhance our digital capabilities
- 4. to increase global influence on our local operations
- 5. to improve our product value chain
- 6. to accelerate our M&A strategy

## Strengthening our Exclusive Brands portfolio

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 instore 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 includes distinct frame brands, some 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.

In the contact lens category we are capturing strong growth through an improved customer experience. This approach leverages our stores as a category entry point, providing an improved first fit experience that helps to drive customer conversion and contact lens subscriptions. We are establishing a unique Exclusive Brands range in this category which offers strong potential for both omni-channel and pure-play concepts such as Lenstore and Linsenmax in Germany.

In 2018, the volume share of our Exclusive Brand frames remained stable at approximately 70% of optical 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 instore and online communication. This has been complemented with marketing tools including Customer Relationship Management, 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.

#### Solaris continues its global expansion

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 vision correction.

Our Solaris store-in-store concept aims to address this limitation by offering an attractive assortment of functional yet fashionable sunglasses, of which the majority can be fitted with prescription lenses. Furthermore, we have consistently shown that optical stores with a Solaris corner deliver higher comparable growth than stores without, due to the complete concept approach that encompasses assortment, customer journey, free try-on and a year-long activation.

Our aim is to ensure that Solaris becomes a leading global sunglass destination through a strong brand strategy based on a harmonized customer experience with centrally developed marketing materials, store concept books, operations manuals, and brand launch packs. We also offer an ever-growing assortment of models and are moving quickly into digital, multi and omni-channel activities.

Training our staff to bring the Solaris concept to our customers each day is one of the most important parts of our operations. For that purpose, we are centrally providing training materials in e-learning or classroom formats to ensure a consistent sales experience. We also modernized our training modules to be mobile friendly

and entirely sales-focused, resulting in positive effects on sales and other KPIs.

In 2018, GrandVision increased its Solaris footprint by 22%, reaching more than 4,200 points of sale compared to the previous year. In addition to the continued roll-out of our proven store-in-store concept, Solaris has built a stronger presence in department stores in Argentina, Belgium, France, Italy, Mexico, Netherlands, Turkey and the Middle East.

[Read more about Solaris in the dedicated case study: A sunglass destiation for all].

#### Solaris' four channel strategy

- Solaris corners in optical stores: In 2018, Solaris furniture design further adapted to the optical banner positioning.
- Dedicated stand-alone Solaris stores: In 2018, Solaris rolled out a new store concept centered around fashion and lifestyle, and brought to life "The Ultimate Sunglass Selection".
- Department Stores: Solaris increased its presence in department stores by adding new locations such as Printemps in France, Falabella in Argentina, and Debenhams in the Middle East.
- Pop-ups: Solaris and its versatile quick & easy pop-up concept could be seen at concerts, fairs, train stations and malls around the world.



#### Operating leading retail brands

GrandVision's stores are located in the world's best structural growth markets.

We operate across 30 leading retail banners that mostly target the mass-market segment in their respective countries. In some countries, such as Belgium, France, the Netherlands and Mexico, we operate a second banner that serves the mid-to-high market segment.

In recent years we have seen an increasing revenue contribution from fast-growing markets, particularly in Asia and the Americas. The reputation and consumer awareness of our brands contribute to their success and performance. Many of our retail brands across the world are highly recognized as best in class in customer service by the consumers in their local markets:

 Apollo in Germany and GrandVision Italy were both voted "Service Champions in Optical Retail" in 2018;

- Pearle (Netherlands and Belgium), Eye Wish (Netherlands) and GrandVision by Fototica (Brazil) were recognized as "Best Retail Optical Retail Chain";
- Rotter & Krauss in Chile and Synoptik in Sweden were among the "best companies to work for" in their respective countries;
- MultiOpticas in Portugal won the Trusted Brand Award (six years in a row), the Consumer's Choice Award (five years in a row) and the Senior Consumer's Brand Award (four years in a row);
- Vision Express was awarded "Trendy Optician Brand 2018" and earned a second place for customer service in Poland and was acclaimed during the "CIM Marketing Excellence Awards" in the UK;
- Apollo was also recognized as a "family friendly company" number one in Germany and received a first place prize as "Honest Retailer".



## Accelerate omni-channel and digitally empowered customer experiences

Our vision is to be THE trusted advisor for our customers in all aspects of eye care and turn them into fans.

Our strategic focus has been on creating a range of propositions that deliver an extended and deeper customer journey and a seamless omni-channel experience. This implies moving towards a more bespoke experience that offers customers the freedom to shape their own eye care journey in line with their preferences and needs.

To this end, we are establishing an advanced, scalable and modular global omni-channel platform that can be quickly rolled out to our retail banners, and pure-play ecommerce for Solaris and contact lenses. It will allow our markets flexibility to run and operate e-commerce at a lower cost and with a lower IT dependency. It supports rapid innovation and has a high-quality design and content that allows for an enhanced customer experience on mobile. The pilot, which has been previously tested in Portugal and demonstrated strong results in terms of sales, traffic and conversion, will be rolled out in other markets in 2019.

Our marketing approach has also evolved in line with shifting consumer behaviors as we look to develop datadriven, highly-personalized digital marketing, customer relationship management systems and a comprehensive approach to social media.

Our global analytics dashboard connects GrandVision's local websites and allows us to track and centrally monitor a range of KPIs that help us improve our customers' online experience. These tools will help ensure we successfully reach our target audience with relevant and personalized products and services at their moment of need.

The results of our digital efforts and omni-channel acceleration in 2018 have been very positive. Total website visits increased by 40% to more than 19 million while online sales grew by 65%. Our average Net Promoter Score (NPS) increased to 60+ (on a scale of -100 to +100) which means we are in the range of "excellent".

In the period ahead, we will further develop the platform by enhancing its features and design and making it rollout ready for key markets including Netherlands, Sweden, Denmark, United Kingdom, Spain and Italy.

We will be adding digital capabilities including talented designers, developers, data engineers, data scientists and digital marketeers, and building our science and analytics tools to accelerate our data-driven digital marketing.

One of our 2023 digital targets is for e-commerce to have 10% share of total sales by rolling out e-commerce engine across all banners and pure players, by pure play digital M&A and by e-marketplace partnership.

## Is our e-commerce ambition leading to in-house competition for our store base?

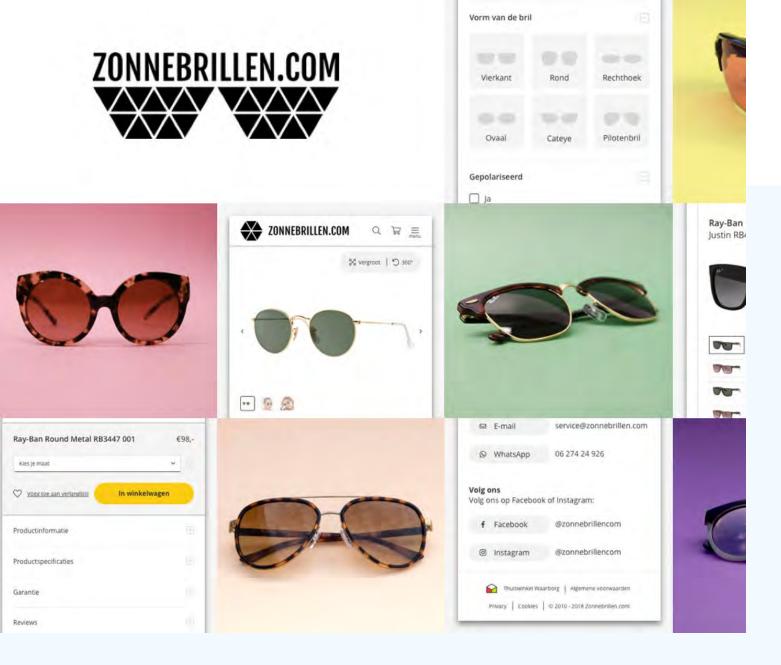
The competitive landscape in optical retail keeps evolving. Over the last few years, the share of ecommerce has grown to 5% and will continue to increase. However, GrandVision's business is traditionally based on brick-and-mortar stores with the personal contact of our eye wear experts and customers. Is GrandVision facing a dilemma?

Our strategy is to do both. GrandVision aims to address the needs of different customers, including 'digital natives' who grew up with the Internet, and customers who have more complex eye care needs and require the expertise of our opticians. We will continue to invest in our store network, but also have the ambition to become the e-commerce leader in optical retail.

#### **Boost our Product Value Chain**

Our Product Value Chain is the strategic foundation that brings the key building blocks of our business model alive. Optimizing it is the key to turning our customers into fans and transforming GrandVision from a leader into a category killer. Our ambition is to have the exact same process to fulfil our shop and e-commerce business, with the same tools, assortment and of course, the same platforms. Our strategy starts with the right marketing insights to drive the most adequate product assortment and marketing in the shortest time through a well-organized and efficient supply chain, resulting in an appealing store showroom model.





IN FOCUS

## Zonnebrillen.com: a pure online player for sunglasses

Launched in 2011, Zonnebrillen.com was already one the fastest growing companies in the Netherlands by the time it was acquired by GrandVision Benelux in late 2017. As the country's largest pure online player for sunglasses, it has cemented an enviable reputation for excellence in customer service and experience.

## One year on and the brand continues to thrive in its segment of the online market, which is not served by other GrandVision banners.

This separation has given it the focus and flexibility it needs to operate effectively. Even so, it has leveraged GrandVision's scale and position to improve its website traffic, conversion rates and overall competitiveness. It is also helping GrandVision strengthen its other e-commerce propositions through its infrastructure.

Zonnebrillen.com is now preparing for its next growth stage with major IT improvements, upgrades to its team and organization, and the optimization of its office and warehouse assets. All its core activities – marketing, web design, customer service, logistics, etc. – are performed in-house to support its integral approach to e-commerce.

This approach helps it to ensure the highest level of service and has recently allowed it to extend its cut-off times for next-day delivery to 11:00 pm. Furthermore, it is nurturing a strong company culture and a healthy working environment in order to create a pool of top e-commerce expertise.





# Impact along our value chain

As a leading global optical retailer we are continuously looking for ways to balance our environmental, social and governance (ESG) performance while taking into consideration all its dimensions, such as quality, sustainability, innovation, availability, social responsibility and price.

A collaborative and constructive approach to our value chain partners is an essential ingredient in this process, as is the ongoing alignment of our business, CSR ambitions and strategies to meet our stakeholders' needs and continue creating value in a world driven by constantly changing trends.

Our Value Creation Model illustrates how we follow our strategy and ensure responsible operations through our business model, input and core activities. Furthermore, our strategic directions facilitate our performance on our four CSR focus areas. For example, by entering new markets and driving comparable growth we can bring affordable and quality eye care to more customers.

Our ultimate goal is to make a positive contribution, not only to the development of the business, but also to the lives of our customers and employees while better managing the impact of our operations across our value chain.

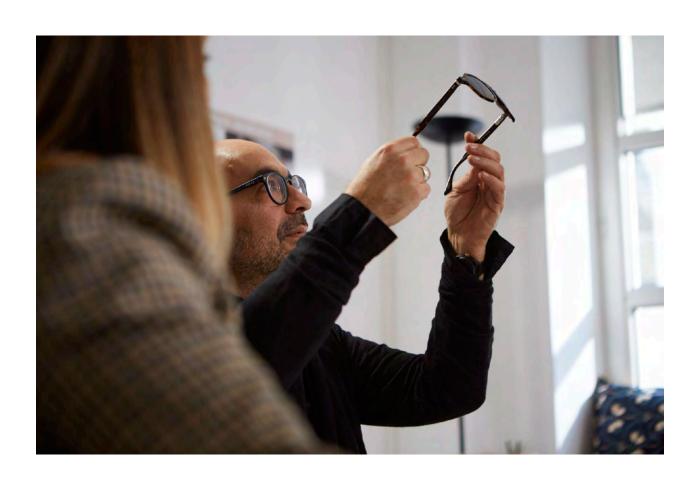
The outcomes of our business model have an impact on society which we relate to the realization of the UN's Sustainable Development Goals.

#### **Our CSR Ambition**

Our CSR Ambition is rooted in our promise that in EYE CARE, WE CARE MORE.

It is based on an internal assessment of our value chain and an analysis of the external factors that influence our business, such as the needs of our customers and stakeholders and local legislation.

As we deliver our products and services, we take our responsibility to operate in a sustainable and ethical manner. We therefore maintain a dialogue with our stakeholders and look to take all social and environmental impacts into consideration.



## Impact along our value chain



FOCUS AREA 1
Improving the a

Improving the quality of life of customers and employees

**FOCUS AREA 2** 

Enhancing socioeconomic development FOCUS AREA 3

Being a responsible employer

**FOCUS AREA 4** 

Minimizing our environmental footprint

### **Our CSR Focus areas**

GrandVision's CSR Ambition addresses four focus areas. By defining our impact within these we aim to contribute to three of the 17 United Nations Sustainable Development Goals (SDGs).

## Focus area 1: Improving the quality of life of customers and employees

GrandVision is a people-driven company that places the quality of life of its customers and employees at the center of its CSR Ambition. Our value proposition is based on our conviction that this contributes to the progress of each and every individual. It also reflects in the performance and development of their organizations and communities.

#### 1.1. By being globally active

Being globally active gives us the possibility to contribute to the social challenge of providing access to affordable and high-quality eye care that many governments still face [see also: The world around us]. Healthy vision is crucial for the development of literacy and the educational standards required by developed economies.

By being present in more than 40 countries, including many emerging economies in Asia and Latin America, we are able to meet the growing demand for qualified optical specialists and help those most in need of eye care. In 2018, our worldwide store network totaled 7,095, compared to 7,001 in the previous year. This net increase was in line with our network optimization strategy.

[See more in: Segment Performance]

#### Store numbers (per segment)

Stores (number)	2016	2017	2018
G4	3,020	3,348	3,387
Other Europe	1,818	1,876	1,912
Americas & Asia	1,678	1,777	1,796
Total	6,516	7,001	7,095



#### 1.2. By creating high-quality employment opportunities

GrandVision's contribution to sustainable economic growth in local markets is further strengthened by the high-quality employment opportunities we create within our organization and our supply chain. We believe that offering professional training and fair pay are important mechanisms for alleviating poverty and boosting personal and professional development.

With our growing international presence, our average number of full-time equivalents (FTEs) reached 32,400 – which is around 2% more than in 2017. In total, we currently provide employment to more than 37,000 people of which 77% are in Europe (G4 and Other Europe Segments). Of all GrandVision's employees (total headcount), 88% has a permanent contract, while 12% is contracted temporarily.

GrandVision FTEs	2015	2016	2017	2018
G4	12,372	12,625	13,996	14,359
Other Europe	7,824	7,942	9,120	9,317
Americas & Asia	7,176	8,009	8,453	8,476
Other & Corporate	138	189	233	248
Total	27,510	28,765	31,802	32,400

GrandVision Headcounts	2016	2017	2018
G4	14,319	17,117	17,560
Other Europe	9,550	10,382	11,180
Americas & Asia	7,056	8,734	8,490
Other & Corporate	188	285	227
Total	31,113	36,518	37,457

The increase in FTEs in the Other Europe segment has been high in recent years due to our growing presence in those emerging markets. Entering new markets through acquisitions is part of our business strategy and contributes to economic growth in these countries.

The high level of qualification of our store employees and the high demand for qualified opticians and other vision experts in most markets is generally reflected in the level of salaries and wages we pay. We aim to pay fair wages through which we directly improve the livelihoods of our workforce and indirectly create a positive impact on economic development. In 2018, we paid a total of €920 million in wages and salaries to our employees.

This is an increase of around 11% compared to 2017 and is accounted for by our growth in headcount and our need to compete for the best talent.

In 2018, our capital expenditure investments (excluding acquisitions) totaled €210 million – an increase of 6% compared to 2017. The majority of the invested capital was targeted at optimizing our existing store network. In doing so, we have continued to improve our employees' work environment and enhance our operations to maintain a high-quality service for our customers. The capital invested in non-store assets supported our digital strategy and omni-channel capabilities.

Economic contribution (x € 1000)	2015	2016	2017	2018
Total capital expenditure investments	161,807	175,913	197,497	210,194
Total wages and salaries paid	745,703	782,743	830,338	919,713

#### 1.3. By creating high-quality products

The safety of our eye wear products is a number one priority. Spectacles and contact lenses are medical devices, and as such, their quality and safety are strictly regulated. Nevertheless, GrandVision does more to ensure product safety.

GrandVision performs product tests to applicable ISO standards in internationally certified laboratories. These tests help to confirm that its products are safe and effective, as prescribed by applicable regulations. Our Quality & Regulatory division regularly engages with suppliers in order to continuously improve their processes related to product safety. Furthermore, GV Quality & Regulatory is a member of the ISO standards committees for eye wear products and recently joined regulatory medical device forums to play an active role in

shaping future safety and effectiveness standards in eye wear products. In 2018, GrandVision concentrated on increasing first-time pass pre-market lab tests, improving performance by 25% compared to last year. Additionally, by means of supplier engagement and trainings we have improved the success rate of our product inspections in factories by 67%, resulting in fewer failed products and less waste, among other benefits.

In 2019, our main focus in product safety will be to align our processes and products with new EU regulatory requirements (2017/745) for medical devices. Our ambition is to also implement these in our non-EU countries. Furthermore, we have launched a new complaint-handling process that will help us improve our products, design, production and validation processes.





IN FOCUS

# Leading-edge healthcare tech at Vision Express

The introduction of sophisticated sight-saving technology has had a huge impact on people's lives in the UK, starting with one of our very own. We spoke to Gary Blair, Head of Professional Service Operations, and to Jay Ghadiali, Vision Express Joint Venture Partner about how it's making a difference.

#### Gary, what's the new technology and why's it special?

GB: It's called Ocular Coherence Tomography (OCT) technology and it performs a non-invasive scan of the retina using a low powered laser, this significantly increases the rate of early detection and diagnosis of underlying conditions. We recently introduced one in our headquarters in Nottingham.

#### What did it detect in your own case?

GB: It found a small but unusual raised area when it scanned me. This triggered a referral to a specialist who confirmed that I have something known as central serous retinopathy. This is a medical condition whereby fluid builds up behind the retina in the eye.

#### Did you have any inkling something was wrong?

GB: I had no symptoms - this was a routine eye exam. However, I was immediately referred to a specialist for a diagnosis and to establish the cause. A failure to detect these symptoms could've led to serious problems, which may have gone undetected with traditional examination techniques.

#### What's this meant for you personally?

GB:I'm thankful that no surgical intervention's been necessary, but I've had to make big changes in my diet and exercise, so I can prevent future damage and potentially reverse the conditions.

#### Jay, how significant is OCT in terms of our capabilities?

JG: The OCT has a sophisticated scanning ability that literally transforms the way we detect complications in the eye. These includes things like glaucoma and age-related macular degeneration.

#### What would've happened to Gary if it hadn't been available?

JG: In Gary's case early detection was only possible thanks to OCT technology - it simply would not have been picked up through traditional testing. In most cases no treatment is required for this condition, but it can cause blurred or distorted vision due to fluid collecting underneath the macula.

#### Is there widespread access to OCT across the UK?

JG: OCT has been used at UK ophthalmology departments for some time, but its availability to the public via high street opticians has been limited – until now. Vision Express has introduced the equipment into more than 60 of its stores and with plans to implement OCT in an increasing number of stores. This is crucial if we're going to be able to keep offering a market leading eye examination.

# Focus area 2: Enhancing socio-economic development

At GrandVision we aim to create societal value beyond our local retail activities and for the different stakeholder groups in our value chain. On the one hand, we give our employees the opportunity for personal development. On the other, we contribute to the communities in which we operate through responsible tax strategies and corporate citizenship programs. These contributions support educational and economic development, social participation and welfare.

#### 2.1. By enabling employees to develop professionally

Our passion to provide customers with the best possible service and quality in eye care is enabled by the excellence of our people.

Our HR strategy is designed to attract and nurture a passion for eye care and foster professional growth. We continuously invest in developing the expertise and capabilities of our people so they can fulfil their true potential and pursue a rewarding career. Employee satisfaction is equally important to us as customer satisfaction, and as such, is continuously measured and improved.

This approach distinguishes us every day, across our stores, our TechCenters and our retail support functions.

#### The GrandVision Academy

GrandVision Academy (GV Academy) is our international center of excellence for continuous learning and development for all employees. Its framework applies a blended learning approach comprising e-learning, classroom lessons and on-the-job training. In addition, an integrated Learning Management System (LMS) facilitates the sharing of best practices and adapts content to local needs and circumstances. Although varied according to specific requirements, the content targets all commercial and retail staff and includes training on retail, optical, sunglass and contact lenses expertise, customer journey, and a specific curriculum on store management.

The learning modules are continuously updated based on customer behavior, new store concepts, market trends and product development.

GV Academy's training programs are concentrated around three main topics:

- Strategic, e.g. digital empowerment
- Local business needs
- Global business needs, e.g. leadership development

Each training topic has its own specific KPIs and targets, and our global HR team is responsible for following up on each of them. There is also an overarching global program, which is a structured learning approach that applies to all store employees and is split into three levels; Bronze, Silver and Gold.

All store employee must pass the Bronze level (1st level) within six months of joining the company. This means they fulfil GrandVision's entry requirements. Subsequently, it is up to each employee's professional ambitions and the specific needs of the business, if they also cover the Silver and Gold levels. 100% of employees have attained Bronze level.

#### 2018: training in hours

The total training hours dedicated to our employees and their split by function is a reflection of the strategic and local/global needs of the business.

We provided over 546,070 hours of training in 2018, which is 8% more than in 2017. On a global level, we deployed an average of 16.9 training hours per FTE. Store managers and store employees generally receive more training hours than non-store employees, due to their daily contact with customers. In 2018, store managers received 24.4 hours of training (on average) while other store employees had around14 hours. This is in line with GrandVision's store network optimization strategy and supports our integration of Tesco Optician in the UK and Ireland, which we acquired in 2017.

#### **Global learning concept**

As of today, the GV Academy has been successfully implemented in almost all 40+ GrandVision countries, based on their respective requirements. We have been able to scale up this concept while maintaining the high quality of the program due to its standardized set-up. To increase online and international connectedness, we have set up an international collaboration tool enabling users to quickly onboard to the system, learn about its features and connect easily with colleagues around the world.

In 2018, we distributed e-learning packages and classroom training materials to all GrandVision countries so they can choose the best training option based on their local needs. We also successfully rolled out the Silver module, which is the next step after Bronze certification.

#### Digitally empowering our employees

Our goal for 2019 is to digitally empower our store staff by providing them with a GV Academy mobile learning application, thus giving more learning flexibility. A minimum viable product (MVP) pilot will take place in selected countries at the start of 2019.

#### **Promoting international careers**

As a global company, we recognize the benefits of international mobility among employees. Our global mobility policy is targeted at exchanging best practices between operating units, expanding GrandVision's culture and at the same time training and preparing our future leaders.

The GrandVision mobility policy is constantly benchmarked against international best practices and consists of three main types of moves:

- Long-term assignments, typically between 3 to 5 years, mainly used for career development, green field operations or to backfill key positions
- Short-term assignments, that usually last 3 to 12 months on a project basis
- Hiring of people from abroad that permanently transfer to another country

In 2018, we had around 30 permanent hires of people from abroad and 10 employees on short or long-term assignments.

For 2019, we plan to facilitate the mutual exchange of operational experience between our operating companies and our Headquarters at Schiphol, the Netherlands.

Employees from our central office, will be sent on short assignments, increasing their understanding of local contexts in order to ensure more effective and efficient collaboration, while personnel from operating companies will move to the Headquarters.

We also plan to combine our internal talent management processes with our global mobility practice to secure the future of our international company through our talent.



# 2.2. By pursuing a transparent and responsible tax

GrandVision pursues a transparent and responsible tax strategy across all countries in which it is present.

Our tax strategy is in line with our corporate values and ambition which includes enhancing socio-economic development in the communities we operate in and delivering a positive impact in a sustainable and ethical way. Additionally, it aligns the long-term interests of all stakeholders, including shareholders, governments and communities. We do this by embedding tax implications in business processes where and when they originate. Even the smallest shifts in the way the business operates, whether it be in new products, services, digitalization or use of technology, can have implications on our national and international tax positions. Our tax strategy is designed to navigate these complexities and ensure we pay the right amount of tax and comply with all legislations.

Our tax strategy is created with input from a dialogue with our wide variety of stakeholders. For instance, how we communicate about our tax affairs is further shaped by societal demands for transparency. We are progressing on the execution of our tax strategy through the development of the GV Tax network and by further tax-enhancing company systems such as Enterprise Resource Planning (ERP) and other technologies. GrandVision's tax strategy is supported by a Tax Control Framework that allows us to effectively manage and control our tax positions.

We report on our tax risks and the execution of the tax strategy to the Audit Committee and the Supervisory Board. Our Audit Committee is also the governance body that is ultimately responsible for approving GrandVision's tax strategy.

#### The principles of our tax strategy are as follows:

- Be compliant at all times
- Pay the right amount of taxes across the value chain in the jurisdictions in which we are present and where value is created
- Reflect tax implications from business activity accurately in company records in real time at an entity level

#### **Tax Control Framework**

Compliance with tax regulations is ensured through GrandVision's Tax Control Framework. The Tax Control Framework enables us to effectively monitor, control and manage group-wide tax positions. It creates awareness of possible tax exposures and enables us to report our tax positions and, for instance, effectively comply with country-by-country obligations.

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, we collaborate on continuous basis with tax authorities in the Netherlands and the UK, among others. Furthermore, our Tax Control Framework enables the GrandVision global tax network to monitor and manage KPIs such the timely and correct filing of VAT, Transfer Pricing obligations, country-by-country reporting regulations, the effective tax rate (ETR) and our position in tax transparency benchmarks.

The Tax Control Framework is also covered by the work of the independent Internal Audit function, which provides assurance and validation of the overall internal control frameworks.

#### Our contribution to socio-economic development

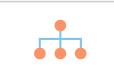
The taxes we pay contribute to socio-economic development. In 2018, GrandVision reported €82 million in current and deferred income tax, which is a 18% reduction compared to the previous year. The reduction is mainly related to one off impact in deferred tax accounting while our current tax position increased.

To have insight into our relative tax contributions, we use the effective tax rate (ETR), an indicator that divides income tax by total pre-tax results. In 2018, our ETR decreased from 28.9% to 25.6%. This improvement is mainly driven by the aforementioned impact in deferred tax accounting positions.

In addition to income tax, GrandVision generates funds for communities through other taxes and levies such as VAT, local taxes and employee taxes.

	2015	201	5	2017	2018
Total Income Tax in EUR	103,021	95,77	5	101,055	81,672
of which income taxes segment G4	83,468	77,11	5	72,494	61,190
of which income taxes segment Other Europe	19,865	17,52	3	16,656	11,743
of which income taxes segment Americas & Asia	1,530	-3,18	3	7,080	5,506
of which income taxes corporate	-1,842	4,31	9	4,825	3,233
		2015	2016	2017	2018
Effective tax rate (income tax as percentage of pre-tax results)		30.8%	27.5%	28.9%	25.6%

#### GrandVision's four tax pillars



#### **ORGANIZATION**

Support the local finance functions through our Global GrandVision Tax network. Train the broader GrandVision finance community to ensure that tax implications from business operations are understood and dealt with in a timely manner.



#### DATA MANAGEMENT

Integrate tax management in business processes and data management by including tax data needs in ERP systems and other business technology.



#### **STAKEHOLDERS**

Build open and transparent relationships with governments in jurisdictions where we operate.



#### PLANNING & TRANSFER PRICING

Use formalized transfer pricing frameworks and policies to avoid double taxation and align to business reality so GrandVision is paying taxes across its value chain in the jurisdictions where the respective value is created.

#### Tax risks

As an international company, operating throughout 40+ countries, GrandVision has exposure to a variety of tax risks and uncertain tax positions.

Our Tax Control Framework allows us to keep real time up-to-date insights into these tax risks.

In 2018, the company reviewed its tax risks management cycles. This covered the whole spectrum, starting with risk identification, and ultimately leading to uncertain tax positions in financial reporting and reporting to the Supervisory Board and Audit Committee. The review resulted in amendments and improvements to the existing internal procedures and the consistency and accuracy of our tax approach across jurisdictions.

Due to the nature of our core retail business and our international profile, the key tax risks and uncertainties may arise in the areas of indirect taxes such as VAT and taxes and levies in the scope of cross-border transactions.

# 2.3. Through our Corporate Citizenship and Community Involvement initiatives

GrandVision ensures that an increasing number of people around the world have access to the eye care and vision correction they need. We encourage our customers and employees to participate in the charitable initiatives we support beyond our core retail activities.

#### Provide access to eye care

Through our Corporate Citizenship initiatives we aim to improve the quality of life of people with limited access to eye care. We empower local communities with knowledge and services, thus impacting the lives of disadvantaged communities, such as those living in the global South, but also the homeless and disabled. In recent years, our local banners have conducted thousands of free eye exams and donated spectacles or

financial capital to fund solutions to meet local eye care needs.

To broaden the impact of our Corporate Citizenship initiatives, our retail banners operate many partnerships and collaborations worldwide with highly respected Non-Governmental Organizations that share our ambition and values. These collaborations enable us to engage more people and impact more livelihoods at a global level. Several of these initiatives have required our volunteers from various retail banners to travel abroad to the Congo, Ghana and Peru (among others). During these missions, our opticians have carried out eye exams for people in need and distributed second-hand glasses to economically disadvantaged communities.

# Community involvement initiatives: enhance eye care awareness

With our Community Involvement initiatives, we aim to create and increase awareness on specific eye care needs in the markets in which we are active.

Initiatives vary widely, from providing free eye tests to car drivers, to campaigns to raise awareness of macular degeneration or retinoblastoma. Our local banners participate in regional or national health and safety campaigns or cooperate with medical and charitable organizations or research institutes with an expertise in eye care. These include, among others, the Macular Society and Childhood Eye Care Cancer Trust in the UK, Solived in France, the Salvation Army in Brazil and the US, and Ophthalmology Worldwide in Belgium.

A good example are our driver awareness campaigns in Italy, Germany and the UK, which inform and educate about the importance of good vision while driving.

Furthermore, this year GrandVision HQ and all banners around the world supported the World Sight Day on 11 October under the slogan "Eye care everywhere" [read more in the dedicated case study: 2018 World Sight Day].



IN FOCUS

# **2018 World Sight Day**

GrandVision and its retail banners celebrated World Sight Day on 11 October 2018 with an inspiring global initiative that included offering free eye tests and consultations, fundraising and collecting second-hand eye wear to donate to those in need.

World Sight Day (WSD) is the most important advocacy and communications event on the eye health calendar. We now know that some 1.2 billion people don't have access to glasses. During World Sight Day we look to find solutions to ensure that everyone, everywhere has access to eye care.

To prepare for WSD a taskforce from GrandVision Headquarters and ambassadors from our optical retail banners around the world joined forces to coordinate and execute charitable eye care initiatives under the slogan "Eye care everywhere". Some banners even expanded their activities to a whole 'month of sight' like Italy, Portugal and Hungary, or conducted eye tests in a 'mobile vision van' unit like the UK, Belgium and the US.

Each GrandVision retail banner contributed to the initiative in its own way. However, we were all aligned towards one scope: enhancing awareness about the importance of healthy vision and regular eye tests.

Some of the activities during WSD included:

- Free eye tests and consultations
- Collection of eye wear for donation to people in need
- Fundraising often supported by NGOs promoting and ensuring access to eye care to underprivileged segments of the population

GrandVision HQ collaborated with colleagues from its Dutch banner, Eye Wish, and the NGO – the Eye Care Foundation – and organized an eye care stand which offered free eye tests. The results were surprising! Almost half of the people tested – discovered that there is a discrepancy between their last prescription and the new one.

Other highlights of the initiative have been the significant amount of funds raised by GrandVision Italy and Lafam Colombia, in collaboration with the NGOs, CBM and Fundación Bella Flores. While Synoptik Sweden collected 3,500 pairs of eye wear for a second life.

Furthermore, through our local social media campaigns, we achieved more than 9 million visualizations worldwide, while the number of store visitors and eye tests carried out increased. At the same time, our US colleagues from For Eyes launched their foundation to address, educate and provide eye care to at risk communities.

#### Focus area 3: Being a responsible and trustworthy partner

Our ability to create value through our operations and products is largely determined by the impact of our activities along our value chain. We take responsibility for human and labor rights within our organization and for safeguarding them along our value chain.

We are committed to ensuring we deal with suppliers that do not infringe on human rights and are aligned to the various international standards for responsible business conduct. A collaborative and constructive approach to our value chain partners is therefore an essential ingredient to our success.

#### 3.1. By being a responsible employer

We believe the quality of our eye care is enabled by the excellence of our people. GrandVision is committed to maintaining responsible working conditions for all employees and creating high levels of employee engagement and alignment.

#### Managing for excellence

To give our people the ability to excel in their work, we are committed to investing in their capabilities and expertise. We focus on employee engagement and continue to organize the governance and quality of our global HR approach to ensure it is implemented and monitored across all our countries and retail banners.

Our global HR agenda is determined based on our local needs, combined with what we need to achieve our future goals. It is strengthened by a set of global policies and procedures and is designed to contribute to our overall business performance in line with our strategy.

At the same time, our local HR leaders share knowledge and best practices to further develop and generate efficiencies across the organization. Their team members participate in global HR projects touching important topics such as the need for recruiting and upskilling digital talent, employer branding and onboarding.

The performance of our HR agenda is measured and monitored by a set of global KPIs on a quarterly basis. These KPIs provide accurate 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 result is shared among all HR leaders.

In 2018, we started working on rebranding our HR community into a "People & Culture" team, to reflect our ambitions to move from a recruitment and administration-focused HR role, towards one in which HR is a partner to the business to support the implementation and success of the company's overall strategy.

In 2019 the main topics of the Global HR agenda will be around organizational effectiveness, culture and talent management. It is a fait accompli that we will continue to put our people first and at the heart of everything we do.

#### **Employee engagement and satisfaction**

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

Our local businesses have long used employee surveys to track employee satisfaction. Recently, we began applying a consistent employee engagement approach with aligned methodologies across all countries. Through this harmonized format we are better able to gather 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 GV Headquarters at Schiphol, is acting effectively on the outcome of the surveys and is constantly looking for ways to increase results. In 2018 we consistently measured our employee-NPS (eNPS) across all countries on a quarterly basis, using the outcome as a 'temperature check' of employee happiness.

In each country, as well as at GrandVision HQ, action plans and measurements are taken each time in order to continuing learning and improving. Examples of specific actions taken in 2018 are the development of:

- Tools and initiatives to improve the dialogue between employees and management; as well the dialogue across different functions
- · Leadership training programs



#### **Equal opportunity**

As a responsible employer of a very diverse workforce and active across a wide range of communities, we strongly believe in equal opportunity for and diversity among our employees. We recognize that each individual is unique, and acknowledge all differences, which may include ethnicity, gender, sexual orientation, age, physical abilities, family status, religious beliefs, perspective, experience or different ideologies. We have therefore established principles of inclusion and diversity in the GrandVision Anti-discrimination and Equality Policy. By fostering a culture of respect and openness, we aim to create and maintain a working environment in which employees feel safe to communicate openly and respect one another's perspectives while preserving a flexible work-life balance. We strive to make our work space 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

These principles trickle down into all our people-related operations, such as training and development, employee retention and succession planning. We also support the right of all our employees to form and join trade unions and other organizations of their choice, and to bargain collectively in support of their mutual interest. Currently, 44% of our employees around the world (headcount) are covered by (local) collective bargaining agreements.

#### **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.

#### Supporting diversity at GrandVision

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 through a fair recruitment process based on objective criteria. Furthermore, 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.

Next to recruitment, our diversity initiatives extend 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 and 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 groups and employee perspectives
- 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

#### Gender diversity at GrandVision

In terms of gender diversity, 69% of all GrandVision full-time employees are women. The share of women between all GrandVision segments varies between 60+ and 77%, with the highest participation seen in Other Europe. Our workforce in the Americas & Asia segment is more equally balanced, as women represent 62% of the total. In the senior leadership team of about 143 people, women represent around 30% of the workforce.

Gender diversity (total and per segment, FTEs)	2017	2018
Male employees (% of total)	31%	31%
Female employees (% of total)	69%	69%
of which G4	70%	68%
of which Other Europe	77%	77%
of which Americas & Asia	58%	62%

#### Diversity on Board Level

To reflect the diversity of the communities in which we work, as well as the diversity of our entire workforce, GrandVision has 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 differences between people in the

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 is a fair and balanced representation of the company's entire staff and its customer base.

#### Ethics and good conduct

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.

We at GrandVision value Integrity, Trust, Openness and Team Work above all. We work relentlessly for our customers, keeping their experience and needs central to all that we do. We believe these are key ingredients for our success and we therefore share a common understanding and a set of guidelines to help reinforce and uphold our values. These are actively promoted by the Management Board and the Supevisory Board.

GrandVision has a Code of Conduct and a Whistleblower Procedure that enable our employees, customers and other stakeholders to detect and alert the organization should a deviation occur.

In 2018, our Compliance Officer received 13 whistleblower reports. These were all followed up in line with the Whistleblower Procedure and duly reported to the Audit Committee. Copies of the GrandVision Code of Conduct and Whistleblower Procedure can be found at www.grandvision.com.

ensure our employees have a thorough understanding of the GrandVision Code of Conduct and Whistleblower Procedure, these policies were translated into local languages in the countries in which GrandVision operates. In 2018, 86% of our employees were trained in the Code of Conduct through a

compulsory e-learning program and test. For new hires, the Code of Conduct training is part of the onboarding process.

In addition, the company has established an Antitrust and Competition Law Compliance policy 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. A copy of the GrandVision Competition Law Policy can be found at www.grandvision.com.

As part of GrandVision's wider compliance program, we have launched a program on Data Protection and Cybersecurity in 2016. The program aims to ensure compliance with all relevant legislation in this area, including but not limited to the EU General Data Protection Regulation.

Additionally, the program helps to create and maintain a culture of responsible and safe handling of personal, customer, and employee data. As part of this program a set of policies was created and rolled out in all countries. The policies cover issues related to personal data and information protection, data retention, IT end-users, data breach protocol and social media. To make sure the cybersecurity compliance program is implemented in all GrandVision countries, we have set up a governance structure.

In 2016, Data Protection Officers (DPOs) were appointed in every country and made responsible for the implementation of the respective policies. This community of DPOs has been trained through internal legal webinars and organizes regular calls to facilitate the sharing of best practices. An e-learning module on Data Protection and Cybersecurity was created and rolled out across the organization in 2017. Employees are required to take this module on annual basis.

Throughout 2018 the focus remained to make our countries GDPR-compliant whilst further strengthening the governance structure.



#### 3.2. By sourcing our suppliers responsibly

As a trustworthy partner, we are committed to ensuring we deal with suppliers who also recognize their responsibility to their employees and the communities they affect. We examine our entire value chain for opportunities to foster economic stability and are committed to business practices that do not infringe on human rights and 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.

#### **Ethical business conduct**

We use GrandVision's Supplier Code of Conduct to clearly communicate our expectations and assess supplier performance through a variety of measures. We also look to work with suppliers to reduce any negative impacts on people and society. The policy includes mandatory requirements on the observation of human and labor rights in business relationships with GrandVision, as set out in our Code of Conduct. GrandVision ensures all suppliers receive and acknowledge a copy of the Policy, and clearly communicates the importance of ethical business conduct. We verify alignment to the Supplier Code of Conduct and Social Compliance Standards through regular third-party audits, using a certified grading system. All employees engaged in procurement and with suppliers also have responsibility and accountability for compliance with this policy.

#### Centralized supplier management for better business conduct

We have continued to work on managing the number of our suppliers, and in 2018 we partnered with 47 strategic suppliers, of which 24 are from OECD countries and 23 are from non-OECD countries. In 2018, the number of our strategic suppliers from non-OECD countries increased significantly, from 16 to 23, due to the fact that we have contracted also second-tier suppliers. Partnering with strategic suppliers enables us to manage the procurement of services and products centrally and with standardized GrandVision Supply Chain (GVSC) contracts, including our Supplier Code of Conduct.

From our strategic suppliers based in OECD countries, 83% (20 out of 24) has signed our Supplier Code of Conduct. While as of 2018 all new contracts, or renewed contracts automatically include GrandVision's Supplier Code of Conduct. By 2025, our target is to have all our strategic suppliers in OECD and non-OECD countries sign our Supplier Code of Conduct and comply fully with our working requirements.

As a result of harmonization and centralization, the number of local suppliers has decreased by 44% in the past year. We now have only 110 local suppliers for Goods-For-Resale. Having fewer partners to negotiate with improves conditions for doing business and helps to provide even more affordable eye care to the communities in which we operate, and our customers

with tailor-made solutions for their needs.

In 2018, our spend remained concentrated on strategic suppliers, retaining a concentrated spend index (CSI) of 95%. We proceeded with harmonizing all local contracts with suppliers and replacing them with standardized GrandVision Supply Chain (GVSC) contracts, including our Supplier Code of Conduct. During 2018, we concluded 18 new contracts using the standardized contract.

#### Centralizing supplier management or supporting local business?

We are centralizing contracts and supplier management because it improves our conditions for doing business.

As we have fewer suppliers to deal with, there is a clear efficiency and quality benefit. In negotiating prices, but also in ensuring the social and environmental management in our supply chain.

However, centralization has less desired side-effects as we work with more globalized established suppliers, rather than supporting local suppliers. Doing business with local suppliers directly and indirectly contributes to local job creation, tax payments and economic growth. We choose to centralize because it contributes to our strategic objectives. We aim to transform our Supply Chain into a true end-to-end product value chain.

Centralized supplier management enables us to capture all opportunities, from better brands and products, to reduced lead times and inventory, increased margins and improved buying conditions, as well as strong and consolidated go-to-market mechanisms.

#### Auditing our strategic suppliers

The majority of our Exclusive Brand frames are produced in non-OECD countries, where potential risks are considered to be higher than for suppliers from OECD countries. By third-party certification, including audits, we enforce responsible operations from our strategic suppliers.

We expect that our suppliers have certain quality management system in place, including ISO certifications and a product recall procedure. We also expect them to operate within requirements of our Supplier Code of Conduct.

GrandVision uses a certified grading system, which scores by section (e.g. child labor/young labor, forced labor, health & safety, freedom of association, discrimination, working hours, compensations, environmental laws & regulations, business integrity) and based on the section scores gives an overall % score as well as an overall "traffic light" color coding system score, to keep track of the further measures we need to undertake:

- "Green" means that the supplier has fulfilled all our requirements (no critical, nor major negative findings) and the supplier will be audited again in two years.
- "Yellow" means the supplier fulfils most of our standards (no critical findings, and high scores in most of the sections), however, they must make improvements in certain areas. These areas will be reaudited in three months' time.
- "Red" means that the supplier does not fulfil most of our criteria (having critical findings, and/or low scores in most of the sections), and will be fully re-audited in three months' time.

In 2018, we managed to audit 91% (21 of 23) of our global suppliers of our Exclusive Brands frames and sunglasses in non-OECD countries, using a supplier audit rating system certified by SGS, the world's leading inspection, verification, testing and certification company. The majority of non-OECD suppliers fulfilled all requirements in GrandVision's Code of Conduct and Social Compliance Standards, while six suppliers fulfilled the majority of requirements. The one supplier that did not manage to meet the requirements will be reviewed again within three months. If the review shows that the requirements are still not met, we will cease our cooperation with this supplier.

#### Responsible sourcing

		2015	2016	2017	2018	2025 Target
Suppliers in non-OECD countries	Signed Code of Conduct or equivalent (% of total)	12.5%	68.8%	100%	83%	100%
	Audited (% of total)	18.8%	93.8%	100%	91%	100%
	Fulfilling all requirements (green)	0%	47%	94%	67%	100%
	Fulfilling most requirements (yellow)	100%	53%	6%	29%	0%
	Not fulfilling most requirements (red)	0%	0%	0%	5%	0%
Suppliers in OECD countries	Signed Code of Conduct (% of total)	6%	23%	80%	83%	100%





# **Meet Aylin and Flavio**

At GrandVision we have long recognized the benefits of international mobility among our employees. We asked our colleagues Aylin and Flavio to explain what motivated them to advance their careers in a new country and the next achievement they're looking forward to at GrandVision HQ.



#### Aylin Kucukkazes - HR Business Partner, GV HQ

She first joined GrandVision in 2012 as HR Business Partner at Atasun Optik, our Turkish business. After six great years she relocated to the Netherlands to work for the Headquarters of GrandVision on a temporary assignment and is now being transferred to corporate headquarters on a permanent basis as of 2019.

#### What made you take an interest in Human Resources?

I always knew I loved analytics, but I wanted a profession that was about people and not analytics alone. While growing up and studying I realized that HR is where my heart is. It has been about 10 years now and I have not regretted it a single day.

#### What gives you the most satisfaction in your job?

Making a difference in someone's life. The business partner role supports the happiness of employees when they contribute to the growth of GrandVision and I like to help them achieve that. We grow together with the company and we can only do our job when we run together.

#### What is the next thing you want to achieve?

There are still many aspects of HR that I want to advance myself in. I am passionate about getting the overall HR experience and learn more about talent management. As a generalist, I will advance my knowledge and help in all aspects of HR in GrandVision. Later on in my career, I am willing to share my knowledge and experience with others through mentoring and other platforms.

# What elements are key for establishing a strong employer brand?

In my view, every company should go inside out. First, understand what your employees want and need and then address that. Secondly, clarify your outside target group and build a strategy to attract them. Employees are the biggest ambassadors of the brand and only a well communicated brand can be long-lasting.



#### Flavio Groger - Contact Lens Team, GV HQ

Flavio Groger joined GrandVision in Brazil in 2012. Six years later, he began his new role at GrandVision Headquarters in the Netherlands as Contact Lens Concept & Brand Content Manager.

# Flavio, what made you take an interest in retail branding?

Working in retail operations has been my ambition since my early college years. The speed of having things done and seeing the direct impact in customer experience is one of things that excites me the most about my work GrandVision.

#### What gives you most satisfaction in your job?

It's a great opportunity to be in touch with colleagues from different countries, learn about their market and find out what works best in their local operations. For me, these are among the best ingredients for developing a global strategy.

#### What's the next thing you want to achieve?

We have unique operations across the globe, so I've seen a lot of different efforts from different countries. Most of them create a positive customer experience, but I think there's always the opportunity to find a common denominator behind all these efforts, so customers perceive GrandVision as the big international company that it is.

# What elements are key to a successful contact lens brand?

The whole contact lens journey is unique and sometimes arduous. In my opinion, making this experience as smooth as possible is the key to establishing a great contact lens brand.

# Focus area 4: Minimizing our environmental footprint

GrandVision is aware of the environmental impact it has along the value chain, and looks to minimize its environmental footprint through its suppliers, production centers, logistics and stores. We undertake activities in such a way as to seek a balance between economic initiatives and environmental needs, while respecting legal requirements and applicable regulations.

# 4.1. By enforcing environmental management in our value chain

We rely on our suppliers for the production and transportation of our spectacles. This makes us strongly dependent on them to respect the environment and minimize our environmental footprint. To balance economic initiatives with our environmental needs and comply with the law and applicable regulations, GrandVision cooperates as much as possible with authorities that carry out environmental reviews and monitor our suppliers.

#### Transportation

Transportation is an important part of our value chain. We rely on our transportation partners when we bring our products from production facilities to our central warehouse (inbound transportation by ocean or air) and

from our central warehouses to our local distribution centers (outbound transportation by road or to Latin America and Asia by air).

Factors that influence our transportation policy and respective performances include the demand for our spectacles in all the countries where we are active, the consumer demand for short lead times and product availability, and our ambition to reduce our  $\mathrm{CO}_2$  footprint. In general, transport by air has the largest effect on climate change, followed by road and ocean transport.

On the other hand, transport by ocean has a longer lead time than air freight. We had the ambition to increase our transport by rail, which has lower climate impacts, but this has proven not to be cost-effective mainly due to the long lead times.

In 2018, GrandVision transported more spectacles by road compared to 2017. Our air transport has reduced significantly, from 24% to 14% of our total freight. The number of frames transported by ocean remained stable with 34% of all transport movements. In 2018, the inbound transportation by air, measured in kilometers travelled, decreased significantly from 37.8% in 2017 to 24.3% in 2018. The decrease in explained by the increased amount of spectacles per air shipment, resulting in less air mileage.

#### Inbound/outbound transportation / % of total shipments

Inbound transportation - production to warehouse	2015	2016	2017	2018
Ocean (% of total shipments)	53.9%	73.2%	62.2%	75.3%
Air (% of total shipments)	46.1%	26.8%	37.8%	24.3%
Outbound transportation - warehouse to local distribution centers	2015	2016	2017	2018
Road (% of total shipments)	100%	98%	92%	95%
Air (% of total shipments)	0%	2%	8%	5%

#### Transportation / % of total transport movements

Transportation	2015	2016	2017	2018
Ocean	33%	40%	33%	34%
Road	39%	44%	44%	52%
Air	28%	16%	24%	14%

#### 4.2. By centralizing production volume in TechCenters

We process our spectacles at our dedicated TechCenters where we cut, edge and fit the lenses. By moving these processes from stores to industrialized facilities, GrandVision is able to better control its environmental footprint by driving efficiency gains in areas of energy use, transportation, water and waste management. The expected results from centralizing these activities 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 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

Currently, we have a network of 17 state-of-the-art TechCenters for industrial processes.

In 2018, the percentage of spectacles processed in TechCenters as part of total spectacles sold increased from 67% to 70%.

This increase was in line with the growth of our retail network, our centralization planning and our 2025 target to have at least 85% of our spectacles processed at our TechCenters.

	2015	2016	2017	2018	2025 Target
Spectacles processed in TechCenters (as % of total spectacles)	64.8%	73.3%	67.1%	70%	85%

#### Environmental pressure of our TechCenters

With the centralization of our cut, edge and fit facilities to GrandVision TechCenters, we are continuously reducing the environmental footprint of our production activities through efficiency gains in the areas of energy, water and waste management.

The table below provides insights into the environmental metrics for our TechCenters, measured per spectacle processed. Compared to 2017, we have reduced the environmental pressure of our production processes.

Energy efficiency rates improved from 4.2 MJ to 3.9 MJ per pair of spectacles.

The CO<sub>2</sub> efficiency rate is reduced with 18% from 282 to 231 grams of CO<sub>2</sub> per pair of glasses. Our target for 2025 is 205 grams CO<sub>2</sub> per spectacle. Water efficiency improved with nearly 10% compared to 2017. In the process of cutting, edging and fitting of a pair of lenses into a frame, GrandVision now uses less than two liters of water. Our 2025 target is to reduce water consumption per spectacle to 1.87, which is a 15% reduction compared to base year 2015.

				Total	Per Spectacle		
	Total energy consumption (GJ)	Total CO <sub>2</sub> emissions (Ktons)	Total water consumption (1,000m³)	Off cuts offered for recycling (tons)*	Energy efficiency (MJ per spectacle processed)	CO <sub>2</sub> efficiency (grams of CO <sub>2</sub> per spectacle processed)**	Water efficiency (liters of water per spectacle processed)
2015	41,169	3.49	20.0	438	4.6	391	2.24
2016	43,728	2.98	23.2	596	4.2	284	2.21
2017	42,393	2.97	22.8	534	4.0	282	2.16
2018	45,151	2.68	22.91	516	3.9	231	1.98
2025 target	-	-	-	-	-	205	1.87

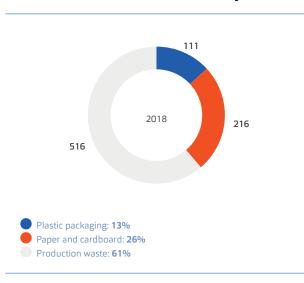
<sup>\*</sup>The scope of TechCentres of 2017 has been updated and excludes our TC in Switzerland, as this was only acquired in December 2017. The TC in Switzerland is included in the 2018 data.

The total gas and electricity consumption in our TechCenters increased with 7% to over 45,000 GJ. As the amount of spectacles processed increased more sharply, the energy efficiency rate improved. Our total CO<sub>2</sub> emissions due to energy consumption in TechCenters decreased because we have been using more electricity and less gas.

In 2018, we started increasing our insights into the waste management practices of our TechCentres. We are tracking different waste streams, including plastic packaging waste, paper and cardboard, residual waste that comes from cutting and edging lenses and scrapped stock (unused products). We aim for more efficient processes and as little waste as possible. In 2018, the waste we offered for recycling purposes increased from over 700 to 844 tons.

The chart on the right shows the split per waste stream offered for recycling in tons.

#### Waste streams in TechCenters in tons (recycled)



#### 4.3. By managing our store utilities efficiently

As a global retailer with over 7,000 stores worldwide, we understand that a large part of our environmental impact comes from the electricity we use in our stores.

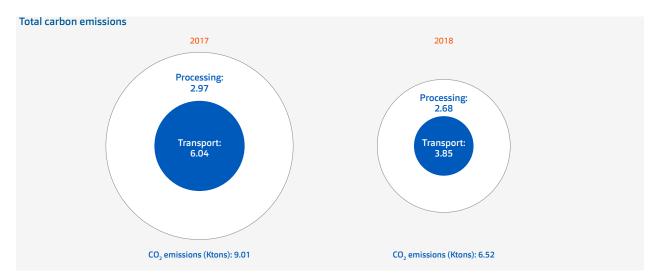
To be better able to monitor our impact, we have started to measure the annual resource consumption of our store network. Apart from furniture, paper and stationery, the most important resources our stores use are electricity and gas, and to a lesser extent, water. In 2018, our 7,095 stores used a total of 147 GWh electricity, over 6 million m³ natural gas for heating purposes and 325,500 m³ water. On average, a store use 20 GWh electricity, 860 m³ gas and 50 m³ water per year.

#### Average utilities consuption of a GrandVision store vs an average household in the Netherlands

	Average 3-person Dutch household	Average GrandVision store	GrandVision store compared to Dutch household
Electricity (kWh)	3,605	21,229	5.7 times more
Gas (m³)	1,470	860	58% of a household
Water (m³)	135	34	25% of a household

Overall, the energy use of our store network is equivalent of the emission of 58,453 ton  $CO_2$  (or 8.2 ton  $CO_2$  per store).

It is our ambition to reduce our environmental footprint and improve our energy efficiency. One way of doing it is by deploying a standardized GrandVision store concept. This 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 up to average of 15 m² of floor space reduction per store. Currently, ca. 40% of our worldwide store portfolio follows this concept. While in total, almost 3,000 stores (>40%) are equipped with LED lights. By 2025, all our stores should be equipped with LED lighting.



#### Our CO<sub>2</sub> footprint

We measure the overall  $\mathrm{CO}_2$  emissions of our operations on an organizational level and per spectacle. Included in our  $\mathrm{CO}_2$  calculations is the energy usage of our TechCenters and the emissions related to transportation.

In 2018, we added energy use to the scope of our  ${\rm CO_2}$  footprint calculations.

The carbon emissions of processing and transportation decreased from a total of 9.01 to 6.52 kilotons  $CO_2$ . Per

processed spectacle that is a reduction from 848 to 564 grams of  $CO_2$ . Compared to our baseyear 2016, this is a reduction of 11%.

Our target for 2025 is to have reduced process emissions per spectacle by 20%. The emissions related to processing in our TechCenters decreased by 18%, mainly due to the high amount of stock that did not need processing. Compared to 2017, the CO<sub>2</sub> emissions of transportation decreased by 36% to 3.85 kilotons CO<sub>2</sub>. This reduction is explained by less use of air transport (see table on the following page).

Carbon footprint – total processed spectacles	2015	2016	2017	2018
CO <sub>2</sub> emissions (Ktons)	7.18	6.72	9.01	6.52
Processing*	3.49	2.98	2.97	2.68
Transport	3.68	3.73	6.04	3.85
Carbon footprint – per processed spectacle	2015	2016	2017	2018
CO <sub>2</sub> efficiency (grams CO <sub>2</sub> per spectacle)	803	639	848	564
Processing*	391	284	280	231
Transport	412	355	568	332

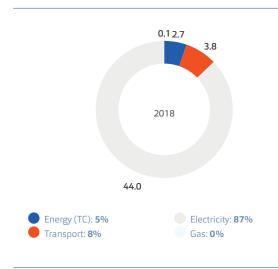
<sup>\*</sup> The carbon footprint of processing of 2015 and 2016 are restated due to a retrospective update of the IEA carbon emission factors for electricity and gas.

Currently, our CO<sub>2</sub> calculations include the transportation from the sourced production facilities via our central warehouse to local distribution centers and the energy use of our TechCenters and store network. Excluded are, for example, material use, transport to local stores and waste management.

In 2019 and beyond, we will work to improve our insights into our environmental footprint.

In addition to the processes in our TechCenters and transport, we have started to measure the CO<sub>2</sub> emissions of our store network. The energy used by our stores represents a total of 44 kilotons CO<sub>2</sub> emissions. In total, the CO<sub>2</sub> emissions related to our core processes (TechCenter processes, transportation and store network) are 50.7 kilotons. Per sold spectacle that equals 3.0 kg CO<sub>2</sub>.

#### CO<sub>2</sub> footprint in kiloton - GrandVision operations (total)



#### CO<sub>2</sub> footprint put into perspective

As a responsible global retailer, we put effort in reducing the environmental footprint of our products and processes.

One way to assess the environmental impacts of products is through a life cycle analysis (LCA). An LCA shows, for example, the climate impact (CO<sub>2</sub> and other greenhouse gas emissions) of a product from the production phase and the use phase to the and 'end of life' (recycling and waste management).

Below you can see the relative impact of common retail products with a use phase of three years:

- Mobile phone: 95kg CO<sub>2</sub>
- T-shirt: 22.5kg CO<sub>2</sub>
- Contact lens (daily): 16.5kg CO<sub>2</sub>
- Spectacle (industry average): 3.7kg CO<sub>2</sub>
- Paperback book: 2.46kg CO<sub>2</sub>





# **Meet Alain Cottet**

Alain has been CEO of GrandVision France, Generale d'Optique, GrandOptical and Solaris since November 2015. After graduating in Agriculture, he spent two years with Doctors of the World (Médecins du Monde) in Uganda to set up an AIDS prevention mission and a rural local hospital, with an extension in agricultural teaching.

#### Alain, what gave you the idea to join Doctors of the World in Africa?

At that time in France, people coming out of studies had to spend one year in military service. Depending on your graduation, you also had the opportunity to join a program abroad instead, and do something more useful. So I decided to join the NGO Médecins du Monde as humanitarian action always appealed to me.

#### What did you learn from this experience?

I learnt that what 'developed countries' supposedly know about what is good for others is a big mistake. After spending time with Ugandan people, listening to them and understanding their needs, I saw that it was necessary to change my views and to adapt to the local reality. We arrived with the mission of creating awareness about AIDS through training and teaching. After a while we realized we couldn't stop AIDS propagation through these methods because the main preoccupation of the local youngsters was to learn how to grow maize and to eat and drink properly. They kept asking us "why do you speak about AIDS all the time? Most of the deaths around us are due to Malaria, and Gangrene."



#### How do you implement these lessons in your everyday life at GrandVision France?

Well, in some way we face the same issue in everyday business, with customers, employees, partners. We come with our priorities and action plans, bringing forward our way of thinking, but we often forget to make sure we are aligned before acting...listening, understanding and adapting to the situation are the keys to success.

"Becoming a CSR leader and providing staff with a great place to work" are among the strategic pillars of GrandVision France. Why is this important to you and how do you plan to achieve it?

My interest in CSR began with my experience in Uganda where I learned how to help people by teaching, instead of donating. In a company these actions generally start with an audit and then regulations to move people in the right direction. I wanted these actions to be local as well, so we can start by making a difference in our own country.



We decided to join a small local NGO called 'Solidev' to partner with them on providing eye health to underprivileged people. We don't do direct money donations – just products, material support and staff involvement. It is 100% voluntary and we already had 62 GrandVision people involved.

The second part of our plan is to help prevent eye conditions among young children at school, to make sure they can detect any troubles before they occur and impact their learning and education.

A third element is to liaise with France's road safety authorities, to prevent accidents by helping them address bad eye sight among drivers.

#### Thanks for your time, Alain! Good luck with your CSR mission!



# Our long-term impact on society

Through its business, GrandVision touches several SDGs. Many of these issues are core to our CSR efforts, including anti-corruption, labor rights, responsible procurement, diversity & inclusion, and safety and environment.

We have identified SDGs in which we have the potential to make a positive impact, either directly through our business or indirectly through our value chains.

The tables below explain how we contribute to the realization of the SDGs through our CSR initiatives.

In accordance with our current long-term value creation, we see the greatest potential for positive impact through our business on SDG 3 (good health and well-being) and SDG 8 (decent work and economic growth).

As a producer and global retailer, GrandVision recognizes the greatest potential for mitigating negative impact at scale in SDG 12 (responsible consumption and production).







#### SDG 3: Ensure healthy lives and promote well-being for all at all ages

#### Relevant SDG subtargets

- 3.8. Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
- 3.C. Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States.
- 3.6. By 2020, halve the number of global deaths and injuries from road traffic accidents.

#### Our contribution

- We directly improve the access to high-quality eye care by being present in 40+ countries, with 7,095 stores and 37K+ employees, including highly
  qualified eye care specialists.
- We enable the recruitment and development of eye care specialists, among others in developing countries.
- We increase the awareness of the importance of good vision in traffic (driver safety programs) and improve the accessibility to high-quality and affordable eye care.

#### Link to strategic objective(s)

- Strengthening and deploying global capabilities.
- · Drive comparable growth.
- Optimize existing store network.
- Expand in current and enter new markets.

#### Link to CSR Focus Area(s)

- Focus area 1: Improving quality of life of customers and employees.
- · Focus area 2: Enhancing socio-economic development.

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# SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

#### Relevant SDG subtargets

- 8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.
- 8.6. By 2020, substantially reduce the proportion of youth not in employment, education or training.
- 8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in. particular women migrants, and those in precarious employment.

#### Our contribution

- · We directly impact our employees by offering high-quality and sustainable employment opportunities.
- We provide access to professional training for eye care professionals including apprentice programs.
- We take responsibility to reduce potential negative effects by integrating international anti-corruption, social and environmental business standards into our own, as well as our suppliers' purchasing processes.
- We contribute to the economic growth of the countries we operate in and pay all applicable taxes.

#### Link to strategic objective(s)

• Strengthening and deploying global capabilities.

#### Link to CSR Focus area(s)

- Focus area 1: Improving quality of life of customers and employees.
- Focus area 2: Enhancing socio-economic development.
- Focus area 3: Being a responsible and trustworthy employer.

#### SDG 12: Ensure sustainable consumption and production patterns

#### **Relevant SDG subtargets**

• 12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

#### Our contribution

- We take responsibility to reduce the carbon footprint of our production and transportation processes, as well as our store network.
- We try to reduce waste streams by making more efficient use of energy and materials and there are initiatives where used spectacles are collected and redistributed in underdeveloped countries.

#### Link to strategic objective(s)

• Strengthening and deploying global capabilities.

#### Link to CSR Focus area(s)

• Focus area 4: Minimizing our environmental footprint.



# Business performance

# **Group performance**

GrandVision reported €3.7 billion in revenue and €576 million in adjusted EBITDA for 2018. Revenue and EBITDA growth were driven by comparable and revenue growth in all of our three segments as well as acquisitions.

in millions of EUR (unless stated otherwise)	FY18	FY17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	3,721	3,450	7.9%	10.3%	3.9%	6.4%
Comparable growth (%)	3.4%	1.8%				
Adjusted EBITDA	576	552	4.5%	6.2%	3.7%	2.5%
Adjusted EBITDA margin (%)	15.5%	16.0%	-50bps			
Net result	237	249	-4.7%			
Net result attributable to equity holders	216	228	-5.1%			
Adjusted earnings per share, basic (in €)	0.91	0.97	-5.7%			
Earnings per share, basic (in €)	0.85	0.90	-5.3%			
Number of stores (#)	7,095	7,001	1.3%			
System wide sales	4,079	3,784	7.8%			

Revenue grew by 10.3% at constant exchange rates to €3,721 million, driven by comparable growth of 3.4%, new store openings and a 6.4% contribution from acquisitions.

Adjusted EBITDA increased by 6.2% at constant exchange rates to €576 million, while net result decreased by 4.7% to €237 million. System wide sales, which reflects the retail sales of GrandVision's own stores and those of its franchises, increased by 7.8% to €4,079 million.

#### **Operational highlights**

In 2018, market conditions in eye wear continued to be favorable overall, being the GrandVision's strongest year of top-line growth since 2015, as we achieved 10.3% revenue growth at constant exchange rates, with 3.4%

comparable growth. We have also made a good step towards our goal of increasing the share of our ecommerce sales which were up more than 60% in 2018 with pure online sales in the contact lens category now approaching 10% of total category sales.

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.

As a result, we further increased our global market share and strengthened our position as a leading global optical retailer.

We are pleased with the performance across the Group as we continue to make progress towards our primary strategic initiative of driving sustainable, profitable growth across the business over the longer term.

#### Operational information

	2018	2017
Number of stores	7,095	7,001
Number of own stores	5,897	5,817
Number of franchise stores	1,198	1,184
Number of countries in which GrandVision is present	43	44
Number of retail banners	30	30
Number of employees (average FTE)	32,400	31,802

At the end of 2017, GrandVision completed two sizable acquisitions of optical retail chains in Europe, the majority stake in Visilab, a leading optical retail chain in Switzerland and the acquisition of Tesco Opticians in the United Kingdom.

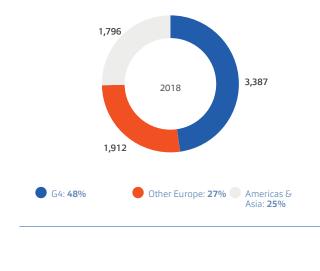
Overall, acquisitions added 6.4% to revenue growth during 2018.

In 2018, GrandVision expanded its store network by 94 stores, mainly through the continued organic expansion of its store base, leading to a total of 7,095 stores at yearend 2018, of which 5,897, or 83%, were own stores and 1,198 were franchise stores.

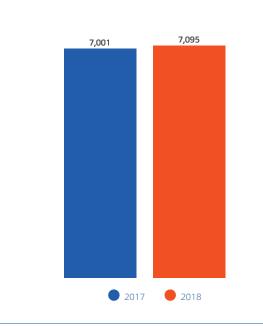
The G4 and the Other Europe segments contributed the most to global store network growth during the year with total net store openings of 75.

In the Americas and Asia segment, the number of stores was impacted by the termination of an agreement with a department store chain in Chile as well as selective store closings in Brazil, Colombia and Peru to enhance profitability in these markets, offsetting continued openings in Mexico, Turkey and the United States.

#### Number of Stores in 2018 by Segment



#### Number of total stores







**BRAND STORY** 

# Julius: dress for success

Julius puts charisma and confidence into the business look. Its inspiration is design for the fashion-conscious city high-flyer, its look is one of savvy self-assurance, featuring hi-tech materials, elegant colors and modern shapes. The embodiment of the successful modern man.

# $\sqcup$ $\sqcup$ $\sqcup$ $\sqcup$

#### FOR THE SMART CITIZEN

Designed with the latest generation materials, Julius offers distinctive layouts with streamlined forms and a minimalist, linear geometry for trend-conscious achievers.

With its tech-focused finishes, screwless hinges and premium flex, this is a brand for sleek modern men who are in tune with the latest innovations and who look to combine comfort-oriented features with a cutting-edge look.







# **Financial review**

#### Summarized consolidated income statement

in millions of EUR	2018	% of revenue	2017	% of revenue
Revenue	3,721	100.0%	3,450	100.0%
Cost of sales and direct related expenses	- 1,004	-27.0%	- 924	-26.8%
Gross profit	2,717	73.0%	2,526	73.2%
Selling and marketing costs	- 1,899	-51.0%	- 1,749	-50.7%
General and administrative costs	- 480	-12.9%	- 452	-13.1%
Share of result of associates	- 1	0.0%	2	0.1%
Operating result	337	9.1%	327	9.5%
Fair value gain on remeasurement of Associate	-	0.0%	38	1.1%
Net financial result	- 18	-0.5%	- 15	-0.4%
Result before tax	319	8.6%	350	10.1%
Income tax	- 82	-2.2%	- 101	-2.9%
Result for the period	237	6.4%	249	7.2%

#### **Revenue development**

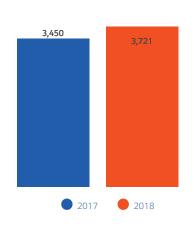
During 2018, GrandVision achieved the highest level of top-line growth since 2015 with revenue growth at constant exchange rates of 10.3% and comparable store growth of 3.4%. Organic growth was 3.9% with a lower contribution from new stores than in previous years due to a higher number of store closings.

Acquisitions contributed 6.4% to revenue growth for the full year 2018. This included the Visilab and Tesco Opticians acquisitions, which were completed at the end of 2017.

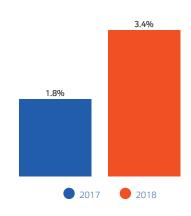
GrandVision opened around 400 new stores in 2018, resulting in a net addition of 94 stores to 7,095 at the end of the year, further strengthening GrandVision's position as the world's largest retailer of prescription glasses.

System wide sales, which reflects the retail sales of GrandVision's own stores plus that of its franchisees, increased by 7.8% to €4,079 million (FY17: €3,784 million).

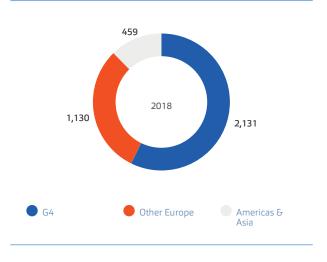
#### Revenue in € million



#### **Comparable Growth**



#### Revenue by segment in 2018



In 2018, all three regional segments delivered organic revenue growth. Among GrandVision's product categories, contact lenses showed the highest growth

rate, benefiting from the continued expansion of the ecommerce sales. Pure online sales are now approching 10% of the contact lenses category sales.

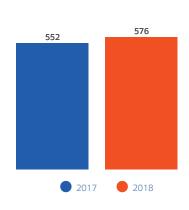
#### Revenue development

in millions of EUR (unless stated otherwise)	2018	2017	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
G4	2,131	1,981	7.6%	7.9%	3.0%	4.8%
Other Europe	1,130	990	14.1%	15.8%	3.3%	12.5%
Americas & Asia	459	479	-4.1%	8.8%	8.7%	0.1%
Total	3,721	3,450	7.9%	10.3%	3.9%	6.4%

#### (Adjusted) EBITDA development

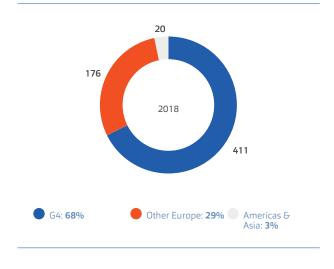
Adjusted EBITDA increased 6.2% at constant exchange rates to €576 million in FY18 (FY17: €552 million) with 3.7% organic growth and a positive contribution of 2.5% from acquisitions, as the positive contribution from the Swiss Visilab business in the Other Europe segment was partially offset by a negative contribution from the Tesco Opticians business in the G4 segment.

#### Adjusted EBITDA in € million



The adjusted EBITDA margin decreased by 50 bps to 15.5% due to the dilutive effects of acquisitions and additional costs related to the integration of the Tesco Opticians business, as well as transitional investments in overheads in the Benelux.

#### Adjusted EBITDA by segment 2018 in € million



#### **Adjusted EBITDA**

in millions of EUR (unless stated otherwise)	2018	2017	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
G4	411	418	-1.6%	-1.5%	-0.9%	-0.6%
Other Europe	176	157	11.6%	13.6%	3.1%	10.5%
Americas & Asia	20	11	84.1%	139.8%	140.4%	-0.6%
Other reconciling items	- 31	- 35				
Total	576	552	4.5%	6.2%	3.7%	2.5%

Adjusted EBITDA margin (%)	2018	2017	Change versus prior year
G4	19.3%	21.1%	-181bps
Other Europe	15.5%	15.9%	-35bps
Americas & Asia	4.3%	2.2%	207bps
Total	15.5%	16.0%	-50bps

#### Reconciliation EBITA, EBITDA, adjusted EBITDA and operating result

in millions of EUR	2018	% of revenue	2017	% of revenue
Adjusted EBITDA	576	15.5%	552	16.0%
Non-recurring items	- 20	-0.5%	- 17	-0.5%
EBITDA	557	15.0%	534	15.5%
Depreciation and amortization of software	- 150	-4.0%	- 136	-4.0%
EBITA	406	10.9%	398	11.5%
Amortization and impairments	- 69	-1.9%	- 71	-2.1%
Operating result	337	9.1%	327	9.5%

EBITDA increased by 4.2% from €534 million in FY17 to €557 million in FY18.

Non-recurring items of -€20 million recorded in 2018 mainly relate to restructuring, legal provisions, VAT risks, software impairments among others. The non-recurring items in 2017 related to certain exceptional acquisition related costs, integration activities and software impairment.

Depreciation and amortization of sotware increased by €14 million to -€150 during 2018 mainly driven by the expansion of the business through acquisitions at the end of 2017 as well as additions to software. The increased IT investments in previous years have lead to higher amortization given the shorter periods of depreciation applied to these assets.

Amortization and impairments of -€69 million (-€71 million in 2017) includes a goodwill impairment charge of €19 million, in line with IFRS accounting guidelines, reflecting the lower than expected profitability of the Italian business.

#### **Operating result**

GrandVision's operating result (EBIT) increased by 3.2% to €337 million in 2018, compared to €327 million in 2017. The increase in the operating result was mainly driven by adjusted EBITDA growth during FY18, which was partially offset by the increased depreciation and amortization during the same period.

#### Financial result

Net financial result increased from -€15 million in 2017 to -€18 million in 2018, as financing costs were impacted by the unwinding of discount on the contingent consideration related to Visilab S.A.

#### Income tax

Income tax decreased from €101 million in 2017 to €82 million in 2018. The tax rate decreased from 28.9% to 25.6%.

In 2018, the decrease in income tax expense is mainly resulting from the recognition of deferred tax assets for unused incentive tax credits from the past, which have become available due to changes in the legal and financing structure in certain jurisdiction.

#### Net result for the period

The net result for the period decreased by 4.7% to €237 million in 2018, compared with €249 million in 2017, as a higher operating result was more than offset by the non-reoccurrence of the one time €38 million gain from the remeasurement of the 30% interest in Visilab during 2017.

Net result attributable to equity holders decreased by 5.1% to €216 million in 2018 from €228 million in 2017.

#### **Earnings per share (EPS)**

Adjusted Earnings per share, which excludes non-recurring items, decreased by -5.7% to €0.91 in FY18 (FY17: €0.97). Earnings per share decreased by -5.3% to €0.85 in FY18 (FY17: €0.90) as a higher operating result was more than offset by the non-reoccurrence of the one time €38 million gain from the remeasurement of the 30% interest in Visilab during 2017.

The weighted average number of shares outstanding was 253,702,033 in FY18 (FY17: 253,285,780). On a fully diluted basis, EPS decreased by -5.1% at €0.85 in FY18 (FY17: €0.90).



# **Financial position**

#### Summarized balance sheet

in millions of EUR	2018	2017
Property, plant and equipment	517	489
Intangible assets	1,616	1,654
Other non-current assets	97	63
Non-current assets	2,229	2,206
Inventories	331	350
Other current assets	316	336
Cash and cash equivalents	138	165
Current assets	785	851
Total assets	3,014	3,056
Total equity	1,252	1,121
Borrowings	363	377
Other non-current liabilities	201	237
Non-current liabilities	564	615
Trade and other payables	621	640
Borrowings	515	613
Other current liabilities	61	69
Current liabilities	1,197	1,321
Total equity and liabilities	3,014	3,056

Non-current assets increased from €2,206 million to €2,229 million in 2018 mainly as a result of investments in rebranding and capital expenditures.

Current assets decreased from €851 million to €785 million as inventories and receivables decreased from operations .

Total equity increased from €1,121 million to €1,252 million mainly due to the result of the year being partially offset by Dividend payments.

Non-current liabilities decreased from €615 million to €564 million mainly as a result from the prurchase of 9% of Visilab shares becoming a short-term liability.

Current liabilities decreased from €1,321 million to €1,197 million, driven by a decrease in payables from operations and borrowings.

#### 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	2018	2017
Net cash from operating activities	448	341
Net cash used in investing activities	- 239	- 308
Net cash used in financing activities	- 139	- 53
Inflow/(outflow) in cash and cash equivalents	70	- 20
Cash and cash equivalents at beginning of year	12	38
Inflow/(outflow) in cash and cash equivalents	70	- 20
Exchange gains/(losses) on cash and cash equivalents	- 10	- 5
Cash and cash equivalents at end of period	72	12

Net cash from operating activities increased by €107 million to €448 million in 2018 in comparison with €341 million in 2017. The increase was driven by higher EBITDA and improvements in working capital due to lower levels of inventories and receivables than in previous year. Net cash used in investing activities significantly decreased from €308 million in 2017 to €239 million in 2018. This decrease was the result of a significantly lower level of acquisitions despite the higher capital expenditure from investing in store network optimization reflecting the improvement of existing stores through renovations, refurbishments and rebranding. Net cash used in financing activities is an outflow of €139 million in 2018, compared to an outflow of €53 million in 2017.

Net debt decreased in 2018 driven by the lower level of acquisitions in 2018 combined with a higher operating cash flow compared to the previous year. Dividends paid in 2018 were €7 million higher than in 2017.

### Capital expenditure

Capital expenditure not related to acquisitions increased by €13 million to €210 million (5.6% of revenue) in 2018, compared with €197 million (5.7% of revenue) in 2017. 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	2018	2017
Capital expenditure (not related to acquisitions)	210	197
Store capital expenditure	162	140
Non-store capital expenditure	48	57

Store capital expenditure increased from €140 million in 2017 to €162 million in 2018 and primarily reflects the improvement of existing stores through renovations, refurbishments and rebranding including the further implementation of our standardized store concept, as well a record number of new store openings. Non-store capital expenditure of €48 million in 2018 decreased compared to €57 million in 2017 due to a higher number of ERP system roll-outs in the previous year.

### Cash outflows related to acquisitions

In 2018, cash outflows relating to acquisitions of companies was €14 million.

In 2017, cash outflows related mainly to the acquisition of Tesco Opticians in the UK and the acquisition of an additional 30% stake in Visilab in Switzerland, bringing our shareholding to 60%.

### Free cash flow and cash conversion

Free cash flow was €238 million in 2018, compared to €143 million in 2017. The increase in free cash flow was mainly driven by higher cash flow from operating activities. This resulted from improvements in working capital due to lower levels of inventories and receivables than in the previous year when the company transitioned to a more global supply chain model.

#### Free cash flow and cash conversion

	2018	2017
Free cash flow (€ million)	238	143
Cash conversion (%)	42.8%	26.9%

### Financial indebtedness

Throughout 2018, 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)	2018	2017
Total borrowings	878	990
Cash and cash equivalents	- 138	- 165
Derivatives (liabilities)	7	8
Derivatives (assets)	- 3	- 1
Net debt	743	832
Adjusted EBITDA (last twelve months)	576	552
Net debt leverage (times)	1.3	1.5

At year-end 2018, GrandVision's net debt decreased from €832 million in 2017 to €743 million.

The net debt leverage ratio was lowered to 1.3 times adjusted EBITDA (2017: 1.5 times). The decrease in net debt was driven by the lower level of acquisitions in 2018 combined with a higher operating cash flow compared to the previous year.





### **Meet Marcin and Bahar**

Our opticians Marcin and Bahar, at VisionExpress Poland and Atasun Turkey, share the same ambitions, goals and know how to establish a successful relationship with their customers. Let's take a look at their stories.

### Marcin Jastrzębski – Vision Express, Poland

A veteran at Vision Express in Poland, Marcin has worked for the business since 1996, starting as sales assistant before working his way through the stages to become store manager.

### Marcin, why did you become an optician?

MJ: I first took an interest in optometry as a teenager when I started wearing glasses and had an opportunity to see what an optician's work was all about. It really is a craft, or a process leading to the creation of a fully customized product.

### Which part of your work do you find the most satisfying?

MJ: I enjoy solving technical problems because they're always a good opportunity to learn and expand my competencies. But what gives me the most satisfaction is a job well done: the feeling I get when a customer leaves the store with a smile. Quality of service is fundamental for the success of our business.

### How do you make sure this quality of service is being delivered?

MJ: It may seem like a cliché, but you need to treat your customer the same way you'd like to be treated yourself, and make sure they know they're talking to a professional.

### What is the next goal on your list?

MJ: Working together with my team, we want to achieve an even stronger position in the local market. We want Vision Express to be synonymous with the highest quality.

#### Bahar Tās, Atasun, Turkey

Bahar Tās joined Atasun Optik around five years ago. What drives her is the satisfaction of providing a good service to the customers.

### Bahar, why did you chose to work in optical retail?

BT: I always wanted to work in a health care related area because helping people gives me a good feeling. Working at Atasun gives me the opportunity to use my knowledge and expertise to help others.

### What gives you most satisfaction in your job?

**BT:** Finding a solution for people's problems, watching their reaction when receiving the help they needed makes me happy. That's what I enjoy most in my job, everyday.

### What is your secret for establishing a successful relationship with a customer?

BT: A good relationship with a customer can be established by being a good communicator, and having a friendly approach. It is also very important to be emphatic; one has to be able to put himself in the customer's shoes, in order to understand their needs.

### What is the next goal on your list?

BT: I would like to further learn and grow and eventually become a store manager. And I believe that Atasun is the right place to achieve my professional ambition.





Germany

Ireland

Luxembourg

Middle East\*

Monaco

Netherlands

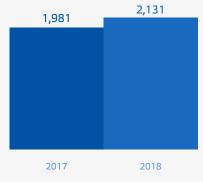
### **United Kingdom**

\* Middle East franchises' in Bahrain, Kuwait, Qatar, Saudi Arabia and United Arab Emirates are managed by the UK business unit

Stores

Revenue Adjusted EBITDA







millions of EUR	2018	2017	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	2,131	1,981	7.6%	7.9%	3.0%	4.8%
Comparable growth (%)	2.4%	0.0%				
Adjusted EBITDA	411	418	-1.6%	-1.5%	-0.9%	-0.6%
Adjusted EBITDA margin (%)	19.3%	21.1%	-181bps			
Number of stores (#)	3,387	3,348				
Number of employees (average FTE)	14,359	13,996				



















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### 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 2018, the G4 segment operated a network of 3,387 stores, an increase from 3,348 stores in 2017. Key banners in the G4 segment include Apollo Optik in Germany with 856 stores, Pearle in Austria, Belgium and the Netherlands with 682 stores, Générale d'Optique in France with 624 stores and Vision Express in the UK, Ireland and Middle East with 620 stores.

#### Revenue

In the G4 segment, revenue increased by 7.9% at constant exchange rates to €2,131 million in FY18 (2017: €1,981 million). Organic growth contributed 3.0% and acquisitions, particularly Tesco Opticians in the UK, which was acquired at the end of 2017, contributed 4.8%.

The total number of stores in the G4 segment increased by 39 to 3,387 (FY17: 3,348), mainly driven by store openings across the region.

Comparable growth for the segment was 2.4%, driven by

the strong performance in both Germany and France. In France, we achieved almost 2.5% comparable growth for the year, driven by the recovery of the industry and continued market share gains. Our German business achieved more than 5% comparable growth and high single digit revenue growth, also supported by store openings and small acquisitions.

In the Benelux segment achieved slightly positive comparable growth during 2018, as Belgium more than compensated for the lower comparable growth in the Netherlands.

In the UK, the weaker economic environment, driven by uncertainties surrounding Brexit, has put additional pressure on customers which we have largely been able to mitigate through growing e-commerce sales. Overall, we saw moderate growth as digital sales compensated for lower retail sales.

#### Adjusted EBITDA

Adjusted EBITDA in the G4 segment decreased by 1.5% at constant exchange rates to €411 million (FY17: €418 million) as by integration and rebranding costs from Tesco Opticians acquisition and transformational investments in digital capabilities in the Benelux more than offset stronger EBITDA growth in Germany and France

The adjusted EBITDA margin decreased by 181 bps to 19.3% in 2018 (FY17: 21.1%).



Other Europe Bulgaria Malta Cyprus Norway Czech Republic Poland Denmark Portugal Estonia Slovakia **Finland** Spain Sweden Greece Switzerland Hungary Italy Adjusted EBITDA **Stores** Revenue 1,130 990 1,912 1,876

2018	2017	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
1,130	990	14.1%	15.8%	3.3%	12.5%
2.7%	3.3%				
176	157	11.6%	13.6%	3.1%	10.5%
15.5%	15.9%	-35bps			
1,912	1,876				
9,317	9,120				
	2.7% 176 15.5% 1,912	2.7% 3.3% 176 157 15.5% 15.9% 1,912 1,876	2.7% 3.3% 176 157 11.6% 15.5% 15.9% -35bps 1,912 1,876	2.7% 3.3%  176 157 11.6% 13.6%  15.5% 15.9% -35bps  1,912 1,876	2.7% 3.3%  176 157 11.6% 13.6% 3.1%  15.5% 15.9% -35bps  1,912 1,876

2018

2017



2017

2018







176

2018

157

2017











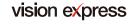














### **Other Europe**

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 CzechRepublic, Estonia, Finland, Hungary, Italy, Poland and Portugal. Key banners include GrandVision with 287 stores across Italy, Multiopticas in Portugal with 216 stores, Vision Express in Poland, Hungary and Bulgaria with 260 stores, as well as Synoptik in Sweden and Denmark with 242 stores.

At the end of 2018, there were 1,912 stores in the Other Europe segment, an increase from 1,876 stores in 2017.

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 such as Visilab in Switzerland at the end of 2017.

#### Revenue

In the Other Europe segment, revenue increased by 15.8% at constant exchange rates to €1,130 million in FY18 (FY17: €990 million) with organic and comparable growth of 3.3% and 2.7%, respectively.

Revenue and comparable growth was achieved across all businesses clusters: Northern, Southern and Eastern Europe. Acquisitions, primarily Visilab in Switzerland, which was acquired at the end of 2017, contributed with 12.5% to the revenue growth.

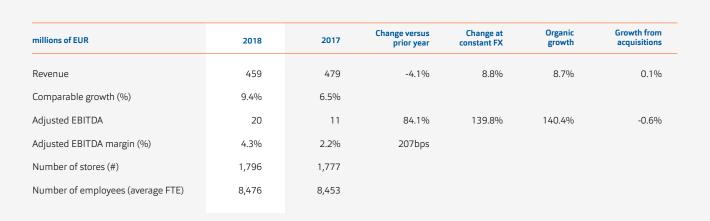
### **Adjusted EBITDA**

Adjusted EBITDA in the Other Europe segment increased by 13.6% at constant exchange rates to €176 million in FY18 (FY17: €157 million), driven by organic growth of 3.1% and a positive contribution from acquisitions of 10.5%.

The adjusted EBITDA margin decreased by 35 bps to 15.5%, mainly reflecting a weaker performance in Italy during the year.



**Americas & Asia** Argentina Brazil Chile China Colombia India\* Mexico Peru Russia Turkey **United States** Uruguay \* Joint venture **Adjusted EBITDA Stores** Revenue 479 459



2018

2017

20

2018

11

2017

1,777

2017

1,796

2018



### **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 LatinAmerica with number one positions in Argentina, Chile, Colombia and Uruguay. In Asia, GrandVision is well positioned in China, India, Russia and Turkey.

During 2018, the store network increased by 19 to 1,796 mainly through network expansion, particularly in Mexico, Turkey and the United States.

#### Revenue

The Americas & Asia segment achieved revenue growth of 8.8% at constant exchange rates. Comparable growth

and organic growth reached 9.4% and 8.7%, respectively, with particularly strong comparable growth in Colombia, Mexico, Russia and Turkey.

However, reported revenue decreased by 4.1% to €459 million in FY18 (FY17: €479 million) due to negative currency translation effects resulting from the depreciation of a number of currencies with a particularly strong impact from the Turkish lira. Overall, the impact of foreign currency exchange fluctuations was -12.8%, or €61 million.

### **Adjusted EBITDA**

Adjusted EBITDA increased to €20 million in FY18 (FY17: €11 million). During the year strong underlying organic EBITDA growth of more than €15 million was partially reduced by a negative currency a translation effect of €6 million. The loss in the United States was reduced during the year as operational improvements were offset by the cost of store openings and the introduction of a new POS system in the fourth quarter.

The adjusted EBITDA margin was 4.3% compared to 2.2% in FY17.





# 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 their stakeholders. GrandVision has put global policies and management systems in place to make sure all our employees and business partners around the world comply with external regulations and act ethically and lawfully.

### **Explaining our Corporate Governance**

GrandVision N.V. is a Dutch public limited company listed on Euronext Amsterdam. It applies the Dutch Corporate Governance Code which was published in 2016. GrandVision has prepared this Corporate Governance report in accordance with the 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, the Supervisory Board and the 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)
- 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 2018.

### **Activities of the Supervisory Board in**

The Supervisory Board held six ordinary and one extraordinary meetings in 2018. During all meetings the Management Board and Company Secretary were present and all members of the Supervisory Board attended either in person or by video conference. 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

At least once a year, the Chairman has individual meetings with all Management Board members. During 2018, discussions within the Supervisory Board were based mostly on documents and presentations prepared by the Management Board and the 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.

**February** 2018, GrandVision's auditor, PricewaterhouseCoopers Accountants N.V. (PwC), participated in a Supervisory Board meeting to discuss the financial statements of 2017 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 the roll-out of our global ERP system, increase of recommendations for certain countries and attention to the payment

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 2017 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 indepth discussion with the Management Board about the results and related documents such as the draft press release. At the meeting held in December 2018, the Supervisory Board had a discussion regarding the 2019 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 2019 financial budget.

### **Supervisory Board Committees**

### **Audit Committee**

### Mr. Bolliger; Mr. Eelman (chairman)

The Audit Committee met five times in 2018, 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 2018, the Audit Committee reviewed the draft Annual Accounts for 2017. Important items on the agenda were the auditor's report for 2017 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 2018 the Audit Committee discussed a number of relevant topics including internal controls, internal audit, tax, financial reporting and risk management. During 2018, Mr. Eelman continued to act as financial expert.

### **Remuneration Committee**

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

The Remuneration Committee met three times in 2018, according to its fixed schedule. The meetings were fully attended. In the meeting in February, the achievements of 2017 were discussed and recommendations on the awarding of bonuses to the senior management of GrandVision were made. In the April meeting, the Remuneration Committee discussed the Long Term Incentive Plan (LTIP) vesting for 2018 and the new allocations for 2019. In the December meeting the salary review for senior management and bonus objectives for 2019 were discussed and proposed for approval to the Supervisory Board.

#### **Nomination Committee**

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

The Nomination Committee met three times in 2018, according to its fixed schedule, in addition to numerous informal meetings in the course of 2018. 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 2018. 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 April 26, 2018, the first term of Kees van der Graaf expired. Mr. Van der Graaf was eligible and available for reappointment and complied with the profile of the Supervisory Board. During the Annual General Meeting of April 26, 2018, Mr. Van der Graaf was re-appointed to the Supervisory Board for an additional term of four years.

Stephan Borchert was appointed to the Management Board on 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 succeeded Theo Kiesselbach who retired on May 1, 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 2018. 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 and digital skills.

### 2018 Financial Statements and Dividend

The financial statements for the year 2018, 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 2019 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 €0.33 per share for 2018

The Supervisory Board recommends that the Annual General Meeting adopts the 2018 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 26, 2019

On behalf of the Supervisory Board

Kees van der Graaf, Chairman



### **Meet Noemi and Selina**

Noemi and Selina are two of our opticians helping customers in Hungary and China. Working on opposite sides of the globe, they share the same passion for service and GrandVision's mission of providing the best eye care to customers every day.





### Noemi Szilasi - Ofotért, Hungary

Noemi began working as an apprentice optician for Ofotért, Hungary, in 1991. Almost 30 years later, she is living proof that in eye care, we care more.

### Noemi, what made you become an optician?

**NS:** My interest in eye health started when I was sitting a lot of school exams. I was suffering from recurring headaches until I couldn't take it anymore, so I visited the local Ofotért store to have my eyes checked. The whole experience made a big impression on me; from the eye test itself, to being able to select the frame I wanted. At that moment I decided I wanted to work in the industry and by September of the following year I was greeting customers from the other side of the counter as an apprentice optician.

### What gives you most satisfaction in your job?

**NS**: To see my customers leaving the store wearing a brand new pair of glasses and a big smile on their face, just as I did several years ago. To achieve this we have to work jointly with customers to find the best solution to their needs. This means listening properly to understand their problem, and having a very strong knowledge of our lens and frame portfolio. Clients may realize their eyesight isn't what it used be, but they need our help to find the best solution.

### How do you look to establish a successful relationship with them?

**NS**: As I often say to my colleagues, our industry is one where personal relationships are very important to success. I always try to show the love I have for this profession to my colleagues so that they also work with dedication and passion.

### What is the next thing you want to achieve?

**NS:** A huge dream of mine came true when I became an optometrist and later a store manager. But my love for this profession just keeps me going further, so nowadays I'm also supporting my colleagues as a Field Manager.

### Selina - GrandVision, China

Selina began working at GrandVision China in 2015 as an optometrist. We talked to her about her role within the organization and what she enjoys most while working.

### Selina, what made you want to become an optician?

I'll never forget one day when I was a kid, I found my grandma's glasses and put them on. They made me so dizzy but my grandma told me that whenever she wore them, she felt very comfortable. I really didn't get it! I think a part of me decided to find out why and that's what made me become an optometrist.

### What do you enjoy most about your job?

I know some of our customers have tried other places before, but with a bit of the guidance I can give them, they realize they're able to see more clearly and without feeling uncomfortable. Being able to do this makes me very proud.

### What is the next thing you want to achieve?

My next big goal is a personal one. I want to raise my son well so that he becomes a good person and citizen.

### What is your "recipe" for establishing a successful relationship with a customer?

Always listen first. Listening carefully to customers' needs and their feedback gives you the best understanding of how to help them.

### **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 2018, 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 antibribery 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 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 Management Board members. The service agreement for the CFO is for an indefinite period of time, thereby maintaining the same term that was included in his respective employment agreement with the company before its conversion into a public limited liability company. Stephan Borchert, the new member of the Management Board and 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 2018, 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 note 26 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 October 26, 2019 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 October 26, 2019 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**

### Stephan Borchert, CEO

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 indepth 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 of Dortmund.

- Current term of office: up to and including the 2022 Annual General Meeting
- Year of birth: 1969



### 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.

- Current term of office: indefinite period of time
- · Year of birth: 1965



### **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 term since IPO: 2015
- Reappointment: 2018
- Current term of office: up to and including the 2022 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 term since IPO: 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 term appointment since IPO: 2015
- 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 eye wear 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 term since IPO: 2015
- · 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). Mr. Eelman is currently a member of the Advisory Board of Takko Fashion GmbH.

- First term since IPO: 2015
- Reappointment: 2016
- Current term of office: up to and including the 2020 Annual General Meeting
- · Chairman of the Audit Committee
- Year of birth: 1964



# Solaris

THE ULTIMATE SUNGLASS SELECTION



**BRAND STORY** 

## A sunglass destination for all

Solaris is one of GrandVision's retail brands. It is present across the 40+ countries in which the company operates.





With a wide range of exciting products, in different shapes, sizes, materials and colors, Solaris' affordable sunglasses are at the forefront of trends and never compromise on quality. With the brand selections it offers, you can create your own looks and change style whenever you want!

Founded in 1994, Solaris is a leading sunglass retailer devoted to bringing The Ultimate Sunglass Selection to consumers around the world. Comprising more than 50 internationally renowned brands, of which 9 are distributed exclusively by us, Solaris has the market's broadest brand portfolio. From classic and fashion to luxury and sport, Solaris always delivers the latest fashion trends, current best-sellers, innovations and cutting-edge technologies in the sunglass market.

Today Solaris is present in more than 40 countries with over 4,200 points of sale and actively working on a pragmatic approach to ramp up online sun sales, where enormous growth potential lies.

In 2019, the brand is celebrating its 25th anniversary with a new stand-alone store concept and visual identity that creates a modern and exciting space. The store was designed to facilitate product selection and clarity across the offer. Customers can try products by themselves or benefit from the advice of a salesperson trained in eye care and fashion in a user-friendly way.

### 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 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 2018. In accordance with art. 3.4.1. of the Corporate Governance Code, the company will 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 2018.

### Remuneration for the Management Board in 2018

The remuneration of the Management Board in 2018 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 2018 was €4,017. The total aggregate amount of fringe benefits amounted to €74 for the financial year ended 31 December 2018.

The Management Board has partially achieved the 2018 financial target for revenue and did not achieve the 2018

financial target for profit growth. The personal targets of the Management Board were partially achieved. The Group objective for 2018 was partially achieved.

Upon termination of his service, a severance payment of €244 was paid to Theo Kiesselbach in 2018.

For more detail on the 2018 remuneration of the members of the Management Board, see note 33.3 to the Consolidated Financial Statements entitled 'Remuneration'.

### **Equity holdings**

The number of shares owned by the Management Board as of December 31, 2018 is set out in the table below.

	2018
	Shares owned
S. Borchert (CEO)	49,674
P.J. de Castro Fernandes (CFO)	179,615

### Long-term incentive plan awards

The former 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, 2018:

	Share awards	Option awards
S. Borchert (CEO)	56,481	64,057
P.J. de Castro Fernandes (CFO)	28,501	115,960

For more detail on the long-term incentive plans for the CEO and the CFO, refer to note 26 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 39. This is higher than in the previous year.

### **Remuneration Policy**

The remuneration policy is the framework used by the Supervisory Board to establish the remuneration of GrandVision's CEO and CFO for 2018. 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.

### 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 2018 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 2018 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 postemployment 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 2018

The total aggregated remuneration of the Supervisory Board in 2018 was €313.

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, 2018, 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 2018 remuneration of the Supervisory Board, see note 33.4 to the Consolidated Financial Statements, entitled 'Supervisory Board Remuneration'.



### Risk management

### Risk management system and governance

Risk Management plays an important role in the implementation of GrandVision's strategy. GrandVision's Risk Management and Internal Control Framework is based on the COSO¹ Enterprise Risk Management Framework and is aligned to the Dutch Corporate Governance Code. The framework aims to combine 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 us achieve operational and financial goals and comply with applicable legislation and regulations.

The Management Board (hereafter: "the Board"), under the supervision of the Supervisory Board, bears ultimate responsibility for GrandVision's Risk Management and Internal Control Framework. It performs oversight by setting the desired 'tone from the top', establishing risk appetite and risk strategy and 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 also 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 defense and provides assurance and validation of the overall framework.

#### Risk management Internal Control Framework



### 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 as having the following qualities:

- 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 aims 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.

### **Enterprise Risk Management**

In general, GrandVision adopts a prudent approach to 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 enough financial headroom to continue investing 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

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. The key risks are updated based on these assessments and on an evaluation of the outcomes of the risks already identified.

During 2018, 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 against risks identified by other retailers to ensure that even 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.

Strategic risk			
Risk area and possible impact	IMPACT/ LIKELIHOOD	How does GrandVision mitigate this risk?	
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	GrandVision is continuously investing in a portfolio of high-quality Exclusive Brands that are appealing to its customers. In addition, we invest in (digital marketing campaigns and added-value sales promotions that enable us to remain price competitive. To support this strategy, we relentlessly pursue cos efficiencies in everything we do, from purchasing products to store and back office operations, to keep our retail prices competitive.	
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 that requires new tools and new skills.	M/M	To respond to this risk from occurring, 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, preserves ou value proposition.  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.	
EXTERNAL FACTORS  Unfavorable economic or political developments as well as natural or environmental disasters may occur in our markets.	L/H	Our diversified portfolio in more than 40 countries is a strong mitigating factor against individual country or regional economic risk. GrandVision monitors these risks through the normal course of business and uses a range of measures such as commercial promotions, financial hedging, interna reorganizations or cost savings, to counter the potential impact in the nea term.  We have Business Continuity plans in place in case of natural disasters o other calamities, in addition to specific insurance that will help to reduce the financial impact of such events.  Our CSR focus is helping us have a broader perspective on non-financia contributors to our business and the impact we have on our environment.	
PORTFOLIO MANAGEMENT  Acquisitions need to be integrated into GrandVision effectively to develop a future platform for growth.	М/Н	Our strategic focus and strong management attention to developing growth platforms in the USA and China and to further develop the Italian market remain unchanged from previous reporting. Integration of new acquisitions is key to our success and therefore we will set-up a dedicated team for integration and harmonization.	

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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	Our People First program is focused on investing 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.  In 2018 multiple steps were taken to attract, develop and retain talent at all levels of the company. The GV Academy supports training programs in all countries, including e-learning tools.  We establish strong connections with universities and higher education foundations and are exploring the transnational leveraging of education. In our recruitment process we have an eye for diversity and equal opportunity to further grow and mature the GV culture.
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.	Н/Н	GrandVision has multi-year contracts in place with key suppliers after competitive tender processes.  In addition, the increasing centralization of our supply chain and the reduction in the number of key suppliers allows us to harmonize our portfolio and achieve economies of scale.  The margin impact as a result of currency fluctuations related to the purchasing of products, is financially hedged.
OPERATIONAL MODEL Risk of suboptimal implementation of global capabilities, including supply chain operations, will result in inefficiency, declining product availability and loss of confidence.	Н/М	The design of our product value chain has further matured in order to further support our end-to-end processes, with special attention for customer fulfillment and product categories.  GrandVision will continue to harmonize and improve the product portfolio, resulting in further benefits to the company.
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.	Н/М	GrandVision has installed and is continuing to expand a center of excellence in digital marketing and customer experiences. Each country has a clear 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, which are aimed at improving customers' experience.  We are investing in e-commerce, organically and through acquisitions.

Financial Risk		
Risk area and possible impact	IMPACT/ LIKELIHOOD	How does GrandVision mitigate this risk?
<b>TREASURY &amp; INSURANCE</b> Significant changes in financial markets that impact the financial condition or performance of the company.	M/L	GrandVision has a €1.2 billion credit facility in place that is up for renewal. We also maintain a minimum €200 million of financial headroom to manage our liquidity position on a daily basis.  We 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 of currency prices. Further mitigation is done by regularly entering into FX contracts. GrandVision does not hedge translation risk.  We have Group insurance policies that are reviewed regularly.
INTERNAL CONTROL OVER FINANCIAL REPORTING Currently there are programs implemented to further increase our operating effectiveness. Among these programs are system implementation that could give rise to internal control lapsing if not managed properly.	M/L	By taking a portfolio approach, applying consistent project methodology and governance, and placing ownership of each of them at top management level, GrandVision is able to prioritize and optimize resource allocation across its major projects to ensure they deliver on their objectives.
Compliance Risk		

# Risk area and possible impact IMPACT/ LIKELIHOOD How does GrandVision mitigate this risk? OPTICAL INDUSTRY RISK M/M GrandVision's portfolio is protected by operating in the control of the control of

H/L

Risk of impact on business performance as a result of changing healthcare reimbursements or optical operating regulations in key markets.

GrandVision's portfolio is protected by operating in multiple markets with different regulations.

Compared to independent opticians, GrandVision is better capable of coping with these changes and is able to capture market share in markets that go through a change. A quality assurance and regulatory affairs function is in place to provide assurance over existing activities and ensure compliance is achieved. GrandVision operates successfully in many countries where no eye care reimbursements exist.

In the short term, changing healthcare regulations can impact GrandVision's results. But in the longer term, it supports our position as a high quality, affordable prices retailer and can enable us to gain market share in deregulating markets.

### ETHICAL, LEGAL, AND TAX COMPLIANCE AND REGULATORY RISK

Failure to comply with internal and external policies, rules and regulations, including the protection of all the company's tangible and intangible assets.

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 all employees are aware of these and are trained sufficiently to comply with regulations and laws that are relevant to their roles. A GrandVision Compliance Framework is in place that sets out policies, reporting, e-learning, training requirements and localization guidelines. Employees have taken 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. We place strong

emphasis on these Ethics & Compliance topics internally via tone at the top, policies, e-learning, audits, communication, internal controls and focus on

managing external expectations.

### **Emerging trends**

While we focus on managing existing risks, we always keep an open mind to imminent emerging risks (and opportunities) that can significantly impact us. During 2018, 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, particularly in the area of qualified opticians but also other specialists, is generally increasing.

### **Internal Control**

Internal control activities are designed to provide reasonable assurance that there are no misstatements in financial reporting, and that compliance with (local) laws and regulations is achieved, and the effectiveness of internal processes is continuously improved.

A comprehensive Internal Control Framework comprising a set of minimum internal control standards is embedded in the organization and management's incentive schemes. Our standards are reviewed periodically to ensure that the design of the controls and guidance remains relevant and effective, and in line with the main risks identified. Operating companies and Group departments assess the components of the standards at least once every six months.

The results of these assessments, including improvement plans, are discussed with regional management, Internal Audit, and are reported into the Management Board and Audit Committee. Close-the-Gap sessions are organized by Group where relevant and residual risk exceeds the risk appetite.

### **Internal Audit**

The GrandVision Internal Audit function leads the internal audits and collaborates closely with other Group departments including risk management. The scope of

internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls (based on the minimum internal control standards), as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. Observations and recommendations are discussed and agreed with local management before final reports are shared with the Management Board and Audit Committee. The progress of audit findings is monitored by the risk management function based on a quarterly status update provided by the auditee.

Continuous evaluation of the internal audit function takes place through stakeholder evaluation forms completed by the auditee and other functions involved in the audit process.

In addition, an externally performed Quality Assurance assessment takes place on a five-year basis to support and confirm GrandVision's ambition to have an internal audit function in compliance with the Internal Auditing Standards.

### Risk management in the past year; main findings and future improvement plans

During the year we conducted multiple risk workshops and risk self-assessments. As a result, we identified risks for which the responsible management and experts determined the priority. The outcome of these risk analyses is included in the risk profile and is described as emerging trends.

The risk profile and trends are shared with all stakeholders within the organization.

In the bottom-up consolidation process, the risks were taken to the next level of management, where these risks were reassessed either due to the materiality of the risk exposure and/or as a result of the accumulated effect.

Our primary focus is on the main risks that may affect the realization of our strategy over the next three to five years. We also identified risks that were recognized in prior years on its actual occurrence and noted that for some of these further actions are needed to be put in place.

In 2019 we will further strengthen our risk management process at all three lines of defense to ensure the risks that are taken to grow the company are taken in accordance with the same methodology as described, and continue to receive the right level of attention going forward.







### **Meet Maja and Onur**

Meet Maja and Onur – one is an optometrist at Synoptik in Sweden, while the other is an optician at Atasun in Turkey. What they have in common is their passion for service and a deep understanding of our customers' needs.

### Maja Kalm – Synoptik, Sweden

Maja Kalm started working as an optometrist at Synoptik in Sweden in 2009 soon after finishing her bachelor's degree in Optometry. She is proud to see how her company has grown.



### What made you become an optometrist?

MK: In optometry you combine healthcare, sale, fashion and craftsmanship, and so I've always liked that diversity. In a single day I perform eye and vision tests, I fit contact lenses and refer suspected eye conditions to the ophthalmologist. Since every costumer is different, these make each day interesting and new.

### What gives you most satisfaction in your job?

MK: I'm an outgoing person so I love interacting with people and giving them my full attention. I also love working closely with my colleagues and finding the best solution for each costumer. The greatest satisfaction comes when we exceed our costumer's expectations.

### What is the next big thing on your list?

MK: Next year I'll combine my work with studying Diagnostic Optometry at Karolinska Institute. This is an advanced educational program to expand my knowledge to give more thorough eye exams and grow as a professional. This is an opportunity Synoptik has given me.

### How do you look to establish a successful relationship with a customer?

MK: I try to make the customers feel appreciated and important. I'm also thorough and responsive in the exams and straightforward in my communication with them. I really believe in the products we sell, and so customers sense my confidence and it makes them reassured and satisfied.

#### Onur Deli - Atasun, Turkey

Onur recently joined the Atasun family at the Istiklal Street Store. He is a very ambitious optician who wants to become a store manager, and maybe one day work at GrandVision Headquarters.



### When did you join Atasun Optik?

**OD**: I recently joined the Atasun family in January 2018.

### Why did you choose to become and optician?

**OD**: I chose this profession because I always wanted to work in the health care sector. Also, working at Atasun gives me many opportunities to grow, develop and have interesting career challenges.

### What do you like best at your job?

**OD**: I like to help people. I like to give advice and follow the customer throughout their 'journey' - from walking into our store with a problem or a wish, to coming out after receiving the right product and/or service.

### What is the next thing you want to achieve in your profession?

**OD**: I'd like to be a store manager and maybe one day a regional manager. If I'm given the opportunity, I'd like to join GrandVision at a corporate level.

### What is your secret for establishing a successful relationship with a client?

**OD**: The rule of thumb is to understand the customer's needs first, and then offer them the right help and advice.

### 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 2018. 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 noncompliance 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 states that, the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems. The afore mentioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies.

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 2018 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 2018 and of GrandVision's development and performance during 2018, and describes the key risks to which GrandVision is exposed.

Schiphol, 26 February 2019

STEPHAN BORCHERT, CEO PAULO DE CASTRO, CFO





CHAPTER

# Shareholder information

#### **Initial Public Offering and listing**

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

As of 31 December 2018, the number of publicly traded ordinary shares totaled **58,325,737**. This represents 22.92% of the GrandVision's share capital.

#### Share price performance

The 2018 closing price for the share was €19.13, which represents a 10.2% decrease over the €21.30 per share on 29 December 2017. By comparison, the Dutch AEX index decreased by 10.4% while the Euro STOXX decreased by 14.3% during the same period.

#### **GrandVision Share Price Performance during 2018**



#### **Shareholders**

#### Shareholders as of 31 December 2018

At the end of 2018, HAL Optical Investments B.V. held 76.72% of the shares in GrandVision, while 0.09% were held by the Management Board. The shares held in treasury (0.27%) 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.

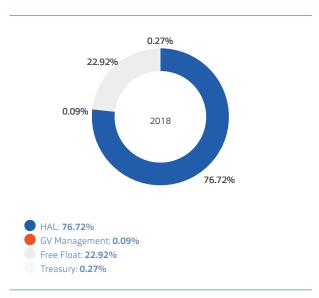
#### Shareholders holding more than 3% equity

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 December 2018:



#### Ownership

From our publicly traded shares, some 4% of the share capital is owned by investors registered in the Netherlands and 96% by foreign investors.

The UK account for the highest percentage of shareholders registered outside the Netherlands followed by the US.

#### **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 the Investor Relations section of the GrandVision corporate website.

GrandVision also communicates directly with the financial markets on a regular basis. These exchanges with shareholders, analysts and potential investors are based on publicly available presentations, and only pricesensitive information that is publicly available is discussed.

At present, GrandVision is covered by 16 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 2019 Annual General Meeting of Shareholders (AGM) will be held on 26 April 2019 in Haarlemmermeer, the Netherlands.

#### **Dividends**

#### 2018 dividend

GrandVision's Supervisory Board proposes a dividend of €0.33 per share for the fiscal year 2018, subject to shareholder approval.

If approved, the shares will trade ex-coupon as of 30 April 2019 and dividends will be payable as from 6 May 2019. The record date will be 2 May 2019. The dividend represents a payout of 38.7% 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.

#### **Key Ratios per share**

	2018	2017	2016	2015
Adjusted earnings per share basic, EUR	0.91	0.97	0.96	0.87
Earnings per share basic, EUR	0.85	0.90	0.92	0.84
Earnings per share diluted, EUR	0.85	0.90	0.91	0.84
Dividend per share, EUR	0.33	0.32	0.31	0.28
Year-end share price, EUR	19.13	21.3	20.91	27.66
Dividend pay-out ratio, %	38.7%	35.6%	33.9%	33.1%

#### Financial Calendar 2019

Date	Event
8 March 2019	Publication 2018 Annual Report
26 April 2019	First Quarter 2019 Trading Update
	Annual General Meeting (AGM)
30 April 2019	Ex-dividend date (2018 dividend)
2 May 2019	Dividend record date
6 May 2019	Dividend payment date
1 August 2019	Half-Year and Second Quarter 2019 Results Report
30 October 2019	Third Quarter 2019 Trading Update



**BRAND STORY** 

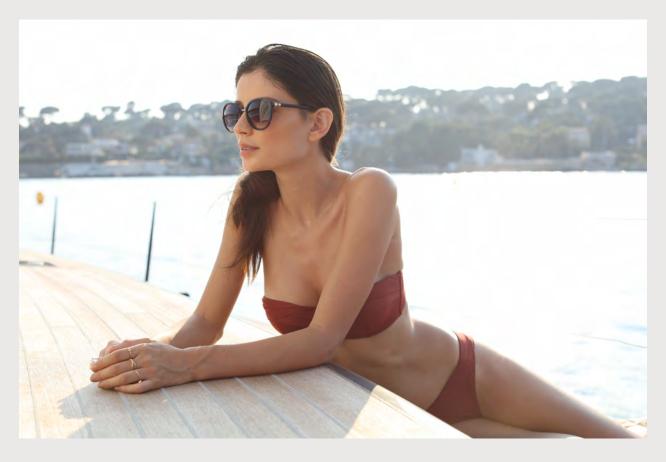
# Sensaya: the essence of femininity

Designed and crafted for women who want to assert their femininity, Sensaya exudes sophistication, seduction and self-confidence. Its glamorous designs combine with refined materials and feminine finishes for an elegant image of womanly presence.



With a glamorous design based on handcrafted frames, sophisticated curved shapes and subtle colors, Sensaya is a celebration of female elegance.

It provides an attention to beauty and jewel-like details (lace, pearl, crystal Swarovski) that enhance the wearer's natural femininity and light up their style. This brand is in step with today's trends for a fashionable and confident look.









CHAPTER

# Financial statements

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# **Consolidated Financial Statements**

#### **Consolidated Income Statement**

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

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

## **Consolidated Statement of Other Comprehensive Income**

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

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

## **Consolidated Balance Sheet**

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

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

# **Consolidated Statement of Changes in Shareholders' Equity**

	Attributable to the equity holders								
in thousands of EUR	Notes	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non- control- ling interest	Total equity
At 1 January 2017		5,089	86,781	- 33,730	- 92,618	981,384	946,906	59,667	1,006,573
Result for 2017	_	-	-	-	-	227,929	227,929	21,038	248,967
Cash flow hedge reserve	20, 22	-	-	-	- 5,394	-	- 5,394	297	- 5,097
Remeasurement of post-employment benefit obligations	20, 22	-	-	-	1,560	-	1,560	- 17	1,543
Cumulative currency translation reserve	20, 22	-	-	-	- 39,348	-	- 39,348	- 2,840	- 42,188
Reclassification of currency translation reserve to Income Statement	20	-	-	-	- 13,162	-	- 13,162	-	- 13,162
Total comprehensive income		-	-	-	- 56,344	227,929	171,585	18,478	190,063
Total transactions with equity holders:									
Acquisition of subsidiary	22	-	-	-	-	-	-	14,678	14,678
Acquisition of non-controlling interest	21, 22	-	-	-	-	- 651	- 651	109	- 542
Share-based payments		-	- 14,605	15,977	-	- 1,775	- 403	-	- 403
Dividends	21, 22	-	-	-	-	- 78,363	- 78,363	- 11,452	- 89,815
	_	-	- 14,605	15,977	-	- 80,789	- 79,417	3,335	- 76,082
At 31 December 2017	_	5,089	72,176	- 17,753	- 148,962	1,128,524	1,039,074	81,480	1,120,554
	_								
At 1 January 2018	_	5,089	72,176	- 17,753	- 148,962	1,128,524	1,039,074	81,480	1,120,554
Result for 2018		-	-	-	-	216,278	216,278	21,018	237,296
Cash flow hedge reserve	20, 22	-	-	-	1,663	-	1,663	59	1,722
Remeasurement of post-employment benefit obligations	20, 22	-	-	-	4,862	-	4,862	758	5,620
Cumulative currency translation reserve	20, 22	-	-	-	- 15,442	-	- 15,442	275	- 15,167
Total comprehensive income		-	-	-	- 8,917	216,278	207,361	22,110	229,471
Hedge results transferred to the carrying value of inventory purchased during the year	20	-	-	-	831	-	831	- 262	569
Total transactions with equity holders:									
Acquisition of non-controlling interest	21, 22	-	-	-	-	- 4,539	- 4,539	2,704	- 1,835
Share-based payments		-	- 2,721	3,685	-	- 90	874	-	874
Dividends	21, 22	-	-	-	-	- 81,147	- 81,147	- 16,021	- 97,168
		-	- 2,721	3,685	831	- 85,776	- 83,981	- 13,579	- 97,560
At 31 December 2018		5,089	69,455	- 14,068	- 157,048	1,259,026	1,162,454	90,011	1,252,465

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

## **Consolidated Cash Flow Statement**

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

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

# Notes to the Consolidated Financial Statements

#### 1. General Information

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

At 31 December 2018, 76.72% of the issued shares are owned by HAL Optical Investments B.V. and 22.92% by institutional and retail investors, with the remaining shares held by GrandVision's Management Board (0.09%) and in treasury (0.27%). HAL Optical Investments B.V. is indirectly controlled by HAL Holding N.V. All HAL Holding N.V. shares are held by HAL Trust. HAL Trust is listed on the Euronext Amsterdam stock exchange.

GrandVision N.V. and its subsidiaries (together, referred to as 'the Group') comprise a number of optical retail chains operated under different retail banners. As of 31 December 2018, the Group, including its associates and joint ventures, operated 7,095 (2017: 7,001) optical retail stores (including franchise stores) in Argentina, Austria, Bahrain, Belgium, Brazil, Bulgaria, Chile, China, Colombia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Luxembourg, Malta, Mexico, Monaco, the Netherlands, Norway, Peru, Poland, Portugal, Russia, Qatar, Saudi Arabia, Slovakia, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, the United States and Uruguay. At 31 December 2018 the number of average full-time equivalents within the Group (excluding associates and joint ventures) was 32,400 (2017: 31,802).

#### 2. Basis of Preparation

#### 2.1. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted within the European Union.

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

#### 2.2. Basis of Measurement

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

Preparing the financial statements in accordance with IFRS means that management is required to make assessments, estimates and assumptions that influence the application of regulations and the amounts reported for assets, equity, liabilities, commitments, income and expenses.

The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.8.

#### 2.3. Significant Accounting Policies

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

#### 2.4. Subsidiaries

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

#### 2.5. Foreign Currency

#### 2.5.1. Functional and Presentation Currency

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

#### 2.5.2. Transactions, Balances and Translation

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

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

#### 2.5.3. Foreign Subsidiaries

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

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

#### 2.5.4. Hyperinflation Accounting

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

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

#### 2.6. Principles for the Statement of Cash Flows

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

#### 2.7. Changes in Accounting Policy and Disclosures

#### 2.7.1. New and Amended Standards and Interpretations Adopted by the Group

A number of new or amended standards and interpretations became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

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

The nature and effect of these changes are disclosed below.

#### IFRS 15 Revenue from Contracts with Customers

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

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

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

#### Impact of adoption

The application of IFRS 15 resulted in the separate presentation in the consolidated Balance Sheet of the Group's obligation to deliver future goods and services, i.e. contract liability and expanded disclosures regarding the disaggregation of revenue and information about contract liability and refund liability balances. Contract liabilities mainly include prepayments made by customers, vouchers for rebates on future purchases given as part of an initial sales transaction and unfulfilled extended (service-type) warranties. At 31 December 2017, this resulted in the separate presentation of non-current and current Contract liabilities, of €5.1 million and €75.9 million, and a resulting decrease in Other non-current liabilities and Trade and other payables, respectively.

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

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets based on expected credit losses.

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

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

Impact of adoption

#### Classification and measurement

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

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

#### Impairment of financial assets

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

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

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

#### Hedge accounting

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

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

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

#### Presentation

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

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

#### IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 was issued in 2016 and is effective for accounting periods beginning on or after 1 January 2018. The interpretation clarifies the date on which a foreign currency transaction paid or received in advance should be translated in the entity's functional currency. IFRIC 22 did not have a significant impact on the consolidated financial statements of the Group as only a limited number of entities within the Group pay or receive consideration in advance for foreign currency transactions.

# 2.7.2. New Standards, Amendments and Interpretations Issued But Not Effective for the Reported Period and Not Adopted Early

The following new standards and amendments to standards and interpretations are applicable to the Group and are effective for annual periods beginning after 1 January 2018. These have not been applied in preparing these consolidated financial statements, and will be adopted by the Group at the moment they become effective.

#### IFRS 16 Leases

IFRS 16 Leases, the new leasing standard, is effective for accounting periods beginning on or after 1 January 2019.

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

#### Transition to IFRS 16 Leases

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

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

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

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

#### Expected impact from adopting IFRS 16 Leases

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

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

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

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

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

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

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

The Group's revolving credit facility requires GrandVision to comply with the following financial covenants: maintenance of a maximum total leverage ratio (net debt/adjusted EBITDA) of less than or equal to 3.25 and a minimum interest coverage ratio (adjusted EBITDA/net interest expense) of 5 (see note 3.1.3 for more details). In terms of the facility agreement, the calculation of these ratios are based on constant accounting standards and as such will not be impacted by the implementation of IFRS 16.

#### Key judgements and estimates

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

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

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

Reconciliation to operating lease commitments as per 31 December 2018

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

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

#### IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

IFRIC 23 was issued in 2017 and is effective for accounting periods beginning on or after 1 January 2019. The interpretation sets out how to determine the accounting tax positions when there is uncertainty over income tax treatments under IAS 12 Income Taxes. Based on the Group's current methodology for the accounting of uncertain tax positions, GrandVision does not expect a significant quantitative impact as result of IFRIC 23.

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

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

#### Annual Improvements to IFRS Standards 2015-2017 cycle

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

#### Amendments to IFRS 3 Business Combinations

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

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

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

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

#### 2.8. Significant Accounting Estimates and Judgments

Preparing the financial statements in accordance with IFRS means that management is required to make assessments, estimates and assumptions that influence the application of regulations and the amounts reported for assets, equity, liabilities, commitments, income and expenses. The estimates and assumptions serve as the basis for assessing the value of recognized assets and liabilities whose amounts cannot currently be determined from other sources. The Group makes estimations and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

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

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

#### 3. Financial Risk Management

#### 3.1. Financial Risk Factors

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

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

#### 3.1.1. Market Risk

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group treasury's risk management policy is to hedge the expected cash flows in most currencies, mainly by making use of derivatives as described in note 24.

The majority of the Group operations takes place in the 'eurozone', which comprises 57% (2017: 60%) of total revenue. Translation exposure to foreign exchange risk relates to those activities outside the eurozone, whose net assets are exposed to foreign currency translation risk. The currency translation risk is not hedged.

If the currencies of these operations had been 5% weaker against the euro with all other variables held constant, the Group's result for the year would have been 0.8% lower (2017: 0.5% higher) of which 1.8% lower impact of mainly currencies in Europe (HUF, SEK, PLN) offset by 1% higher impact of mainly USD (2017: 0.3% lower impact of GBP offset by 1.6% higher impact of USD) and equity would have been 3.3% lower (2017: 3.8% lower), of which 0.9% lower impact of GBP and 0.4% lower impact of USD (2017: 1.1% lower impact of GBP).

Foreign exchange risks with respect to commercial transactions other than in the functional currency are mainly related to US dollar denominated purchases of goods in Asia, certain rental payments and indirect exposure on goods and services invoiced in the functional currency but of which the underlying exposure is in a non-functional currency.

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

hedged item. Based on the Group's policy, the foreign currency risk relating to commercial transactions denominated in a currency other than the euro is hedged between 25% and 80% of the transactional cash flows based on a rolling 12-month forecast, resulting in a relatively limited foreign exchange risk for non-hedged commercial transactions. Cash flow hedge accounting is applied when the forecasted transaction is highly probable. Fair value hedge accounting is applied when the invoice is received.

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

#### (ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group generally borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments based on a rolling 12-month forecast, which have the economic effect of converting interest rates from floating rates to fixed rates. The Group's policy is to maintain a minimum of 60% of its net debt on a forward looking 12 months basis, related to interest rate risk at fixed rate. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating interest rate amounts calculated by reference to the agreed notional principal amounts and benchmarks. The Group also uses 0% floors to hedge its exposure to negative interest rate risk. The Group applies a hedge ratio of 1:1.

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

	2018	3	2017	,
	Impact on result before tax	Impact on Other Comprehensive Income	Impact on result before tax	Impact on Other Comprehensive Income
EURIBOR rate - increase 50 basis points	-2,323	6,367	- 2,166	8,235
EURIBOR rate - decrease 50 basis points	2,279	-4,236	1,913	- 5,985

Note 24 provides more detail on the derivatives the Group uses to hedge the cash flow interest rate risk.

#### (iii) Price risk

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

#### 3.1.2. Credit Risk

Credit risk is managed both locally and on a Group basis, where applicable. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, retail customers, health insurance institutions and credit card companies, including outstanding receivables and committed transactions. Refer to note 16 for details of expected credit losses for financial assets measured at amortized cost.

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

#### 3.1.3. Liquidity Risk

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

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

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

GrandVision has a commercial paper program under which it can issue commercial paper up to the value of €500 million. As of 31 December 2018 the amount outstanding under the commercial paper program was €418.0 million (2017: €398.8 million).

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

in thousands of EUR	Within 1 year	1-2 years	2-5 years	After 5 years	Total
31 December 2018					
Borrowings	100,803	1,876	364,396	-	467,075
Commercial paper	417,122	-	-	-	417,122
Derivatives	2,644	2,581	5,694	2,629	13,548
Contingent consideration	20,599	-	-	-	20,599
Financial leases	448	257	255	-	960
Trade, other payables and accrued expenses	457,615	-	-	-	457,615
31 December 2017					
Borrowings	217,501	1,904	381,737	-	601,142
Commercial paper	398,242	-	-	-	398,242
Derivatives	3,119	2,654	6,974	4,208	16,955
Contingent consideration	27,680	19,838	1,787	-	49,305
Financial leases	508	340	280	-	1,128
Trade, other payables and accrued expenses	467,516	-	-	-	467,516

#### 3.2. Capital Risk Management

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

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

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

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

#### 3.3. Fair Value Estimation

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

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

The assets and liabilities for the Group measured at fair value qualify for the level 3 category except for the derivative financial instruments (note 24) which qualify for the level 2 category. The Group does not have any assets and liabilities that qualify for the level 1 category. If multiple levels of valuation methods are available for an asset or liability, the Group will use a method that maximizes the use of observable inputs and minimizes the use of unobservable inputs.

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

in thousands of EUR	Level 2	Level 3
At 31 December 2018		
Assets		
Derivatives used for hedging	3,459	-
Non-current assets	-	1,406
Total	3,459	1,406
Liabilities		
Contingent consideration - Other current and non-current liabilities	-	19,676
Derivatives used for hedging	6,749	-
Total	6,749	19,676
At 31 December 2017		
Assets		
Derivatives used for hedging	1,427	-
Non-current assets	-	1,486
Total	1,427	1,486
Liabilities		
Contingent consideration - Other current and non-current liabilities	-	45,761
Derivatives used for hedging	7,524	-
Total	7,524	45,761

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

#### Level 2 category

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

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

#### Level 3 category

The level 3 category mainly refers to contingent considerations. The contingent considerations are remeasured based on the agreed business targets. Refer to note 4 for more details on the valuation methodologies and key inputs in the determination of fair value of the contingent considerations related to Visilab and Tesco Opticians.

#### 4. Acquisitions of Subsidiaries, Associates and Non-Controlling Interests

#### **Accounting Policy**

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

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

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in accordance with IFRS 9 in the consolidated Income Statement. Contingent considerations qualify for the level 3 fair value category. See note 3.3 for a description of the different levels of valuation categories. The valuation techniques and fair value levels are consistent compared with prior year.

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

#### **Significant Accounting Estimates and Judgments**

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

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

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

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

#### Store acquisitions

During 2018 the Group acquired 46 stores across all segments, but mainly in the G4 segment. With these acquisitions the Group further strengthened its market position within the respective regions. After the initial allocation of the consideration transferred for the acquisitions of the assets, liabilities and contingent liabilities in 2018, an amount of €4,458 was identified as provisional goodwill. The goodwill is attributable to the expected synergies following the integration of the acquired businesses into our existing organization. The goodwill mainly comprises the skilled employees, the locations of the acquired stores and other items, which cannot be recognized as separately identifiable assets.

#### Adjustments to purchase price allocation

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

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

#### Visilab S.A.

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

The contingent consideration is calculated using an EBITDA multiple based on the Group's best estimate of the achievement of agreed business targets by Visilab S.A., adjusted for the time value of money and expected dividend payments.

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

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

#### Tesco Opticians

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

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

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

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

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

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

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

#### 5. Segments

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

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

The Group's reportable segments are defined as follows:

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

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

The following table presents total net revenue and adjusted EBITDA for the operating segments for 2018 and 2017. The adjusted EBITDA is defined as EBITDA excluding other reconciling items and exceptional non-recurring items. Non-recurring items are defined as significant items that are not included in the performance of the segments based on their exceptional nature. For 2018 these items are mainly related to restructuring, legal provisions, VAT risks, software impairment as well as corrections related to prior years. For 2017 these items mainly relate to some exceptional acquisition related costs, integration activities and software impairment. A reconciliation from adjusted EBITDA to earnings before taxes is presented within each table below. Other reconciling items represent corporate costs that are not allocated to a specific segment.

			Americas &	
in thousands of EUR	G4	Other Europe	Asia	Total
2018				
Total net revenue	2,131,381	1,130,209	459,386	3,720,976
Adjusted EBITDA	411,473	175,641	19,836	606,950
Other reconciling items				- 30,527
Total adjusted EBITDA				576,423
Non-recurring items				- 19,847
Depreciation				- 123,175
Amortization and impairments				- 96,077
Operating income/loss				337,324
Non-operating items:				
Net financial result				- 18,356
Earnings before tax				318,968
2017				
Total net revenue	1,980,726	990,188	478,943	3,449,857
Adjusted EBITDA	418,254	157,376	10,777	586,407
Other reconciling items				- 34,895
Total adjusted EBITDA				551,512
Non-recurring items				- 17,475
Depreciation				- 116,587
Amortization and impairments				- 90,672
Operating income/loss				326,778
Non-operating items:				
Fair value gain on remeasurement of Associate				37,949
Net financial result				- 14,705
Earnings before tax				350,022

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

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

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

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

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

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

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

#### 6. Revenue

#### **Accounting Policy**

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

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

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

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

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

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

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

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

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

Supplier allowances are only recognized as revenue if there is no direct relationship with a purchase transaction, otherwise the supplier allowance is deducted from cost of these purchases.

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

#### Disaggregation of revenue

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

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

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

#### **Contract liabilities**

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

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

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

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

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

#### Refund liabilities and return assets

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

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

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

#### **Accounting Policy**

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

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

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

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

The following costs have been included in the operating result:

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

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

The employee costs can be specified as follows:

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

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

#### 8. Finance Income and Costs

#### **Accounting Policy**

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

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

Finance income and costs include:

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

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

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

#### 9. Earnings per Share

#### **Accounting Policy**

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

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

#### **Accounting Policy**

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

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

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

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

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

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

#### **Significant Accounting Estimates and Judgments**

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

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

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

#### **Income Taxes**

The following income tax was recognized in consolidated Income Statement:

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

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

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

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

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

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

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

#### Deferred Income Tax

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

#### Specification of gross deferred income tax assets:

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

Specification of gross deferred income tax liabilities:

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

Deferred income tax assets on carryforward losses have been recognized for an amount of €14,129 (2017: €17,482). The losses are recognized based on taxable temporary differences or future expected results taking into consideration the expiration date of historical losses and other tax regulations. The related income tax losses amount to €84,053 (2017: €66,701). Further, in 2018, deferred income tax assets on unused tax credit incentives have been recognized for an amount of €34,250 (2017: €0), as a consequence of changes in legal and financing structure in certain jurisdiction. The related unused tax incentives credits amount to €75,122 (2017: €0).

Deferred tax assets of €19,892 (2017: €14,545) relate to entities which suffered a loss in either the current or the preceding period. For loss making entities, carry forward losses are recognized as a deferred tax asset if it is likely that future taxable profits will be available against which losses can be set off, or to the extent that sufficient taxable temporary differences are available.

Unrecognized income tax losses amount to €301,547 (2017: €280,814). These tax losses expire as follows:

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

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

# 11. Property, Plant and Equipment

#### **Accounting Policy**

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

The useful lives used are:

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

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

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

Property, plant and equipment acquired via a financial lease is carried at the lower of fair value and the present value of the minimum required lease payments at the start of the lease, less cumulative depreciation and impairment. Lease payments on finance leases are recognized in accordance with note 23. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

		Buildings and			
in thousands of EUR	Notes	leasehold improvements	Machinery and equipment	Furniture and vehicles	Total
At 1 January 2017	Notes	improvements	equipment	Venicles	10(a)
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		217,550	110,217	100,073	443,020
Acquisitions		15,353	8,412	1,054	24,819
Additions		75,872	47,281	32,072	155,225
Disposals / retirements		- 2,792	- 1,327	- 1,378	- 5,497
Depreciation charge	7	- 47,379	- 37,311	- 31,897	- 116,587
Impairment	7	- 468	-	-	- 468
Reclassification		- 1,052	- 2,178	3,147	- 83
Exchange differences		- 6,657	- 3,775	- 2,218	- 12,650
At 31 December 2017		250,407	129,319	108,853	488,579
At 1 January 2018					
Cost		586,736	501,447	397,930	1,486,113
Accumulated depreciation and impairment		-336,329	-372,128	-289,077	-997,534
Carrying amount		250,407	129,319	108,853	488,579
Movements in 2018					
Acquisitions	4	877	445	726	2,048
Additions		64,258	65,350	32,296	161,904
Disposals / retirements		- 4,782	- 1,861	- 1,616	- 8,259
Depreciation charge	7	- 51,923	- 39,820	- 31,432	- 123,175
Impairment	7	- 302	- 81	- 637	- 1,020
Reclassification		- 2,421	- 269	2,447	- 243
Exchange differences		- 977	- 656	- 1,419	- 3,052
At 31 December 2018		255,137	152,427	109,218	516,782
Cost		616,647	547,877	392,398	1,556,922
Accumulated depreciation and impairment		- 361,510	- 395,450	- 283,180	- 1,040,140
Carrying amount		255,137	152,427	109,218	516,782

Leased assets where the Group is a lessee under a financial lease, are included under machinery and equipment and furniture and vehicles. The carrying amount of leased assets is €914 (2017: 1,133).

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

#### **Accounting Policy**

Goodwill arises from the acquisition of subsidiaries, chains and stores and represents the excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, chain or store at the date of obtaining control. Any negative goodwill resulting from acquisitions is recognized directly in the consolidated Income Statement.

For the purpose of impairment testing, goodwill is allocated to those groups of cash-generating units (CGUs) expected to benefit from the acquisition. Each of those groups of cash-generating units represents the Group's investment in a country or group of countries, which is the lowest level at which the goodwill is monitored for management purposes.

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

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

# Impairment Test of Non-amortized Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. The recoverable amount is determined by the value in use method, calculated using the discounted cash flow method based on the asset's continuing use and applying a discount factor derived from the average cost of capital. If the value in use method results in a lower value than the carrying value or the economic reality results in more realistic estimates, then the recoverable amount is based on the fair value less costs of disposal method. These fair value calculations qualify as level 3 calculations. See note 3.3 for a description of the different levels of valuation categories.

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

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

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

#### Significant Accounting Estimates and Judgments

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

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

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

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

Where a sales multiple is used to determine fair value less cost of disposal, by applying a multiple on the average sales of the last three years the Group uses a well-balanced approach for both mature and emerging markets. For mature markets it eliminates the impact of incidentals that could have occurred in one of the years. For emerging markets a one-year sales figure would be too volatile as it would not reflect the real growth. The sales multiple is based on recent market transactions and peers of GrandVision, taking into account risk factors of the CGU for which the fair value less costs of disposal is calculated. For recently acquired cash-generating units and cash-generating units with large investments in store openings to generate growth, the average sales of the last three years is adjusted to reflect these developments.

The key assumptions applied in the annual goodwill impairment test are further described below.

# Movements in goodwill are as follow:

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

### The table below shows goodwill per segment:

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

### Goodwill impairment

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

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

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

#### Other movements

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

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

### Key assumptions applied in annual goodwill impairment test

Key assumptions used to determine the recoverable amount in 2018:

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

Key assumptions used to determine the recoverable amount in 2017:

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

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

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

### G4 segment

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

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

The carrying value of goodwill allocated to the CGU of France of €179,174 (2017: €180,873) is considered significant in relation to the Group's total carrying value of goodwill. The recoverable amount of CGU France is determined by value-in-use method. The key assumptions include an average revenue growth rate in line with the lower end of the average revenue growth rate ranges of the G4 segment, an average EBITA percentage towards the higher end of the range of the G4 segment and a pre-tax discount rate of 10.67% (2017: 11.47%). A reasonably possible change to key assumptions used in the value-in-use would not result in a material impairment of goodwill for CGU of France, as this method indicated sufficient headroom. The approach for determining key assumptions for CGU France is consistent with the Group's approach described above.

### Other Europe segment

In 2018, the higher end of the average revenue growth rate range mainly relates to the CGU of Bulgaria and the lower end to the CGU of Finland & Estonia and Portugal. The higher end of the EBITA percentage range relates to the CGU of Hungary, Czech Republic & Slovakia and the lower end to the CGUs of Spain and Bulgaria. The higher end of the pretax discount rate range relates to the CGU of Bulgaria while the lower end relates to the CGUs of Denmark, Sweden and Finland & Estonia. The remaining CGUs within the Other Europe segment have average revenue growth rates, EBITA percentages and pre-tax discount rates around the midpoint of the respective ranges.

### Americas & Asia segment

In 2018, the higher end of the average revenue growth rate range mainly relates to the CGU of the United States and the lower end relates to the CGU of Brazil. In 2018, the higher end of the average EBITA percentage range relates to the CGUs of Mexico, Chile & Uruguay and Turkey, and the lower end to the CGUs of Peru and the United States. In 2018, the higher end of the pre-tax discount rate range relates to the CGU of Turkey while the lower end relates to the CGU of the United States. The remaining CGUs within the Americas & Asia segment have average revenue growth rates, EBITA percentages and pre-tax discount rates around the midpoint of the respective ranges.

# Sensitivity

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

A reasonably possible change to key assumptions would not result in a material impairment of goodwill where the value in use method is used, as this method (where applied) indicated sufficient headroom. A 10% reduction of the sales multiple used in the Group impairment test would result in a limited impairment (2017: €1,169).

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

# 13. Other Intangible Assets

# **Accounting Policy**

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

#### Key money & rights of use

Key money represents expenditure associated with acquiring existing operating lease agreements for company-operated stores in countries where there is an active market for key money (e.g. regularly published transaction prices), also referred to as 'rights of use'. Key money is not amortized but annually tested for impairment, as described in note 12.

#### **Customer databases**

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

#### **Trademarks**

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

#### Software

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

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

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

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

# Other

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

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

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

Rights to open new optical stores acquired in a business combination is an identifiable intangible asset that the acquirer recognizes separately from goodwill. These rights to open new locations are initially valued at fair value, being the present value of the estimated future cash flows, which is subsequently used as cost and amortized on a straight line basis over its useful life, being the remaining contractual period without considering contractual extension possibilities, but not exceeding 10 years.

# **Significant Accounting Estimates and Judgments**

The recoverable amount is the higher of the fair value less costs of disposal of the key money and the key money's value in use, which is calculated using the discounted cash flow method applying a discount factor derived from the weighted average cost of capital or the market value of the key money.

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

Movements in Other Intangible Assets are as follows:

in thousands of EUR	Notes	Key money	Customer databases	Trademarks	Software	Other	Total
At 1 January 2017							
Cost		221,617	55,246	272,571	187,694	44,050	781,178
Accumulated amortization and impairment		- 10,332	- 16,927	- 154,002	- 116,961	- 37,311	- 335,533
Carrying amount		211,285	38,319	118,569	70,733	6,739	445,645
Movements in 2017							
Acquisitions		1,667	118,279	27,799	6,057	12,863	166,665
Additions		3,496	706	-	38,053	17	42,272
Disposals		- 605	- 15	- 1	- 110	- 2	- 733
Amortization charge	7	-	- 9,705	- 17,999	- 19,844	- 3,757	- 51,305
Impairment	7	- 1,322	-	-	- 1,934	-	- 3,256
Reclassification		- 2,179	- 30	73	140	- 100	- 2,096
Exchange differences		- 817	- 3,106	- 3,499	- 879	- 20	- 8,321
At 31 December 2017		211,525	144,448	124,942	92,216	15,740	588,871
At 1 January 2018							
Cost		220,527	170,251	292,449	230,277	54,523	968,027
Accumulated amortization and impairment		- 9,002	- 25,803	- 167,507	- 138,061	- 38,783	- 379,156
Carrying amount		211,525	144,448	124,942	92,216	15,740	588,871
Movements in 2018							
Acquisitions	4	4,024	-	-	2	3,715	7,741
Additions		3,814	658	-	43,737	81	48,290
Disposals		- 1,201	- 3	-	- 252	-	- 1,456
Amortization charge	7	-	- 18,557	- 15,580	- 27,002	- 5,330	- 66,469
Impairment	7	- 4,739	-	- 5,538	- 5,534	-	- 15,811
Reclassification		-	-	- 232	280	195	243
Exchange differences		- 479	2,035	551	- 166	- 83	1,858
At 31 December 2018		212,944	128,581	104,143	103,281	14,318	563,267
Cost		224,770	173,057	291,547	261,011	44,575	994,960
Accumulated amortization and impairment		- 11,826	- 44,476	- 187,404	- 157,730	- 30,257	- 431,693
Carrying amount		212,944	128,581	104,143	103,281	14,318	563,267

# Key money

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

# **Customer databases and trademarks**

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

#### Software

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

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

#### Other

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

### Impairment Test of Key Money

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

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

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

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

Key assumptions used to determine the recoverable amount:

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

### Sensitivity

The most sensitive key assumption in the impairment test of key money relates to revenue growth. A reduction of the expected revenue growth to 0%, with all other factors used in calculating the value in use remaining unchanged, would lead to an additional impairment of  $\{4,320 (2017: \{5,285).$ 

# 14. Associates and Joint Ventures

## **Accounting Policy**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group's interest in the joint arrangement in India is classified as a joint venture.

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

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

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

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

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

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

Share of result of Associates and Joint Ventures:

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

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

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

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

# 15. Inventories

#### **Accounting Policy**

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

The composition of the inventories is as follows:

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

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

# 16. Trade and Other Receivables

### **Accounting Policy**

# Financial assets: Accounting policies applied until 31 December 2017

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

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

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets that could have been reliably estimated.

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

# Financial assets: Accounting policies applied from 1 January 2018

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

Financial assets are first recognized on the trade date, the date on which the Group commits to purchase the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Upon derecognition any gains or loss are recognized in the consolidated Income Statement.

# Financial assets at amortized cost

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

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

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

### Impairment of financial assets

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

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

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

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

When using the general approach, for financial assets measured at amortized cost other than trade receivables with a low risk of default and a strong capacity to meet contractual cash flows, a 12 month expected credit loss provision is recognized. For financial assets measured at amortized cost other than trade receivables with a significant increase in credit risk and debtors that have defaulted, the expected credit loss provision is recognized based on lifetime expected credit losses. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Financial assets measured at amortized cost are written off when there is no reasonable expectation of recovery. This is generally the case when the Group determines that the debtor doesn't have any assets or other sources of income that could generate sufficient cash flows to repay the relevant amount.

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

The table below shows trade and other receivables:

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

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

# **Impairment of Financial Assets**

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

- Trade receivables
- Other financial assets measured at amortized cost

# Trade receivables

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

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

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

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

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

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

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

Other financial assets measured at amortized cost

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

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

The low credit risk is also supported by the following:

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

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

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

in thousands of EUR	Trade receivables	Other financial assets at amortized cost	Trade receivables	Other financial assets at amortized cost
	201	8	201	7
At 1 January	11,247	255	9,826	249
Additions to provision for expected credit losses	6,013	190	7,744	20
Receivables written off during the year as uncollectible	- 2,967	-	-3,823	-14
Unused amounts reversed	- 1,157	-	-1,730	-
Exchange differences	296	- 1	-770	-
At 31 December	13,433	444	11,247	255

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

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

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

# 17. Other Current and Non-Current Assets

# **Accounting Policy**

Key money in countries where there is not an active market for key money is recognized within other non-current assets and the current part in other current assets and amortized over the contractual lease period.

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

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

# 18. Cash and Cash Equivalents

# **Accounting Policy**

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

Cash and cash equivalents can be specified as follows:

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

Cash and cash equivalents by currency:

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

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

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

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

# 19. Share Capital

## **Accounting Policy**

Ordinary shares are classified as equity attributable to equity holders. Costs directly connected to the issuance of new shares are deducted from the proceeds and recognized in equity. Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid, including any attributable transaction costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are cancelled or re-issued. Where such shares are subsequently sold or reissued, any consideration received, net of transaction costs, is included in shareholders' equity.

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

	Number of shares outstanding	Ordinary shares (in thousands of EUR)	Share premium (in thousands of EUR)	Total (in thousands of EUR)
At 1 January 2017	252,784,608	5,089	53,051	58,140
Share-based payments	798,812	-	1,372	1,372
At 31 December 2017	253,583,420	5,089	54,423	59,512
At 1 January 2018	253,583,420	5,089	54,423	59,512
Share-based payments	184,228	-	964	964
At 31 December 2018	253,767,648	5,089	55,387	60,476

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

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

GrandVision did not purchase shares in 2018 and 2017.

## **Accounting Policy**

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

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

Remeasurement of post-employment benefit obligations contains remeasurement of gains or losses related to both defined benefit obligations and fair value of plan assets arising from experience adjustments and changes in actuarial assumptions. See note 25 for more details on the Group's post-employment benefit obligations.

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

The movements in Other Reserves can be specified as follows:

in thousands of EUR	Cash flow hedge reserve	Remeasurement of post- employment benefit obligations	Cumulative currency translation reserve	Total Other reserves
At 1 January 2017	333	- 15,777	- 77,174	- 92,618
Other comprehensive income	- 5,394	1,560	- 52,510	- 56,344
At 31 December 2017	- 5,061	- 14,217	- 129,684	- 148,962
At 1 January 2018	- 5,061	- 14,217	- 129,684	- 148,962
Other comprehensive income	1,663	4,862	- 15,442	- 8,917
Hedge results transferred to the carrying value of inventory purchased during the year $$	831	-	-	831
At 31 December 2018	- 2,567	- 9,355	- 145,126	- 157,048

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

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

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

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

# 21. Retained Earnings

# **Accounting Policy**

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

The movements in Retained Earnings can be specified as follows:

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

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

For 2017, a total dividend of EUR 0.32 per share was paid out in the first half year of 2018 for a total of €81,147. For 2016, a total dividend of EUR 0.31 per share was paid out in the first half year of 2017 for a total of €78,363.

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

# 22. Non-Controlling Interest

# **Accounting Policy**

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

# **Significant Accounting Estimates and Judgments**

### **Consolidation of the Synoptik Group**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# 23. Borrowings

# **Accounting Policy**

### **Borrowings**

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

#### **Finance leases**

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

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

Borrowings of the Group are as follows:

in thousands of EUR	31 December 2018 31 December 20
Non-current	
Bank and other borrowings	362,492 376,
Financial leases	461
	362,953 377,
Current	
Bank overdrafts	66,638 152,
Commercial paper	418,000 398,
Bank and other borrowings	30,213 61,
Financial leases	411
	515,262 612,
Total borrowings	878,215 990,

### **Bank facilities**

The Group has a revolving credit facility of €1,200 million with a maturity date of 17 September 2021. The interest rate on the drawings consists of the margin and the applicable rate (i.e. for a loan in euros, the EURIBOR), however the applicable rate can never be below zero percent. In addition to the revolving credit facility the Group has uncommitted bilateral overdraft and money market facilities for a total of €380 million.

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

#### Commercial paper

GrandVision has a commercial paper program under which it can issue commercial paper up to the value of €500 million. As of 31 December 2018 the amounts outstanding under the commercial paper program totalled €418 million (2017: €398.8 million) and have maturity dates of less than 12 months.

Movements in liabilities from financing activities are as follows:

in thousands of EUR	Bank borrowings	Financial leases	Commercial paper	Other borrowings	Interest derivatives	Total
At 1 January 2017	442,776	1,984	342,000	1,287	4,243	792,290
Changes from financing cash flows						
Proceeds from borrowings	321,682	172	56,800	2,693	-	381,347
Repayments of borrowings	- 329,137	- 884	-	- 285	-	- 330,306
Interest swap payments	-	-	-	-	- 2,056	- 2,056
Interest	- 2,829	- 63	496	-	-	- 2,396
Other movements						
Acquisitions	12,974	-	-	321	-	13,295
Amortization/interest accrual	3,608	63	- 496	239	2,067	5,481
Exchange differences	- 15,150	- 211	-	- 337	-	- 15,698
Other comprehensive income (before tax)	-	-	-	-	- 1,034	- 1,034
At December 2017	433,923	1,061	398,800	3,918	3,220	840,922
Non-current	373,678	584	-	2,938	3,135	380,335
Current	60,245	477	398,800	980	85	460,587
At December 2017	433,923	1,061	398,800	3,918	3,220	840,922
At 1 January 2018	433,923	1,061	398,800	3,918	3,220	840,922
Changes from financing cash flows						
Proceeds from borrowings	186,397	342	19,200	-	-	205,939
Repayments of borrowings	- 232,374	- 570	-	- 357		- 233,301
Interest swap payments	-	-	-	-	- 2,752	- 2,752
Interest	- 2,642	- 47	1,010	-	-	- 1,679
Other movements						
Acquisitions	426	-	-	-	-	426
Amortization/interest accrual	2,703	47	- 1,010	266	2,752	4,758
Exchange differences	298	39	-	147	-	484
Other comprehensive income (before tax)	-	-	-	-	2,213	2,213
At December 2018	388,731	872	418,000	3,974	5,433	817,010
Non-current	359,137	461	-	3,355	2,605	365,558
Current	29,594	411	418,000	619	2,828	451,452
At December 2018	388,731	872	418,000	3,974	5,433	817,010

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

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

in thousands of EUR	Within 1 year	1-2 years	2-5 years	Total
At 31 December 2018				
Borrowings	96,851	247	362,245	459,343
Commercial paper	418,000	-	-	418,000
Financial leases	411	230	231	872
	515,262	477	362,476	878,215
At 31 December 2017				
Borrowings	213,668	216	376,400	590,284
Commercial paper	398,800	-	-	398,800
Financial leases	477	322	262	1,061
	612,945	538	376,662	990,145

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

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

	2018	2017
Group borrowings	0.70%	0.89%

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

The Group has the following undrawn borrowing facilities:

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

### Finance lease commitments

The finance lease commitments fall due as follows:

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

#### **Accounting Policy**

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

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

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

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

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

### Hedge accounting

The Group designates certain derivatives as either:

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

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

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

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

# Cash flow hedge

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated Income Statement. Amounts accumulated in Other Comprehensive Income are recycled in the consolidated Income Statement in the periods when the underlying hedged item affects profit or loss.

However, when the projected transaction that is hedged, results in the recognition of a non-financial asset (for example inventory) or a liability, the gains and losses previously deferred in Other Comprehensive Income are transferred from equity and included in the initial measurement of the cost of the asset or liability as a basis adjustment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Other Comprehensive Income at that time remains in equity and is recognized when the projected transaction is ultimately recognized in the consolidated Income Statement or for a non-financial asset or liability, within the cost of the asset or liability. When a projected transaction is no longer expected to occur, the cumulative gain or loss that was reported in Other Comprehensive Income is immediately transferred to the consolidated Income Statement in finance costs or finance income.

#### Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated Income Statement as financial costs or income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The fair value of the derivatives is as follows:

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

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

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

#### Interest rate derivatives

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

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

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

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

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

# **Currency derivatives**

The Group has transactional cash flows relating to future commercial transactions and recognized assets and liabilities denominated in multiple currencies which are exposed to the volatility of these currencies against the euro. The treasury policy is to hedge between 25% and 80% of the transactional cash flows based on a rolling 12-month forecast using foreign currency forward contracts. Foreign currency forwards are aimed at reducing the exposure to adverse currency change by hedging the spot component.

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

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

The foreign currency related hedging instruments are as follows:

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

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

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

#### **Accounting Policy**

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

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

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

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

#### Other post-employment obligations

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

### **Significant Accounting Estimates and Judgments**

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

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

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

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

The most recent actuarial valuations were performed in December 2018.

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

- A pension arrangement, in addition to the state pension provided in Germany, for employees already employed with Apollo prior to 1994 (2018: €53.2 million; 2017: €54.6 million). Every service year of the employees in the plan adds an amount of 1% of their pensionable salaries to the plan. This occurs for a maximum of 25 years and is maximized in terms of pay-out.
- The Italian Trattamento di Fine Rapporto program (2018: €4.5 million; 2017: €5.0 million) for service years until 2012. For service years since 2013 the Trattamento di Fine Rapporto is paid to a pension fund or a state agency as a defined contribution.
- An end-of-employment plan for French employees (2018: €12.6 million; 2017: €12.3 million). This is based on service years and calculated according to the estimated remuneration in the last year of employment.

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

The net defined benefit obligation of the funded plans mainly relates to the pension arrangement of Visilab of €22.5 million (2017: €23.9 million). The assets of the plan at 31 December 2018 are €46.0 million (2017: €39.9 million) and the obligations of the plan at 31 December 2018 are €68.5 million (2017: €63.9 million). The pension arrangements (occupational pension plans) of Visilab are funded plans, providing benefits upon retirement, death, disability and termination. Those arrangements are the base of the second pillar of the Swiss social security system. Both employer and employees pay contributions to the pension plan. To comply with legal requirements, employers have to set up a pension arrangement for their employees. For this purpose, Visilab is affiliated to the Fondation BCV deuxième pilier ("the Foundation") which is a collective pension fund (group administration plan) under the supervision of the Supervisory Authority in the canton of Vaud. The pension plan is governed by a committee which consists of an equal number of employer and employee representatives and is managed by the Foundation. Visilab has no control over investments performed by the Foundation. Pension arrangements are subject to the mandatory insurance requirements according to the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Funds (LPP/BVG). Should the Foundation become underfunded according to Swiss Law, the Foundation Board must decide on recovery measures that will allow the coverage ratio to return to 100% within an appropriate time horizon. The latest known coverage ratio of the Foundation was 110.8% as at 31 December 2017.

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

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

The amounts recognized in the consolidated Income Statement are as follows:

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

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

in thousands of EUR	Present value of obligation	Fair value of plan assets	Total
At 1 January 2017	77,632	- 1,939	75,693
Acquisition of subsidiary	63,868	- 39,981	23,887
Current service costs	3,005	-	3,005
Interest expense/ (income)	2,535	- 1,106	1,429
Employee contributions	595	- 595	-
Employer contributions	-	- 1,917	- 1,917
Experience adjustments	- 1,135	-	- 1,135
Change in financial assumptions	- 1,360	-	- 1,360
Change in demographic assumptions	196	-	196
Plan amendments and curtailments	15	- 14	1
Return on plan assets, excluding amounts in interest	-	95	95
Benefits paid	- 2,233	2,233	-
Reclassification	3	-	3
Exchange effect	- 1,218	622	- 596
At 31 December 2017	141,903	- 42,602	99,301
At 1 January 2018	141,903	- 42,602	99,301
Current service costs	5,819	-	5,819
Interest expense/ (income)	2,020	- 408	1,612
Employee contributions	1,877	- 1,877	-
Employer contributions	· .	- 2,061	- 2,061
Experience adjustments	- 1,090		- 1,090
Change in financial assumptions	- 6,809	-	- 6,809
Change in demographic assumptions	109	-	109
Plan amendments and curtailments	15	-	15
Return on plan assets, excluding amounts in interest	-	39	39
Benefits paid	- 2,130	252	- 1,878
Other	-	178	178
Exchange effect	3,314	- 2,350	964
At 31 December 2018	145,028	- 48,829	96,199

# **Assumptions**

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

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

In 2018, the expected return on plan assets relates mainly to the post employment benefit plan of Visilab (2017: Visilab). The difference between the discount rate and the expected return on plan assets was caused by the weighted impact of funded and unfunded plans.

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

The below sensitivity analyses are based on changing one assumption while all other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the

defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

# Sensitivity analyses:

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

### Plan assets are comprised as follows:

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

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

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

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

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

# 26. Share-based Payment Plans

# **Accounting Policy**

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

### Long-term incentive plan (LTIP)

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

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

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

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

## **Equity plan**

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

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

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

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

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

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

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

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

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

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

# **Outstanding awards**

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

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

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

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

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

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

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

	Share awards	Option awards	Weighted average exercise price in EUR per share (equity settled)	Weighted average exercise price in EUR per share (cash settled)
At 1 January 2017	1,243,200	1,055,641	10.33	-
Granted	264,474	363,321	25.43	-
Settled	- 785,097	- 715,433	6.59	-
Forfeited	- 106,893	- 54,510	24.53	-
At 31 December 2017	615,684	649,019	21.71	-
At 1 January 2018	615,684	649,019	21.71	-
Granted	415,289	344,285	20.61	242.43
Settled	- 192,508	- 139,736	6.37	-
Forfeited	- 142,109	- 117,960	22.77	242.43
At 31 December 2018	696,356	735,608	24.05	242.43

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

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

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

#### Fair value measurement

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

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

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

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

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

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

### Key management

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

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

Outstanding share-based awards	Award	Awards per 1 January 2018	Granted in 2018	Settled in 2018	Awards per 31 December 2018	Exercise price option awards	Fair value at grant	
P.J. de Castro Fernandes (CFO)								
GrandVision NV - LTIP 2015	Shares	11,578	5,141	- 16,719	-	-	22.76	20.80
GrandVision NV - LTIP 2016	Shares	10,580	-	-	10,580	-	23.32	-
GrandVision NV - LTIP 2017	Shares	11,530	-	-	11,530	-	23.50	-
GrandVision NV - LTIP 2017	Options	51,903	-	-	51,903	25.43	3.20	-
GrandVision NV - LTIP 2018	Shares	-	6,391	-	6,391	-	20.80	-
GrandVision NV - LTIP 2018	Options	-	64,057	-	64,057	20.61	3.32	-
Total	-	85,591	75,589	- 16,719	144,461			

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

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

Outstanding share-based awards	Award	Status per 31 December 2018	Vesting year	Holding period end	Performance conditions
GrandVision NV - LTIP 2015	Shares	Conditional	2018	2020	0-150% on Rev/EPS 2015-2017
GrandVision NV - LTIP 2016	Shares	Conditional	2019	2021	0-150% on Rev/EPS 2016-2018
GrandVision NV - LTIP 2017	Shares	Conditional	2020	2022	0-150% on Rev/EPS 2017-2019
GrandVision NV - LTIP 2017	Options	Unconditional	2022	-	No
GrandVision NV - LTIP 2018	Shares	Conditional	2021	2023	0-150% on Rev/EPS 2018-2020
GrandVision NV - LTIP 2018	Options	Unconditional	2023	-	No

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

#### **Accounting Policy**

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

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

## Legal and regulatory provisions

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

# Warranty provisions

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

### **Employee-related provisions**

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

## Other provisions

Other provisions are mainly related to restructuring provisions.

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

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

## **Significant Accounting Estimates and Judgments**

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

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

in thousands of EUR	Legal and regulatory	Warranty	Employee- related	Share based payments	Other	Total
At 1 January 2017	21,805	8,121	6,585	216	1,648	38,375
Movements in 2017	,	5,	2,222		.,	
Addition to provision	2,798	3,090	3,342	76	1,974	11,280
Reversal of provision	- 1,209	-	- 1,019	-	- 432	- 2,660
Utilized during the year	- 2,914	- 2,420	- 1,105	- 292	- 293	- 7,024
Other movements	- 1,452	-	1,452	-	-	-
Exchange differences	- 351	- 7	- 224	-	- 147	- 729
At 31 December 2017	18,677	8,784	9,031	-	2,750	39,242
Non-current	12,298	5,197	4,501	-	692	22,688
Current	6,379	3,587	4,530	-	2,058	16,554
At 31 December 2017	18,677	8,784	9,031	-	2,750	39,242
At 1 January 2018	18,677	8,784	9,031	-	2,750	39,242
Movements in 2018						
Addition to provision	2,266	2,773	3,477	760	761	10,037
Reversal of provision	- 563	- 4,954	- 1,049	-	- 773	- 7,339
Utilized during the year	- 1,411	- 2,875	- 2,081	-	- 863	- 7,230
Exchange differences	- 455	- 1	- 446	26	10	- 866
At 31 December 2018	18,514	3,727	8,932	786	1,885	33,844
Non-current	11,397	330	4,019	786	471	17,003
Current	7,117	3,397	4,913	-	1,414	16,841
At 31 December 2018	18,514	3,727	8,932	786	1,885	33,844

#### Legal and regulatory

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

Secondly, the provision relates mainly to the Group's ongoing tax risk management process in which it determines potential fiscal claims on VAT and other taxes in various countries. The additions in 2018 and 2017 mainly relate to VAT and other tax risks in Germany and Austria.

#### Warranty

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

### **Employee-related**

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

# Share-based payment plans

Refer to note 26.

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#### **Accounting Policy**

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

Other Non-Current Liabilities can be specified as follows:

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

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

#### 29. Trade and Other Payables

#### **Accounting Policy**

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

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

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

Trade and Other Payables can be specified as follows:

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

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

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

#### 30. Cash Generated from Operations

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

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

#### 31. Contingencies

#### 31.1. Contingent Liabilities

#### **Accounting Policy**

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

#### Summary of Group's contingent liabilities

As a multinational company being present in many jurisdictions the Group is involved in a number of tax proceedings. In November 2015 the Group received a report from the German tax authorities following their tax audit covering Apollo-Optik in the years 2008-2012. This report included findings and viewpoints of the tax authorities on German VAT aspects. The Group is contesting the viewpoints of the German tax authorities on the tax position and will defend its position vigorously, if needed in court. As the Group is sufficiently confident to sustain its position on this matter, no provision has been recognized in the consolidated financial statements. If the Group is unsuccessful in resolving this matter, the exposure, including the period after 2012, is €26 million. Formalities are proceeding at this stage and did not result in changes in 2018.

#### 31.2. Operating Lease Commitments

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

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

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

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

#### 32. Auditor Fees

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

in thousands of EUR	2018	2017
Audit fees	4,205	3,470
Tax advisory fees	88	205
Other non-audit fees	188	26
	4,481	3,701

#### 33. Related Parties

#### 33.1. Transactions and positions with Related Parties

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

Other positions with Related Parties are as follows:

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

#### 33.2. Loans to/ from Related Parties

The Group has granted loans to senior managers of the Group and its subsidiaries as part of various share-based payment plans of €1,562 (2017: €1,530) of which interest income of €61 was accrued in 2018 (2017: €121). Upon sale of shares the managers will have to redeem their loans. The shares awarded under the equity plan are pledged as security on the loans.

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

The Group has received loans from senior managers of the Group and its subsidiaries of €3,356 (2017: €2,939), with interest rates ranging between 3.00% and 10.2%.

#### 33.3. Remuneration

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

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

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

Key management is entitled to an annual performance-related variable remuneration. The objective of the annual performance-related variable remuneration payment is to incentivize and reward strong short-term financial and personal performance and the implementation of strategic imperatives, and to facilitate rapid growth while continuing to focus on sustainable results. The Supervisory Board will define, on an annual basis, the performance ranges, the 'on target' value and the maximum at which the payout will be capped. For more details refer to the chapter 'Remuneration Report' of the Annual Report. The set targets for 2018 were partially achieved.

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

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

#### 33.4. Supervisory Board Remuneration

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

in thousands of EUR	2018	2017
C.J. van der Graaf	73	73
J.A. Cole	60	60
M.F. Groot	60	60
P. Bolliger	60	60
W. Eelman	60	60
	313	313

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

#### 34. Non-GAAP Measures

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

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

in thousands of EUR	2018	2017
Adjusted EBITDA	576,423	551,512
Non-recurring items	- 19,847	- 17,475
EBITDA	556,576	534,037
Depreciation & amortization of software	- 150,177	- 136,431
EBITA	406,399	397,606
Amortization & impairments	- 69,075	- 70,828
Operating result	337,324	326,778
Adjusted earnings per share, basic (in EUR per share)	0.91	0.97
Adjusted earnings per share, diluted (in EUR per share)	0.91	0.96

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

#### 35. Principal Subsidiaries, Joint Ventures and Associates

Company	2018	2017	Country of incorporation
La Optica S.A.	100%	100%	Argentina
Pearle Österreich GmbH	100%	100%	Austria
Grand Opticiens Belgium N.V.	100%	100%	Belgium
Fotoptica Ltda	100%	100%	Brazil
Superlente Franqueadora Ltda	100%	100%	Brazil
VE Bulgaria EOOD	100%	100%	Bulgaria
Opticas GrandVision Chile Ltda.	100%	100%	Chile
GrandVision Optical Commercial (China) Co., Ltd.	100%	100%	China
LAFAM S.A.S.	100%	100%	Colombia
GrandVision Cyprus Ltd.	100%	100%	Cyprus
Fotex Ceska Republika s.r.o.	100%	100%	Czech Republic
Synoptik A/S	63.29%	63.29%	Denmark
Instrumentarium Optika OÚ	100%	100%	Estonia
Instru Optiikka Oy	100%	100%	Finland
GrandVision France S.A.S.	100%	100%	France
Solaris S.A.S.	100%	100%	France
Apollo Optik Holding GmbH & Co KG **	100%	100%	Germany
GrandVision TechCentre Deutschland GmbH **	100%	100%	Germany
Robin Look GmbH **	100%	100%	Germany
GrandVision Hellas S.A.	100%	100%	Greece
LGL Ltd.	100%	100%	Guernsey
GrandVision Hungary Kft.	100%	100%	Hungary
Reliance-Vision Express Private Ltd*	50%	50%	India
Vision Express Ireland Ltd.	100%	100%	Ireland
GrandVision Italy Srl.	100%	100%	Italy
Corner Optique Srl.	100%	100%	Italy
GrandVision Luxembourg S.a.r.l.	100%	100%	Luxembourg
Administradora Lux, S.A de C.V.	70%	70%	Mexico
GVMV, S.A de C.V.	70%	70%	Mexico

Company	2018	2017	Country of incorporation
Optica Lux, S.A de C.V.	70%	70%	Mexico
Precision Optica, S.A.	70%	70%	Mexico
Tide Ti, S.A. de C.V.	70%	70%	Mexico
GrandOptical Monaco S.a.r.l.	100%	100%	Monaco
Solaris Monaco S.a.r.l.	100%	100%	Monaco
Brilleland AS	63.29%	63.29%	Norway
Interoptik AS	63.29%	63.29%	Norway
Topsa Peru SAC	90.31%	62.00%	Peru
Vision Express SP Sp.z.o.o.	100%	100%	Poland
GrandOptical Portugal S.A.	100%	100%	Portugal
GrandVision Portugal, Unipessoal Lda.	100%	100%	Portugal
GrandVision Supply Chain (Portugal) S.A.	100%	100%	Portugal
Solaris Portugal S.A.	100%	100%	Portugal
Lensmaster 000	100%	100%	Russia
GrandOptical Slovakia s.r.o.	100%	100%	Slovakia
MasVision Grupo Optico S.A.	100%	100%	Spain
Solaris Gafas de Sol SL	100%	100%	Spain
Synoptik Sweden AB	63.29%	63.29%	Sweden
Visilab S.A.	70%	60%	Switzerland
Visilab Magasins S.A.	70%	60%	Switzerland
Kochoptik GmbH	70%	60%	Switzerland
Brilmij Groep B.V.	100%	100%	The Netherlands
GrandVision Finance B.V.	100%	100%	The Netherlands
GrandVision IT Services B.V.	100%	100%	The Netherlands
GrandVision Retail Holding B.V.	100%	100%	The Netherlands
GrandVision Supply Chain B.V.	100%	100%	The Netherlands
Optical Retail Group B.V.	100%	100%	The Netherlands
Atasun Optik Perakende Ticaret Anonim Şirketi	100%	100%	Turkey
GrandVision Tech Centre UK Ltd.	100%	100%	United Kingdom
Vision Express (UK) Ltd.	100%	100%	United Kingdom
For Eyes Optical Co. of California, Inc.	100%	100%	United States
For Eyes Optical Co. of Coconut Grove, Inc	100%	100%	United States
For Eyes Optical Co., Inc.	100%	100%	United States
GrandVision USA Retail Holding Corporation	100%	100%	United States
Insight Optical Manufacturing Co. of Florida, Inc.	100%	100%	United States
Tylor S.A.	100%	100%	Uruguay

<sup>\*</sup> joint venture

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

<sup>\*\*</sup> Apollo-Optik Holding GmbH & Co. KG (Schwabach), GrandVisionTechCentre Deutschland GmbH (Schwabach) and Robin Look GmbH (Berlin) is included in the consolidated financial statements of GrandVision N.V. and takes advantage of the exemption provisions of Section 264 b HGB and Section 264 Abs. 3 Nr. 5 HGB for financial year 2018. The statutory duty to prepare consolidated financial statements and a group management report does not apply to the subgroup of Apollo-Optik Holding GmbH & Co. KG pursuant to Section 291 HGB in conjunction with Section 1 et seqq. KonBefrV because Apollo-Optik Holding GmbH & Co. KG and its subsidiaries (GrandVision TechCentre Deutschland GmbH and Robin Look GmbH) are included in the consolidated financial statements of GrandVision N.V.

# **Parent Company Financial Statements**

#### **Income Statement**

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

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

### **Balance Sheet (Before Appropriation of Result)**

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

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

# Notes to the Parent Company Financial Statements

#### 1. Accounting Principles

The parent company financial statements of GrandVision N.V. have been prepared in accordance with Generally Accepted Accounting Principles in The Netherlands and compliant with the requirements included in Part 9, Book 2 of the Dutch Civil Code.

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its parent company financial statements, GrandVision makes use of the option provided in Article 362(8) of Part 9, Book 2 of the Dutch Civil Code. This means that the principles for recognition and measurement of the parent company financial statements are the same as those applied for the consolidated IFRS financial statements.

Investments in consolidated subsidiaries are stated at net asset value. Net asset value is based on the measurement of assets (including goodwill), provisions, and liabilities and the determination of profit based on the principles applied in the consolidated financial statements.

For the accounting policies for the company Balance Sheet and Income Statement, reference is made to the notes to the consolidated Balance Sheet and Income Statement.

All amounts are presented in euros (€). Amounts are shown in thousands of euros unless otherwise stated.

#### 2. Net Income

Net income relates to management fees received from subsidiaries.

#### 3. General and Administrative Costs

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

#### 4. Net Financial Result

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

#### 5. Financial Fixed Assets

The movements in financial fixed assets are as follows:

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

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

Company	2018	2017
GrandVision Group Holding B.V., The Netherlands	100%	100%
Central Vision II B.V., the Netherlands	100%	100%
GrandVision France SAS, France	100%	100%

#### 6. Shareholders' Equity

The shareholders' equity in the parent company financial statements equals the shareholders' equity presented in the consolidated financial statements, except that legal reserves and undistributed result are presented separately.

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

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

#### 7. Legal Reserve

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

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

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#### 8. Appropriation of Result

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

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

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

#### 9. Borrowings

The borrowings relate to the bank overdraft.

#### 10. Employees

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

#### 11. Contingencies

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

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

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

For bank guarantee facilities refer to note 23 of the consolidated financial statements.

Schiphol, 26 February 2019

#### **Management Board**

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

#### **Supervisory Board**

C.J. van der Graaf (Chairman) M.F. Groot (Vice-Chairman) P. Bolliger J.A. Cole W. Eelman 192

### Other information

#### The appropriation of results

Pursuant to Article 10.1.4. of the Articles of Association of GrandVision N.V., the Management Board, subject to the prior approval of the Supervisory Board, may resolve to reserve the profits or a part of the profits. The remaining profits are at the free disposal of the General Meeting.

### **Subsequent events**

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

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

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



# Other information

### Independent Auditor's Report

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

#### Report on the financial statements 2018

#### 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 2018, and of its result and its 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 2018 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 2018 of GrandVision N.V., Haarlemmermeer ('the Company'). The financial statements include the Consolidated Financial Statements of GrandVision N.V. and its subsidiaries ('the Group') and the Parent Company Financial Statements.

The Consolidated Financial Statements comprise:

- the Consolidated Balance Sheet as at 31 December 2018;
- the following statements for 2018: the Consolidated Income Statement and the Consolidated Statement of Other Comprehensive Income, the statements of Changes in Shareholders' Equity and Cash Flows; and
- · the notes, comprising the significant accounting policies and other explanatory information.

The Parent Company Financial Statements comprise:

- · the Balance Sheet (Before Appropriation of Result) as at 31 December 2018;
- the Income Statement for the year then ended; and
- · the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework 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. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

#### Independence

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 the 'Verordening inzake supervision act), onafhankelijkheid van accountants 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 gedragsberoepsregels 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 section 'The scope of our group audit'. 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 2.8 of the notes to the Consolidated Financial Statements the Company describes the areas of judgement 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 and uncertain tax and legal positions, we considered these to be key audit matters as set out in the section 'Key audit matters' of this report. A new key audit matter this year is the Company's disclosure of the estimated impact of IFRS 16 *Leases* on January 1, 2019. This disclosure of the impact of IFRS 16 requires judgement and management estimates regarding the impact of IFRS 16 on the 2019 financial statements.

Another area of focus, that was not considered a key audit matter, was the risk of fraud in revenue recognition. 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 at both group and component level 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 accounting and experts in the area valuation as well as actuarial experts in our team.

The outline of our audit approach was as follows:

Materiality	Overall materiality: €15.9 million
Audit scope	We conducted audit work in 26 locations covering 27 countries.
	Site visits were conducted by the group audit team to six locations: Apollo (Germany), Vision Express (the United Kingdom), GrandVision Benelux (the Netherlands), GrandVision France, GrandVision Italy and For Eyes (the United States).
	Audit coverage: 97% of consolidated revenue, 93% of consolidated total assets and 99% of consolidated profit before tax.
Key audit matters	Assessment of goodwill valuation
	Accounting for uncertain tax and legal positions
	Disclosure of the expected impact of IFRS 16

#### Materiality

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

Based on our professional judgement, 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	€15.9 million (2017: €17.5 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, based on our judgement, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between €0.5 million and €7.5 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 (2017: €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 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 these components are individually financially significant to the Group. Additionally and as agreed with the Management Board and Supervisory Board, 22 components were selected for audits of complete financial information 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	93%
Profit before tax	99%

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 36 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 component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient appropriate audit evidence as a basis for our opinion on the Financial Statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the inscope component audit teams throughout the year including upon conclusion of their work. The group engagement team attended the meetings of the component teams with local and group management in which the outcome of the component audit was discussed. During these meetings, we discussed the significant accounting and audit issues identified by the component auditors, the reports of the component auditors, the findings of their procedures and other matters, which could be of relevance for the Consolidated Financial Statements. 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 the component teams and local management 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 GrandVision Italy and For Eyes (United States).

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the Company's head office. These include the goodwill impairment test, the accounting for the long term incentive plan, tax position and the disclosure of the impact of IFRS 16.

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 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.

We addressed the key audit matters 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 made on the results of our procedures should be read in this context.

#### Kev audit matter

#### Assessment of goodwill valuation

Refer to note 2.8 and 12 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 €1,052 million as at 31 December 2018. Of this, €427 million relates to the countries in 'the G4' segment, €463 million to 'Other Europe' and €162 million to 'Americas and Asia'.

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 assumptions in the discounted cash flow 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.

In 2018 an impairment of €19.3 million on goodwill was recognised, relating to the Italy which is part of the segment 'Other Europe'.

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.

#### How our audit addressed the matter

We evaluated the Management Board's policies and procedures to determine future cash flow forecasts, the process by which they were drawn up and we also assessed design effectiveness of controls over the impairment process.

We evaluated the prior year's forecast with the Group's actual performance in 2018, given this would be an indicator of the quality of the Company's forecasting process.

We especially focused our audit effort on the segments 'Other Europe' and 'Americas and Asia', in which some countries have shown impairment, were subject to economic challenges and/or had limited headroom in prior year(s).

We evaluated and challenged Management's most sensitive cash flow assumptions, including but not limited to growth rates and compared them to long-term and strategic plans approved by the Supervisory Board.

Also, we assessed the reasonableness of Management's valuation models used and verified the mathematical accuracy.

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 'Italy' within the segment 'Other Europe', 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 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 supported by available evidence. Also, we have evaluated the adequacy of the related disclosures.

#### **Key audit matter**

#### Accounting for uncertain tax and legal positions

Refer to note 2.8, 10, 27 and 31.1 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. is exposed to a number of ongoing disputes.

The disputes we focused on in our audit relate to a tax audit by the German Tax authorities (note 31.1) and an investigation by the French Competition Authority (note 27).

The accounting for these uncertain tax and legal positions comprise significant judgement by the Management Board mainly in the area of measurement and whether to disclose these uncertain positions as a contingent liability or to recognise a liability in the form of a provision. When appropriate, Management uses management's experts to evaluate the uncertain tax and legal positions. Given the high level of Management judgement, we considered this area to be important for our audit.

#### How our audit addressed the matter

We gained an understanding of the process Management followed to assess the impact of the tax and legal cases.

We assessed these tax and legal cases on an individual basis by evaluating the reports issued by the different authorities.

We especially focussed on the current facts and circumstances for the tax and legal cases, the arguments of the different authorities and the status of pending legal proceedings.

In addition, with subject matters specialists in the engagement audit team if appropriate, we evaluated the tax and legal opinions of management's experts, which were obtained by GrandVision N.V. on the respective cases. We evaluated the competency and objectivity of management's experts.

Furthermore, we focussed 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 the uncertain tax and legal positions by considering amongst others the probability of cash outflows and subsequently assessed the appropriateness of respective disclosure as provision or contingency in the financial statements.

In addition, we found the related disclosures to be adequate.

#### Key audit matter

#### Disclosure of the expected impact of IFRS 16

Refer to note 2.7.2 for the Management Board's disclosures, judgement and

Our procedures included evaluating the design effectiveness of estimates

Management's controls around the implementation of IFRS 16 i

IFRS 16, Leases becomes effective for annual reporting periods beginning on or after January 1, 2019. The application of this new standard as disclosed in note 2.7.2 is estimated to give rise to a right of use asset of €1.4 billion and a corresponding increase in lease liabilities of €1.4 billion for the Group.

We considered this to be a key audit matter because of the magnitude of the amounts involved, the implementation process required to identify and process all relevant data associated with these leases (including IT software and controls). In addition, Management's judgement is applied in determining matters such as discount rates and lease terms as well as applying policy elections such as the transition approach.

#### How our audit addressed the matter

Our procedures included evaluating the design effectiveness of Management's controls around the implementation of IFRS 16 including completeness and accuracy of the contractual lease agreements recognized in the lease accounting system.

We reviewed accounting position papers prepared by the Group to determine whether this has been set up in accordance with the requirements of IFRS 16.

We challenged Management on their accounting policy choice judgements and they provided us with reasonable explanations and evidence supporting these judgements.

Furthermore, we challenged management's assumptions used in determining the discount rates and lease terms. On a sample basis we agreed the key inputs to supporting documentation such as lease agreements. With the assistance of valuation experts we tested the discount rates applied by the Group. We also recalculated the right-of-use asset and lease liability calculated by the system for each material type lease contract.

We considered the disclosure on the implementation of IFRS 16, including the estimated impact on the Group financial statements at implementation date, to be adequate.

# 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 'Meet our CEO', 'Business Strategy', 'Impact along our value chain', 'Business performance', 'Corporate governance' and 'Shareholder information';
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

- is consistent with the financial statements and does not contain material misstatements;
- contains 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. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 4 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 32 to the Consolidated 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, 26 February 2019

PricewaterhouseCoopers Accountants N.V.

S. Laurie de Hernandez RA

#### Appendix to our auditor's report on the financial statements 2018 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 skepticism 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
- 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 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.



### **Transparency Appendix**

#### **Organization of CSR**

At GrandVision, we believe in integrating CSR into our daily processes. Together with our local retail banners, we make a difference by ensuring that our key focus areas are tangible, visible and manageable.

#### Structure and responsibilities

GrandVision has a clear governance structure based on a two-tier board, consisting of a Management Board and a Supervisory Board.

The Management Board currently includes the CEO and the CFO, while the Supervisory Board consists of five Supervisory Directors. The Management Board is responsible for achieving GrandVision's objectives, including those related to the areas of strategy, policy, quality and sustainability, as well as the day-to-day operations of the company. In performing its duties, the Management Board is guided by the interests of GrandVision and its stakeholders. The Management Board has the overall responsibility for CSR. It determines the company's strategy and sets targets and monitors our CSR performance.

A CSR Steering Committee advises the Management Board on strategy developments, monitors the integration of CSR into management processes and oversees the company's CSR targets and overall performance. The Committee is chaired by GrandVision's CFO and includes representatives from Investor Relations and Communications, Supply Chain, Operations, HR, and Finance. It maintains an external perspective and regularly reviews input from value chain partners and other stakeholders.

#### **About this report**

The aim of this combined annual report is to inform our stakeholders about our financial and non-financial developments during the calendar year 2018. It also presents our performance progress in relation to material topics - the boundaries and scope of which were determined in conjunction with our stakeholders.

The process for defining materiality, the content of this combined annual report and a full list of material topics are described in the materiality determination.

#### Scope of CSR information

The purpose of this combined annual report is to inform our stakeholders of our impact on society, in connection with our main strategic objectives and targets.

The scope of the report is determined based on the identified material topics.

The materiality matrix shows the topics' importance to stakeholders and their importance to GrandVision. Topics that are most important to our stakeholders and form our business perspective are included in this report. The report covers the 2018 fiscal year, which ran from 1 January 2018 to 31 December 2018.

The scope of our CSR performance includes all entities for which GrandVision holds management responsibility. Unless stated otherwise, the scope of our CSR data encompasses all GrandVision's activities. This also means subcontractors are not included, unless stated otherwise. Our CSR reporting includes new acquisitions as of the first full year of ownership. Divestments that occurred during the reporting year are excluded for the full year.

#### Reporting criteria non-financial information

This combined Annual Report was published on 8 March 2019.

GrandVision reports on CSR in accordance with the GRI Standards 'Core' version of the Global Reporting Initiative (GRI). Worldwide, these are the most commonly applied reporting guidelines. GRI is based on the principle of materiality and requires organizations to disclose their management approach to their most material topics. For further details about these guidelines, please refer to the GRI Content Index in this report. General information about GRI can be obtained from: www.globalreporting.org.

The option Core of the GRI Standards means that GrandVision reports on all general standard disclosures and a minimum of one specific standard disclosure relates to identified material topics. The process for defining material topics, is described in the Materiality determination and Stakeholder communication sections.

The results of this assessment (list of material topics for GrandVision, including their reporting priority) determine which GRI indicators are set out in the combined report. The overview can be found in the GRI Content Index in Other information: GRI Content Index, p. 209. The GRI content Index specifies the aspect boundaries and omitted indicators where relevant (including clarifications).

Apart from GRI, a voluntary guideline, GrandVision is legally required to report on specific topics related to non-financial and diversity information. This is part of the EU Directive Non-Financial Reporting, which we comply with.

No assurance on non-financial data is given in 2018. The ambition is to publish our first Integrated Annual Report on 2020 in 2021.

### Non-financial and diversity information

	Subtopic	Chapter/section reference
A brief description of the business model	Business environment	Business and strategy: Business environment, p. 19
	Organization and structure	Governance and compliance: Structure and responsibilities, p. 88-89
	Our market	Business performance: Segment performance , p. 76-81
	Strategy and objectives	Business and strategy: Business strategy , p. 22-23
	Long-term market drivers	Business and strategy: Business environment , p. 19
Relevant social and personnel topics	A description of the policies pursued	Impact along our value chain: Focus area 3, p. 46-53
	The outcome of these policies	Impact along our value chain: Focus area 1, p. 35-39 Impact along our value chain: Focus area 2, p. 40-45 Impact along our value chain: Focus area 3, p. 46-53
	Principle risks in own operations and within the value chain	Corporate governance: Risk management, p. 100-105
	How risks are managed	Corporate governance: Risk management, p. 100-105
	Non-financial key performance indicators	Impact along our value chain: Focus area 3, p. 46-53
Relevant environmental topics	A description of the policies pursued	Impact along our value chain: Focus area 4, p. 54-59
	The outcome of these policies	Impact along our value chain: Focus area 4, p. 54-59
	Principle risks in own operations and within the value chain	Corporate governance: Risk management, p. 100-105
	How risks are managed	Corporate governance: Risk management, p. 100-105
	Non-financial key performance indicators	Impact along our value chain: Focus area 4, p. 54-59
Relevant human rights topics	A description of the policies pursued	Impact along our value chain: Focus area 3, p. 46-53
	The outcome of these policies	Impact along our value chain: Focus area 3, p. 46-53
	Principle risks in own operations and within the value chain	Corporate governance: Risk management, p. 100-105
	How risks are managed	Corporate governance: Risk management, p. 100-105
	Non-financial key performance indicators	Impact along our value chain: Focus area 3, p. 46-53
	A description of the policies pursued	Corporate governance: Governance and compliance, p. 88-91 Impact along our value chain: Focus area 3, p. 46-53
and bribery		
and bribery	The outcome of these policies	Corporate governance: Risk management, p. 100-105 Impact along our value chain: Focus area 3, p. 46-53
and bribery		
and bribery	policies Principle risks in own operations and within the	Impact along our value chain: Focus area 3, p. 46-53
and bribery	policies  Principle risks in own operations and within the value chain	Impact along our value chain: Focus area 3, p. 46-53 Corporate governance: Risk management, p. 100-105
and bribery  Addressing board diversity	policies  Principle risks in own operations and within the value chain  How risks are managed Non-financial key	Impact along our value chain: Focus area 3, p. 46-53  Corporate governance: Risk management, p. 100-105  Corporate governance: Risk management, p. 100-105  Corporate governance: Risk management, p. 100-105
ŕ	policies  Principle risks in own operations and within the value chain  How risks are managed  Non-financial key performance indicators  A description of the policies	Impact along our value chain: Focus area 3, p. 46-53  Corporate governance: Risk management, p. 100-105  Corporate governance: Risk management, p. 100-105  Corporate governance: Risk management, p. 100-105  Impact along our value chain: Focus area 3, p. 46-53  Impact along our value chain: Focus area 3, p. 46-53
,	policies  Principle risks in own operations and within the value chain  How risks are managed  Non-financial key performance indicators  A description of the policies pursued	Impact along our value chain: Focus area 3, p. 46-53  Corporate governance: Risk management, p. 100-105  Corporate governance: Risk management, p. 100-105  Corporate governance: Risk management, p. 100-105  Impact along our value chain: Focus area 3, p. 46-53  Impact along our value chain: Focus area 3, p. 46-53  Corporate governance: Report from the Supervisory Board, p. 84-85  Impact along our value chain: Focus area 3, p. 46-53

# Materiality and stakeholder communication

In this report we present our performance in relation to our CSR Ambition. Our CSR Ambition and therefore the content of this report, are based on both an internal value chain analysis and on continuous communication with relevant stakeholders. Our most relevant stakeholders are our customers, business partners, investors and regulatory authorities. These stakeholders were selected because we have a direct influence on their interests. To enhance our awareness of the world around us and our impact on it, and to narrow down the focus of the report, each year we update a materiality analysis. This presents the most relevant topics to our stakeholders that GrandVision has an impact on. The

assessment is approved by the Management Board and consists of three steps:

#### Step 1. Determination of relevant topics

GrandVision annually updates a shortlist of relevant topics based on internal (strategy and risk related) and external (context related) developments. Relevant topics are those with which GrandVision has or can have an impact, inside the organization and in the value chain or society. During an internal consultation, the CSR coordinator validated the updated shortlist and where relevant, topics were further defined and missing topics were added.

In order to cover the content, the following topics were renamed, redefined or the scope was broadened:

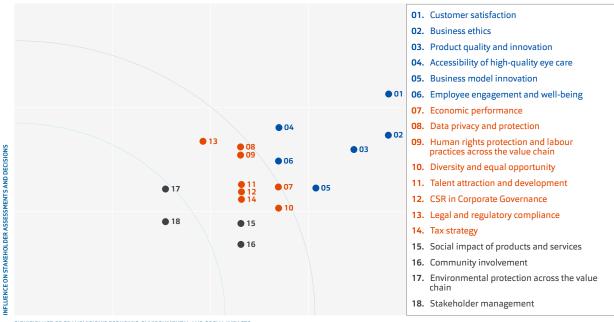
Topics name in 2018	Adjustment	Topics name in 2017
Accessibility of high-quality eye care	Renamed	Quality and accessibility of our eye care offering
Product quality and innovation	Combined	Quality and safety of eye care products & innovation in provision of eye care
Employee engagement and well-being	Renamed	Employee engagement and satisfaction
Social impact of products and services	Combined	Eye care impact & customer awareness and education
Legal and regulatory compliance	Renamed	Legal compliance
Talent attraction and development	Renamed	Talent attraction, development and retention
Stakeholder management	Renamed	Stakeholder communication and engagement
CSR in Corporate Governance	Broadened scope	Employee engagement in CSR

#### Step 2. Determination of reporting priority

The topics determined as relevant are assessed in terms of their influence on GrandVision's ability to impact society and influence stakeholders' decisions. To this end, several consultations were carried out.

To prioritize the topics from a stakeholders' perspective, a stakeholder consultation was performed through an online survey including our most important stakeholder groups; employees, investors, customers, suppliers and analysts. These stakeholders were selected because GrandVision directly influences their interests. An internal consultation was held with the Management Board to adjust the prioritization of topics from GrandVision's perspective.

The outcome is presented in the materiality matrix below.



SIGNIFICANCE OF GRANDVISION'S ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS

The combination of the horizontal axis, which represents the prioritization from GrandVision's perspective, and the vertical axis, representing the prioritization from stakeholders' perspective, helps us to determine the most material topics. GrandVision implements the outcomes of this assessment as follows:

- For the high and medium material topics GrandVision aims to create impact along its value chain by defining KPIs to monitor the impact and develop future targets to maintain sustainable business operations.
- The high material topics are aligned with GRI we report one specific standard disclosure related to these topics (GRI Content Index) to meet stakeholders' information needs.
- The lower material topics are those where GrandVision wants to demonstrate its social responsibility.

#### **Materiality topics**

Topic	Definition	Scope	КРІ	Results 2018	Target
Customer satisfaction	Continuously taking into account and improving GrandVision's services in order to achieve a high level of customer satisfaction	Customers	NPS	60+	-
Business ethics	Providing a business environment in which people adhere to the code of conduct, are transparent, honest and do not demonstrate fraudulent conduct and behavior.	GrandVision organization	% of employees taking the GV Code of Conduct training through e-learning annually	85.5%	100% by 2019
Product quality and innovation	Assuring the highest possible quality and safety of our eye care products and investing in innovative technological products and services to fulfil changing customer needs and demand.	Customers	Meet requirements of Regulation EU 2017/745	-	2020
Accessibility of high-quality eye care	Making high-quality eye care products and services accessible to more and more people around the world.	Customers, Community	Store network	7.095	≥1% average by 2023
Business model innovation	Staying up-to-date with the constantly developing industry due to mega trends and developments (digitization, omni-channel, etc.)	Customers	E-commerce share of total sales	N/A	10% by 2023
Employees engagement and well-being	Guaranteeing a safe and healthy working environment where GrandVision's employees feel engaged and are enabled to deliver their best performance.	GrandVision organization	NPS Score	*Measured and addressed locally	-

#### Step 3. Implementation

Based on the outcomes of the materiality assessment, approved by the Management Board, GrandVision determines the topics to be addressed in this combined Annual Report, including the scope and boundaries of topics. Business lines and local divisions are informed and involved so these topics are acted on and reported.

In future, we will continue to engage with our stakeholders to gain further insight into the materiality of topics and prioritize these in greater detail.

#### **Data collection process**

The CSR data set out in this report has been partially collected through a standardized Excel reporting format. The data has been sourced from information management systems at GrandVision business lines and local divisions. CSR data on HR, Legal and the store network was collected using our FP&A data management system. Once collected, it is consolidated and subject to a trend analysis. In case trends deviate significantly, information is contextualized and verified with the relevant data provider.

The data for this report was quantified. Where no data was available, it was estimated. No uncertainties or inherent limitations to the data were identified as a result of measurement, estimation or calculation.

The internal Audit and Corporate Control departments used consistency and the availability of supporting evidence as the basis of their assessment of the data reported.

Our CSR KPIs are presented in this report. Significant changes in definitions and measurement methods compared to previous reporting periods are explained where relevant. In 2018, no changes regarding our CSR policies and objectives were made. The topics presented in this report have been selected based on our CSR Ambition. We have decided not to have our CSR data externally verified at this stage. None of our stakeholders have asked us to obtain external assurance and moreover, our focus in the year has been on integrating and measuring progress against our CSR Ambition.

Our ambition is to publish our first Integrated Annual Report on 2020 in 2021.

#### **Reporting benchmarks**

Our Annual report(s) are externally benchmarked.

Among others, we participate in the Transparency Benchmark, which is conducted by the Dutch Ministry of Economic Affairs across 500 companies. This benchmark indicates how transparent companies are perceived in their reporting. GrandVision took an important step forward in the benchmark, going from 161st in 2016 to an overall ranking of 84th in 2017. In the retail sector we are placed 3rd with a total of 147 of 200 points. We are aware that there is still room for improvement and we have the ambition to maintain and improve our transparency ranking.

From 2017 the benchmark has been performed every two years and criteria as been updated. This combined

report will be subject to 2019 benchmark.

The Tax Transparency Benchmark aims to contribute to the debate around 'good tax governance' and 'paying your fair share in taxes' by presenting a clear picture of the state of socially responsible tax governance by multinational companies listed in the Netherlands.

The benchmark is conducted by the Association of Investors for Sustainable Development (VBDO). We have been participating in this benchmark since 2015. In this comparative study of 76 Dutch-listed companies, GrandVision ranked 7<sup>th</sup> in 2018.

Below is an overview of benchmarks we have participated in over recent years along with our scores, rankings and progress.

Rating agency	2016	2017	2018
CDP (The Carbon Disclosure Project)	N/A	Rank: n/a Score: C-	Rank: 30/89 (in NL) Score: C
Dutch Transparency Benchmark	Rank:161/500 Points: 76/200	Rank: 84/500 Score: 147/200	New regulations - next Benchmarking in 2019
VBDO (The Association of Investors for Sustainable Development)	Rank: 41/68 Points: 11/39	Rank: 35/76 Score: 14/37	Rank: 17-21/76 Score: 17/35
Sustainalytics	N/A	Rank: n/a Score: 60/80	Rank: 6/139 Score: 74/80
Vigeo Eiris	Score: 23 points	Score: 25 points	Next benchmarking in 2019
FTSE4Good	N/A	N/A	Rank: 83% Score: 3.8/5



# **GRI Context Index** GRI 102: General disclosures 2018

#### Organizational profile

Indicator	Indicator	References
102-1	Name of the organization	Report front cover, p. 1
102-2	Activities, brands, products, and services	Business and strategy: Business model, p. 26-31
102-3	Location of the organization's headquarters	Contact information & colophon, p. 215
102-4	Number of countries operating	Financial and operational KPIs, p. 9 Business performance: Segment performance, p. 76-81
102-5	Nature of ownership and legal form	Corporate Governance: Explaining our Corporate Governance, p. 83
102-6	Markets served	Business performance: Segment performance, p. 76-81
102-7	Scale of the reporting organization	Financial and operational KPIs, p. 9
102-8	Information on employees and other workers	Our team, p. 7 Impact along our value chain: Focus area 1, p. 35-39 Impact along our value chain: Focus area 3, p. 46-53
102-9	Supply chain	Impact along our value chain: Our CSR Ambition, p. 33-34
102-10	Significant changes to the organization and its supply chain	Meet our CEO, p.13-15
102-11	Precautionary Principle or approach	Risk management: Enterprise Risk Management, p. 101-103 Impact along our value chain: Our CSR Ambition, p. 33-34
102-12	External initiatives	Impact along our value chain, (SDGs) p. 32-61 Impact along our value chain: Focus area 3, (ILO, UDHR) p. 46-53 Impact along our value chain: Our long-term impact on society, (SDGs) p. 60-61
102-13	Memberships of associations	N/A

#### Strategy

Indicator	Indicator	References
102-14	Statement from senior decision maker	Meet our CEO, p. 13-15

#### **Ethics and integrity**

Indicator	Indicator	References
102-16	Values, principles, standards and norms of behavior	Impact along our value chain: Focus area 3, p. 46-53 Other information: Organization of CSR, p. 203

#### Governance

Indicator	Indicator	References
102-18	Governance structure	Corporate governance: Governance and compliance, p. 88-91 Other information: Organization of CSR, p. 203

#### Stakeholder engagement

Indicator	Indicator	References
102-40	List of stakeholder groups	Other information: Materiality and stakeholder communication, p. 205-206
102-41	Collective bargaining agreements	Impact along our value chain: Focus area 3, p. 46-53
102-42	Identifying and selecting stakeholders	Other information: Materiality and stakeholder communication, p. 205-206
102-43	Approach to stakeholder engagement	Other information: Materiality and stakeholder communication, p. 205-206
102-44	Key topics and concerns raised	Other information: Materiality and stakeholder communication, p. 205-206

#### Reporting

IndicatorReferences102-45Entities included in the consolidated financial statementsFinancial statements: 31. Conting102-46Defining report content and topic boundariesOther information: About this result102-47List of material topicsOther information: Materiality at 102-48102-48Restatements of informationOther information: About this result102-49Changes in reportingOther information: About this result	
102-46Defining report content and topic boundariesOther information: About this re102-47List of material topicsOther information: Materiality a102-48Restatements of informationOther information: About this re	
102-47 List of material topics Other information: Materiality a 102-48 Restatements of information Other information: About this re	ngencies, p.182-183
102-48 Restatements of information Other information: About this re	eport, p. 203
	nd stakeholder communication, p. 205-206
102-49 Changes in reporting Other information: About this re	eport, p. 203
	eport, p. 203
102-50 Reporting period Reporting period is 1 January 20	018 - 31 December 2018
102-51 Date of most recent report Our most recent Annual Report	was published on 8 March 2018
102-52 Reporting cycle Other information: About this re	eport, p. 203
102-53 Contact point for questions regarding the report Contact information & colophor	n, p. 215
102-54 Claims of reporting in accordance with the GRI Standards Other information: About this re	eport, p. 203
102-55 GRI Content Index Other information: GRI Content	Index, p. 209-211
102-56 External assurance Other information: About this re	eport, p. 203

#### GRI 103: General disclosures 2018

#### Material topics GrandVision reports with GRI Specific indicators

#### Employee engagement and well-being

Indicator	Indicator	References	Omissions
103 Management Approach (2016)	103-1 Explanation of the material topics and their boundaries	Impact along our value chain: Focus area 1, p. 35-39 Impact along our value chain: Focus area 2, p. 40-45 Impact along our value chain: Focus area 3, p. 46-53 Other information: Transparency appendix, p. 203-213	
	103-2 The management approach and its components	Impact along our value chain: Our CSR ambition, p. 33-34 Impact along our value chain: Focus area 1, p. 35-39 Impact along our value chain: Focus area 2, p. 40-45 Impact along our value chain: Focus area 3, p. 46-53 Other information: Transparency appendix, p. 203-213	
	103-3 Evaluation of the management approach	Impact along our value chain: Focus area 2, p. 40-45	
404-1 (2016)	Average hours of training per year per employee	Impact along our value chain: Focus area 1, p. 35-39 Impact along our value chain: Focus area 2, p. 40-45 Impact along our value chain: Focus area 3, p. 46-53	A global reliable indicator for employee satisfaction is not yet available, as different countries report in different ways. We have the ambition to consolidate our overall employee satisfaction score into a single global NPS score. To measure our efforts related to employee engagement, we report through GRI 404-1, although a breakdown of training hours by gender is not done.

#### **Business ethics**

Indicator	Indicator	References	Omissions
103 Management Approach (2016)	103-1 Explanation of the material topics and their boundaries	Impact along our value chain: Focus area 3, p. 46-53 Corporate Governance: Explaining our corporate governance, p. 83 Other information: Materiality and stakeholder communication, p. 205-206	
	103-2 The management approach and its components	Corporate Governance: Risk management, p. 100-105 Impact along our value chain: Focus area 3, p. 46-53	
	103-3 Evaluation of the management approach	Corporate Governance: Risk management, p. 100-105	
419-1 (2016)	Non-compliance with laws and regulations in the social and economic area	There were no significant fines paid by GrandVision in 2018	

#### **Customer satisfaction**

Indicator	Indicator	References
103 Management Approach (2016)	103-1 Explanation of the material topics and their boundaries	Business and strategy: Business model, p. 26-31 Impact along our value chain: Focus area 2, p. 40-45 Other information: Transparency appendix, p. 205-215
	103-2 The management approach and its components	Business and strategy: Business model, p. 26-31 Corporate governance: Risk management, p. 100-105 Other information: Transparency appendix, p. 203-213
	103-3 Evaluation of the management approach	Business and strategy: Business model, p. 26-31 Corporate governance: Risk management, p. 100-105 Other information: Transparency appendix, p. 203-213
102-43 (2016)	Approach to stakeholder engagement	Other infotmation: Materiality and stakeholder communication, p. 205-206

#### Material topics GrandVision reports with own indicators

#### **Business model innovation**

Indicator	Indicator	References
103 Management Approach (2016)	103-1 Explanation of the material topics and their boundaries	Business and strategy: Business model, p. 24-29 Other information: Transparency appendix, p. 205-215
	103-2 The management approach and its components	Business and strategy: Business model, p. 24-29 Other information: Transparency appendix, p. 205-215
	103-3 Evaluation of the management approach	Business and strategy: Business model, p. 24-29 Corporate Governance: Risk management, p. 102-106
Own indicator	E-commerce share of total sales	Business and strategy: Business model, p. 24-29 Other information: Materiality and stakeholder communication, p. 205-206

#### Product quality and innovation

Indicator	Indicator	References
103 Management Approach (2016)	103-1 Explanation of the material topics and their boundaries	Business and strategy: Business model, p. 24-29 Impact along our value chain: Focus area 1, p. 33-37
	103-2 The management approach and its components	Business and strategy: Business model, p. 24-29 Impact along our value chain: Focus area 1, p. 33-37 Corporate Governance: Governance and compliance, p. 90-92
	103-3 Evaluation of the management approach	Impact along our value chain: Our CSR ambition, p. 31-32 Corporate Governance: Risk management, p. 102-106
Own indicator	Meet requirements of Regulation EU 2017/745	Impact along our value chain: Focus area 1, p. 33-37 Other information: Materiality and stakeholder communication, p. 205-206

#### Accessibility of high quality eye care

Indicator	Indicator	References
103 Management Approach (2016)	103-1 Explanation of the material topics and their boundaries	Business and strategy: Business model, p. 24-29 Impact along our value chain: Focus area 1, p. 33-37
	103-2 The management approach and its components	Business and strategy: Business model, p. 24-29 Corporate Governance: Governance and compliance, p. 90-92 Impact along our value chain: Focus area 1, p. 33-37
	103-3 Evaluation of the management approach	Impact along our value chain: Our CSR ambition, p. 31-32 Corporate Governance: Risk management, p. 102-106
Own indicator	Store network	Impact along our value chain: Focus area 1, p. 33-37 Other information: Materiality and stakeholder communication, p. 205-206

#### **Definitions Table**

#### **Definitions**

С		
Carbon footprint	An indicator that measures the total carbon emissions emitted by GrandVision. It shows the environmental impact and the contribution to climate change. The carbon footprint as measured in this report comprises the total carbon emissions of transportation (in and outbound) and processing (cutting and edging) at TechCenters.	
CEO	Chief Executive Officer	
CFO	Chief Financial Officer	
CSI	Concentrated spend index is a relative indicator that measures the concentration of spending on (strategic) suppliers.	
CSR	Corporate Social Responsibility	
E		
ETR	Effective tax rate is a relative indicator that divides income tax by total pre-tax results.	
Employees (FTEs)	Total number of full time equivalents of GrandVision employees during a reporting year.	
Employees (headcounts)	Total number of unique GrandVision employees during a reporting year.	
Energy efficiency	A relative indicator that measures the amount of energy required to process one spectacle at a TechCenter. It is calculated by the total amount of energy used by all TechCenters divided by the total number of processed spectacles in the reporting year.	
Environmental Impact	The impact that an organization has on the environment. This can be in terms of emissions, water use, energy use and waste. GrandVision discloses emissions, water use and energy.	
F		
FTE	Full time equivalent is a unit that indicates workload. One FTE equals the workload of one employee who works 40 hours per week for one year.	
G		
GRI	Global Reporting Initiative	
I		
ILO	International Labor Organization	
К		
КРІ	Key performance indicator	
L		
LED	Light-emitting diodes are an energy efficient light source.	
М		
Materiality	The degree to which an issue is important for GrandVision and its stakeholders.	
N		
NGO	Non-Governamental Organization	
0		
OECD	Organization for Economic Co-operation and Development	
S		
SDG	Sustainable Development Goal	
Spectacles	Prescription glasses, sunglasses with prescription lenses and reading glasses.	

Т

TechCenter One of the 15 centralized locations at which GrandVision processes spectacles (cutting and edging, etc.).

Training hoursThe total number of hours spent on the total workforce in the reporting year.TransportationThe transportation process from production facilities to local warehouses.

**Transportation inbound** The transport process (by road, ocean or air) from production facilities to the central warehouses.

Transportation outbound The transport process (by road or air) from the central warehouse to local warehouses.

U

**UDHR** Universal Declaration of Human Rights

W

Water efficiency A relative indicator that measures the amount of water required to process one spectacle in a TechCenter. It is calculated

by the total amount of water used by all TechCenters divided by the total number of processed spectacles in the reporting

year.



# **Contact information & colophon**

#### Contact information

For any questions regarding this report, you may reach us at:

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