GrandVision

EYE CARE, WE CARE MORE

GrandVision by the numbers

GrandVision is a leading global optical retailer with more than 7,400 stores worldwide and a growing online presence. We achieve success by offering our customers expert eye care services along with a large selection of unique and stylish prescription glasses, contact lenses, sunglasses and eye care products.

Our operations

7,406
Stores +4.4%

866K+
Daily store visits +4.0%

18.2M
Glasses sold +7.7%

Our people

39K+
Employees (headcount) +7.0%

17.3
Training hours per person +2.5%

68%
Percentage of total female FTEs

Our financial results

€4.0B
Revenue +8.7%

€604M
Adjusted EBITDA* +5.1%
**Pre-IFRS 16*

4.1%
Comparable growth

Projected market growth by category

4.4%
Optical

6.0%
Sunglass

4.6%
Contact lens

Source: Euromonitor for 2020-2024

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 worldwide and turn them into fans.

Our strategy

Further expand our global presence and develop and deploy state-of-the-art global capabilities in eye care and optical retail.

Our customer journey

Pre-sales

1. Discover

2. Plan

3. Eye check

During sales

4. Browse

5. Decide

6. Buy

Post-sales

7. Receive

8. Wear

9. Care

2019 at-a-glance

	2019 (reported)	2019 (pre-IFRS16)	2018	2017	2016
Results					
Revenue (€ million)	**4,039**	**4,037**	3,721	3,450	3,316
Organic growth (%)	**5.2%**	**5.1%**	3.9%	3.5%	3.5%
Comparable growth (%)	**4.1%**	**4.1%**	3.4%	1.8%	2.2%
Adjusted EBITDA (€ million, reported)	**990**	**604**	576	552	537
Adjusted EBITDA margin (%)	**24.5%**	**14.9%**	15.5%	16.0%	16.2%
Adjusted EBITA (€ million)	**475**	**443**	426	415	410
Adjusted EBITA margin (%)	**11.8%**	**11.0%**	11.5%	12.0%	12.4%
Operating result (€ million)	**324**	**292**	337	327	358
Net result (€ million, reported)	**195**	**193**	237	249	252
Earnings per share, basic (in €)	**0.70**	**-**	0.85	0.9	0.92
Adjusted EPS, basic (in €)	**0.91**	**-**	0.91	0.97	0.96
Operational Information					
System wide sales (€ million)	**4,407**	**-**	4,079	3,784	3,657
Number of stores	**7,406**	**-**	7,095	7,001	6,516
Number of own stores	**6,226**	**-**	5,897	5,817	5,402
Number of franchise stores	**1,180**	**-**	1,198	1,184	1,114
Number of employees (average FTE)	**34,143**	**-**	32,400	31,802	28,766
Liquidity and Debt					
Free cash flow (€ million)	**296**	**-**	238	143	255
Capital expenditure (€ million)	**198**	**-**	210	197	176
Store capital expenditure (€ million)	**127**	**-**	162	140	124
Non store capital expenditure (€ million)	**70**	**-**	48	57	52
Net debt (€ million)	**753**	**-**	743	832	750
Net debt leverage (times)	**1.2**	**-**	1.3	1.5	1.4

Definitions

Comparable growth (%) Like-for-like sales growth of those stores that were also open for the entire previous year.

Organic growth (%) Change in revenue as compared to the prior period, excluding changes in revenue attributable to acquisitions and the effect of fluctuations in foreign exchange rates.

Adjusted EBITDA, EBITA and EPS EBITDA, EBITA and EPS before non-recurring items.

System-wide sales All revenue generated by GrandVision's stores to customers, including franchise stores, but excluding associates' stores.

Free cash flow* Cash flow from operating activities after capital expenditure and net repayment of lease liabilities and receivables.

Net debt Net debt consists of the Group's borrowings, derivatives and cash and cash equivalents, excluding lease liabilities.

Net debt leverage* Net debt expressed as a multiple of EBITDA-covenants, which is defined as adjusted EBITDA less depreciation of right-of-use assets and net financial result on lease liabilities and receivables.

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A message from our CEO

Significant progress made towards our mission of providing high-quality and affordable eye care solutions to our customers

Dear Stakeholders,

I am pleased to share with you that 2019 was an exciting year with strong revenue growth for GrandVision, thanks to the continuous pursuit of our strategic plans and our global team's hard work and dedication.

Our results confirm the further strengthening of our position in the growing and evolving eye care market. We continue to benefit from megatrends that are driving growth in the markets. Rising populations, aging, expanding middle classes and urbanization are pushing demand for more and better eye care services and products.

Meanwhile, the digitalization of health care, including eye care, is transforming our customer journey. And, major consumer trends like heightened health and lifestyle awareness, fashion consciousness and an increasing demand for convenience also favor our business model and strategy.

Strong topline performance in 2019
Our revenue increased by 8.7% at constant exchange rates to €4.0 billion for the full year. We had a comparable revenue growth of 4.1%. This has been our best performance since 2015. Our acquisitions added an additional 3.6% to revenue, as we strengthened our position in a number of markets that include Switzerland and Spain.

Based on our satisfying revenue growth, we achieved EBITDA growth of 5.1%, which reflects our ongoing investments into omnichannel and Product Value Chain initiatives.

Accelerating the implementation of digital platforms
Last year, we made significant progress towards our first strategic objective of transforming our business into a leading optical retailer across multiple channels.

The digital transformation of our industry has shown clear signs of acceleration across all categories in 2019. Also, we pursued multiple initiatives during the past year to position ourselves closer to becoming the leading global omnichannel optical retailer. They included the implementation of enhanced digital solutions across the Group, an acceleration of our e-commerce business performance and the successful expansion of our online contact lens business across Western Europe.

We particularly strengthened our digital infrastructure by connecting 10 retail brands in eight markets to our global omnichannel platform.

Thanks to these efforts, our improved omnichannel offer has attracted a significant number of new customers to our business. Enabling customers to access our eye care offers through their preferred channels helps us to achieve our strategic objective of converting customers into fans worldwide.

Additional strong growth came from our pure play e-commerce businesses, which made tremendous progress in 2019. Pure play online sales increased by more than 64% year-on-year. Main drivers were Lenstore and its ongoing growth and expansion into France and Italy, and the acquisition of Charlie Temple in The Netherlands.

As a result, GrandVision's group-wide Net Promoter Score, which measures the willingness of our customers to recommend our products or services to others, improved from 62 in 2018 to 65 in 2019.

Organic and inorganic growth in our core markets
In January 2019, we acquired the Charlie Temple brand to gain traction in the important pure play online spectacles segment. Charlie Temple is a highly compatible addition to our business and a seamless fit with our approach of providing consumers with high-quality, affordable eyewear via a distinct digital customer journey. Going forward, we plan to capitalize on opportunities to link Charlie Temple's platform with our brick and mortar business, as well as to expand the brand into additional markets.

We also successfully expanded our market positions in Spain and Switzerland through two acquisitions. The McOptic business in Switzerland operates in the low-to-mid segment of the market, which perfectly complements the upper market position of our current Visilab business. The acquisition of Óptica2000 in Spain made us the third largest player in the country in combination with our existing +Visión retail brand.

Evolving our Product Value Chain
Our second main strategic focus area is our 'End-to-end Product Value Chain' initiative. Throughout 2019, we moved from the planning stage to executing our strategy with the goal of improving customer experience while increasing business efficiency.

In October, we successfully launched our Regional Fulfilment Hub (RFH) in Porto, Portugal. The facility, fully connected to five operating companies in Northern and Southern Europe, now processes customer orders from lens cutting to full mounting. Centralized facilities like our Porto RFH are designed to further reduce inventory levels, shrinkage, remakes and, combined with the ongoing roll-out of our showroom model, minimize customer lead times. The Porto RFH is the first of its kind, and moving forward, we will expand this model to all our existing and new RFHs.

Our new RFH model also creates significant environmental benefits such as the reduction of water consumption, energy efficiency and improved waste management.

Meeting challenges in certain markets

In 2019, our U.K. Vision Express business was negatively impacted by a weaker general consumer sentiment and reduced customer footfall. Even with our generally resilient business model in place, we were not immune to these impacts. Recent management changes and the ongoing integration of the 200 Tesco stores we acquired in 2018 also created additional operational challenges for us.

The performance of our U.S. For Eyes business has continued to be below expectations. In Q2 2019 we introduced a new management team with a clear mandate to implement a strategic and operational turnaround plan. The U.S. market is of strategic importance and we remain committed to operating a successful business over the mid-term.

On a positive note, I am pleased that we successfully delivered on our commitment to turn around our Benelux and Italian businesses in 2019.

We remain committed to improving the communities around us

As a leading optical retailer, our mission is to provide more people around the world access to high-quality eye care. We have made substantial progress in integrating environmental, social and governance consideration into our strategy and operations, in line with our ambition to be a responsible corporate citizen.

Across the Group, we have intensified our interactions with external stakeholders and created an active CSR ambassador community across all countries. Harnessing their expertise and enthusiasm, we are able to provide free eye tests and eye care products to people in need, as well as raise awareness of the importance of eye health.

We also have continued to further reduce our environmental impact. Our activities range from sourcing more sustainable material for our frame production to creating extensive waste reduction programs in our supply chain and an ongoing investment in RFHs that help us more efficiently manage the resources needed to finish products. And, these efforts are reflected in our reporting score improvements. I am proud to share with you that in 2019 we increased our score with the Carbon Disclosure Project from C to B, which puts us in the upper level of reporting participants.

People are at the heart of GrandVision's accomplishments

The success of our business depends, by and large, on the hard work, values and dedication of our extraordinary people. To support and empower career development, as well as further shape our company for the future, we continued to develop and professionalize our approach to talent management in order to attract and retain the best people. This includes an increased focus on promoting internal candidates, but also better external hires of top talent.

GrandVision's combination with EssilorLuxottica opens up new opportunities

In July, we announced EssilorLuxottica's intention to acquire HAL's majority stake in GrandVision for a purchase price of €28.00 per share, which would be increased to €28.42 per share if the transaction is not completed by 31 July, 2020. The purchase price of €28.00 per share represents a premium of 33.1% to GrandVision's closing price on 16 July, 2019 of €21.04.

The proposed combination of GrandVision with EssilorLuxottica offers exciting new opportunities for our established retail brands, stores, employees and stakeholders. EssilorLuxottica's interest in GrandVision is a clear recognition and validation of our successful strategy, state-of-the-art retail platform and talented people.

We are keeping our employees, investors and other stakeholders well-informed as both companies move through the regulatory approval processes in various jurisdictions. For now, we remain focused on maintaining business continuity and achieving our medium-term objectives.

2020 and beyond

Looking forward, I would like to reassure all of GrandVision's stakeholders that we are confident in pursuing our strategy and vision. The possible integration with EssilorLuxottica will help us further accelerate the achievement of these objectives.

At the same time, the global retail landscape, including the optical space, will continue to feel the effects of economic and political uncertainty as well as the ongoing introduction of new technology and changing consumer behaviors.

With this in mind, our 2019 achievements reconfirm the need for GrandVision to keep investing in, and strengthening, our digital activities and global Product Value Chain. This will help us to attract new customers and to convert satisfied customers into loyal fans, thanks to our outstanding product range and services, competitive prices, a modern omnichannel shopping experience and faster deliveries.

As I reflect on the year behind us, the one lever of success that stands out the most is our people. Our employees share the same passion and ambition to make GrandVision a global retail leader of high-quality optical products and services. With a strong foundation in place and an agile approach to applying new ideas, we are well-positioned to further gain global market share.

I want to thank all shareholders for their continued trust and support. I would also like to thank all of our employees for their passion and commitment to the success of GrandVision. The progress we have made would not have been possible without their support and dedication to our mission.

Yours sincerely,

Stephan Borchert
CEO, GrandVision N.V.


C·line
CLASSIC IS ALWAYS CHIC

CHAPTER

Business and strategy

The environment in which we operate

We are a global optical retail leader active in more than 40 countries across multiple continents. That is why we understand the importance of aligning our business model and strategy with the global market and megatrends, as well as with major social and environmental issues.

Today, at least 2.2 billion people have a vision impairment or blindness – that is nearly one third of the world's population. Yet, eye care is still out of reach for at least 1 billion people who predominantly live in underserved areas of the world (source: WHO).

Meanwhile, the global eyewear market has grown steadily by 4% over the last decade and is expected to continue to expand by approximately 4.7% each year for the next five years (source: Euromonitor). This consistent growth is underpinned by changing global market trends such as evolving consumer megatrends, evolving market structure and technology and category growth. This growth is also influenced by global megatrends like a growing and aging population, urbanization and an expanding middle class, and digitalization and eye health.

- *Growing and aging population:* Aging is one of the most significant global demographic factors impacting eye care, as vision correction needs become more complex as a person grows older. This tends to be greater in low- and middle-income countries, especially among underserved population segments such as women, migrants, indigenous peoples, people with disabilities and those living in rural communities. Population growth and aging, along with behavioral and lifestyle changes and urbanization will dramatically increase the number of people with eye conditions, vision impairment and blindness in the future.
- *Urbanization and expanding global middle class*: By 2030, the global middle class is expected to reach 5.3 billion people. This means there will be more than an additional two billion people with increased purchasing power compared to today. While the expanding global middle class may drive retail economic development and increased business opportunities, urbanization and consumer behavior changes, as well as consumption patterns, can impact the environment negatively. However, employees, suppliers and customers demand more regulations, good governance, and fair and equal opportunities. They also pay closer attention to leading healthy lifestyles, purchasing more sustainable products, and consuming more consciously.
- *Digitalization and eye health:* Technology has led to increased work efficiencies and shopping patterns, easier access to information and faster, more transparent communication. It has also disrupted many industries, including the optical industry. While digital technology has improved our lives, the increased time we spend looking at our mobile devices and computer screens can negatively affect our health, as well as the health of our eyes.

Below, we explain how we tailor our business to respond to these global trends. In the section, 'How we create long-term value for our stakeholders,' we take our analysis further and show how we align our business model and strategy to the UN Sustainable Development Goals agenda.

Market trends	Related megatrends
• Evolving consumer megatrends • Evolving market structure • Technology and category growth	• Growing and aging population • Urbanization and expanding global middle class • Digitalization and eye health

How we respond

Our portfolio is positioned in some of the world's most active structural markets, and our growth across each eyewear category is underpinned by emerging markets. By expanding our market presence, we also increase access to affordable high-quality eye care, and contribute to underprivileged communities through philanthropic activities.

We focus on key capabilities and operational excellence to drive economies of scale in category management, procurement, production, omnichannel and digital channels. We promote safe and sustainable production and operations, and support a diverse and inclusive global workforce with fair and equal working conditions for all.

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

We update our store experience and products and implement a new e-commerce experience to enhance our customer journey. We also take responsibility to educate our customers about responsible consumption patterns and give opportunities to extend the lifecycle of their products.


Solaris
THE ULTIMATE SUNGLASS SELE TION
-50%
SHOP TAX FREE
-20%
-30%
-50%
Ready to go?
UP TO
-50%
Start your Summer with style
PE

Our business model

We distinguish ourselves from other optical retailers by offering consumers a simple, safe and transparent customer journey. We do this by providing affordable, high-quality products and best-in-class eye care services. GrandVision also responds to our stakeholder expectations and evolving needs of society by integrating environmental, social and governance considerations into our business model and strategy.

Our core activities

We optimize our highly adaptive business model to meet different regulatory environments and market structures. At the same time, we manage our stores and services to address the specific needs of each market we operate in, and closely regulate our supply chain.

We pride ourselves on bringing high-quality and affordable spectacles, sunglasses and contact lenses from the design and manufacturing stages to our retail brand stores around the world. Our core activities include the production of our Exclusive Brand eyewear, the selection of third-party branded products, running a retail omnichannel network across 40+ countries, and providing award-winning eye care services for customers.

Our Product Value Chain

We collaborate with strategic suppliers to select on-trend frames and sunglasses, as well as contact lenses and eyewear products for our stores around the world. Our teams closely oversee their production and manufacturing processes to ensure safety and quality. To complete the journey from our manufacturing facilities to stores, we ensure prompt product transportation and delivery. Customers can then browse our selection in stores and online.

In 2019, our Exclusive Brand frames made up 66% of our total optical sales, while sunglasses accounted for 40% of our total sunglasses sales.

We also have our own sun business unit, Solaris, which operates through a four-channel strategy:

1. Solaris corners in optical stores
2. Dedicated stand-alone Solaris stores
3. Department store displays
4. Pop-up shop concepts

Solaris offers a variety of fashionable third-party products, as well as a line sold under its own name. In 2019, we increased our Solaris footprint by 7%, reaching more than 4,500 points of sale compared to the previous year.

The strength of our retail omnichannel network

GrandVision operates more than 30 major optical retail brands across 40+ countries that mainly target mid-to-low market segments. In Belgium, France, The Netherlands, Mexico, Spain and Switzerland, we operate a second brand that serves the mid-to-high market segment.

In 2019, we grew our store network to 7,406 stores, an increase of 4.4% compared to the previous year. While our global digital efforts accelerated our global omnichannel, and our e-commerce sales grew by 66% year-on-year. We also achieved a significant increase in digitally influenced store sales driven by omnichannel tools such as online appointment booking, mobile-first websites, store locators and advanced CRM.

Our brands' success and strong performances contribute to their reputations. In 2019, we were honored in the following ways:

- Service awards: Read section 3.1 'Our many customer touchpoints' for more details.
- Retailer awards: Read section 3.1 'Our many customer touchpoints' for more details.
- Employer awards: Read section 1.2 'How we develop and nurture talent' for more details.

We work hard to make our customers happy

Our customers are our priority, and our goal is to deliver top-notch service in our stores. Our simple, safe and honest customer journey includes eye screenings, contact lens fittings, eyewear style advice, as well as after-care services.

Thanks to our hard work and ongoing customer service and experience improvement, we are able to report high levels of customer satisfaction. We measure this through our NPS score, an index on a scale from 1 to 100 showing the willingness of our customers to recommend our products or services to others.

In 2019, we have increased our NPS score from 62 in 2018 to 65 in 2019, which puts us in the 'Excellent' range.

Apollo

Atasun Optik

brilleland

CHARLIETEMPLE

Econolentes
by GrandVision

eye wish opticiens

For Eyes
by GrandVision

Generale d'Optique

GrandOptical

GrandVision
观视界

GrandVision
by FOTOTICA

GrandVision
Avanzi | OPTISSIMO

instrumentarium

interoptik

KEOPS
OPTIIKKA

KOCH®
OPTIK

Lafam

Линзмастер
салоны оптики

LENSTORE.co.uk
VISION CARE EXPERTS

LINSEN MAX

+Vision

+Visión
by GrandVision

Mc Optic+

MultiOpticas

NISSEN

Ofotért

OPTICAS LUX

optica XPRESS

OPTICA2000

Pearle
opticiens

Robin Look
DER UNVERSCHÄMT GÜNSTIGE OPTIKER.

Rotter & Krauss

(sightful)

Solaris

Synoptik

TRENDY OPTICIANS

VISILAB

VISION CENTER

vision express

ZONNEBRILLEN.COM

Our business strategy

In 2019, we continued to deploy our strategic accelerators to successfully achieve key medium-term objectives for top-line growth and profitability. We successfully accomplished these objectives with revenue growth at constant exchange rates at 8.7%. These were supported by organic and M&A expansion, adjusted EBITDA average growth at constant exchange rates at 5.1% and further developing our portfolio, which we positioned in the world's most active structural growth markets.

Our strategic priorities

Our strategic priorities allow us to compete locally with global capabilities for our customers' benefit.

This strategy enables us to enhance profitability through operating leverage and efficiency initiatives, while driving strong cash generation and resilient growth. Our proposition differentiates us from competitors in the eye care marketplace.

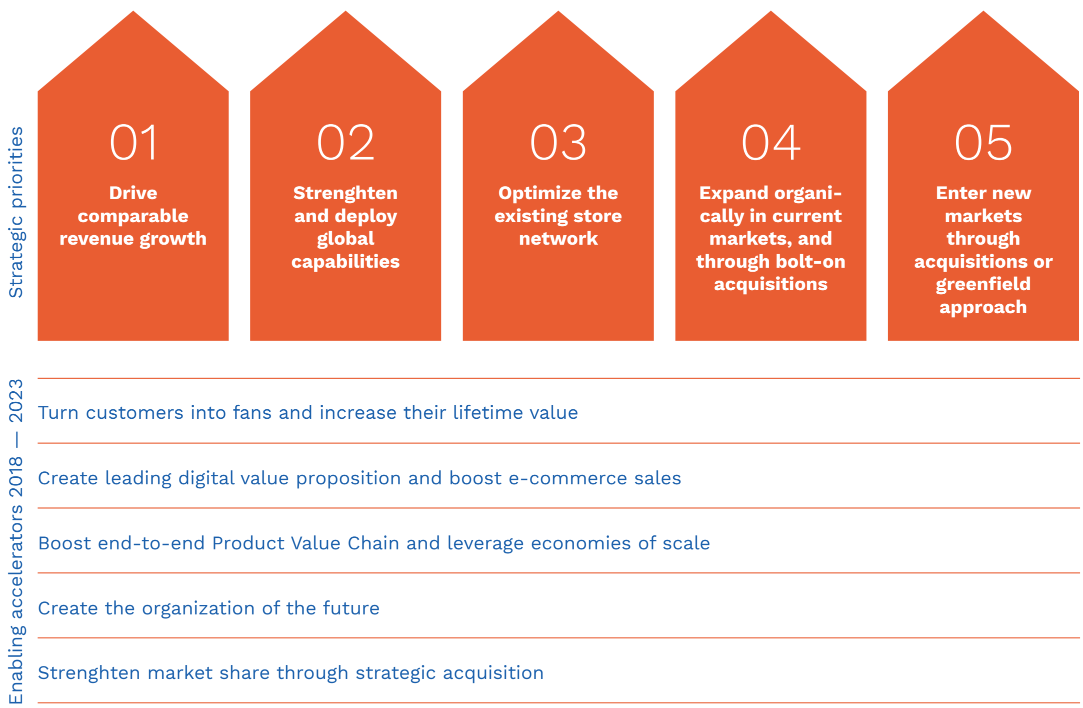
We will maintain our global leadership and enhance our proposition by continuing to meet our customers' changing needs.

To do this, we have based our strategy on five fundamental priorities.

1. Drive comparable revenue growth
We consider comparable revenue growth to be the most sustainable and profitable source of growth, as it strongly leverages our existing cost base. Comparable growth is mainly driven by the flawless execution of all our strategic enablers, be it in our stores or via our digital channels. We put a strong focus on staff training, store and product renewal and incremental conversion through omnichannel in order to increase our comparable revenue growth.

2. Strengthen and deploy global capabilities
We strongly believe in the symbiosis of local market management supported by strong global economies of scale. We have added many new businesses and markets through acquisitions, which have led to strong growth and an even more global footprint. All operating companies by themselves have strong operational capabilities. However, in light of accelerated industry consolidation and new strategic challenges from digital and vertical mono-brand concepts, we will deploy even stronger global capabilities in order to create the necessary economies of scale.

The focus of our central activities lies in installing global digital systems and knowledge, creating and operating a global end-to-end value chain including Exclusive Brands and procurement, as well as the deployment of globally standardized processes and systems.



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.

In addition, we consistently evaluate GrandVision stores by a set of parameters ranging from location attractiveness to financial performance. This globally standardized KPI set serves as a basis for targeted store opening, relocation, refurbishment and closure decisions. As a result, the ultimate measure of this is store profit contribution.

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

The majority of the optical retail markets we operate in are highly fragmented with many independent retailers operating single stores or small chains. This provides us with an ongoing opportunity to expand through acquisition of independent stores, franchisees or small to medium chains (bolt-on acquisitions) in existing markets and to integrate these businesses into our existing network.

5. Enter new markets through acquisitions or greenfield approach

We continue to evaluate potential new markets by looking at macroeconomic factors, market growth and the local conditions for operating an optical retail chain.

Our five strategic accelerators

1. **Turn customers into fans and increase their lifetime value:** Our goal is to provide unique, high-quality and affordable eye care solutions to a growing number of customers worldwide. By this, we aim to leverage our best-in class customer value proposition from store experience to product excellence and at securing undisputed global category leadership as the preferred choice for eye care.

2. **Create leading digital value proposition and boost e-commerce sales**: Our goal is to become an omnichannel leader with more than 10% of e-commerce sales by 2023. As of late 2018, we embarked on a strategic transformation to provide all operating companies with state-of-the-art digital platforms from e-commerce to CRM with a material amount of our investments being directed into this area.

3. **Boost end-to-end Product Value Chain and leverage economies of scale:** Our goal is to operate the most effective and efficient global Product Value Chain in optical retail. The transformation process spans from the consolidation of suppliers and Regional Fulfilment Hubs (RFHs) to creating globally standardized assortments with upgraded assortment attractiveness, as well as establishing showroom models in every store to creating better global data transparency and management processes. Through these, we are working to reduce lead times and inventory levels, increase margins, improve buying conditions and develop effective global go-to-market processes.

4. **Create the organization of the future:** Our goal is to become one of the most sought-after employers in the optical retail space. To achieve this, we have focused on aligning the organization globally with our new strategic directions. We have also improved our training and learning efforts, as well as our talent management approach.

5. **Strengthen market share through strategic acquisition:** Our goal is to continue our accelerated growth trajectory. We continue to capture additional market share in Europe with small bolt-on acquisitions and the consolidation of independents. We also consider pure-play online propositions if they add value for our customers or align with our existing business, while maintaining high service and quality levels.

How we create long-term value for our stakeholders

Integrating corporate responsibility and sustainability into our business strategy

In 2019, we laid the foundation for our GrandVision Cares program, which integrates corporate responsibility and sustainability into our business model through three distinctive pillars—People, Product Value Chain and Presence. This program also links our environmental, social and governance (ESG) priorities with our strategic business accelerators.

Each pillar includes a list of priorities that we plan to tackle in the coming years. These priorities are aligned with our culture and beliefs as a company, and also relate to major societal issues such as gender equality, fairness and transparency in supply chains, contributions to local communities, and support for underprivileged populations.

This integration will support us in our ambition to grow responsibly as an employer, a holistic eye care provider, and a corporate citizen.

Our value creation model

Through our business model and strategic ambitions, we create value for our stakeholders. We realize a positive impact on our customers' health, and the wellbeing of our employees and local communities. At the same time, we seek to improve our value chain operation management and we strive to mitigate negative impact.

Our value creation model, found later in this chapter, illustrates the resources we use to create short-term outcomes and how we contribute to long-term impacts. This model summarizes the alignment of our business strategy with our ESG priorities, which are also shown below:

- Foster an inclusive and diverse work environment
- Attract, retain and develop talent
- Respect human rights and enforce safe labor conditions
- Improve efficiency and reduce environmental impact from production, delivery and operations
- Increase awareness of eye health and grow access to high-quality, affordable and/or free eye care

Aligning our impact with the UN Sustainable Development Goals

Building a sustainable future is a common goal that needs to be embraced by individuals, governments and corporates alike to be successful. As an industry leader, we understand our role and responsibility to contribute to this task. This means aligning our strategies and vision

with several of the UN's Sustainable Development Goals (SDGs) and targets.

We have analyzed all 17 SDGs and relevant 169 subtargets and KPIs in relation to our business model and core activities. These include strategic sourcing and procurement, manufacturing and global retail operations. In accordance with our long-term value creation ambitions and our core optical retail activities, we identified the greatest potential to make a positive impact through SDG 3 (good health and well-being) and SDG 8 (decent work and economic growth). As a retailer and a manufacturer, we recognize the greatest potential for mitigating negative impact at scale in SDGs 7 (clean and affordable energy) and 12 (responsible consumption and production).

The table and text below explain how we contribute to SDG realization. Additionally, in our Transparency Appendix you can find a connectivity table that links these goals to our business and CSR integration targets and KPIs. We highlight our performance and progress to promote transparency for internal and external stakeholders.

SDG 3: Ensure healthy lives and promote well-being for all at all ages (subtargets 3.8., 3C, 3.6)

We directly improve access to high-quality and affordable eye care by operating a physical optical store network of 7,400+ stores, supported by a strong omnichannel and e-commerce presence, and 39K+ employees, including highly qualified eye care specialists. In addition, our apprenticeship programs attract and train young eye care professionals in developing countries. Last but not least, we raise awareness for good vision on the road through driver safety programs and donate free eye care and eyewear to those who cannot afford it.

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (subtargets 8.2, 8.6 and 8.8)

Following our People & Culture strategy, we create high-quality, permanent and fairly-paid employment opportunities within our organization and throughout our supply chain, which contributes to the sustainable growth of local economies and labor markets. Read section 1.3 'Our inclusive, diverse and ethical work environment' for more information. We are a strong supporter of our diverse work force and believe in equal opportunities for all. This infuses all people-related operations and it is supported by our Anti-Discrimination and Equality Policy, our Human Rights policy, and Diversity Policy for our Supervisory and Management Boards.

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, which is reflected in our Code of Conduct.

Last but not least, we pursue a transparent and responsible tax strategy and pay all applicable taxes, which contributes to the economic growth of the countries in which we operate.

SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all (subtargets 7.2 and 7.3)

As a retailer with a global footprint, we consume energy on a large scale. Because of this, we have the ambition to reduce our energy consumption and have set targets to improve our operational energy efficiency.

SDG 12: Ensure sustainable consumption and production patterns (subtarget 12.5)

As an optical product manufacturer, we take responsibility to reduce the carbon footprint of our manufacturing and transportation processes, as well as our Regional Fulfilment Hubs and store network. In addition, we try to reduce waste streams by making more efficient use of energy, packaging and materials, and better manage products' 'end-of-life,' for example through second life programs.

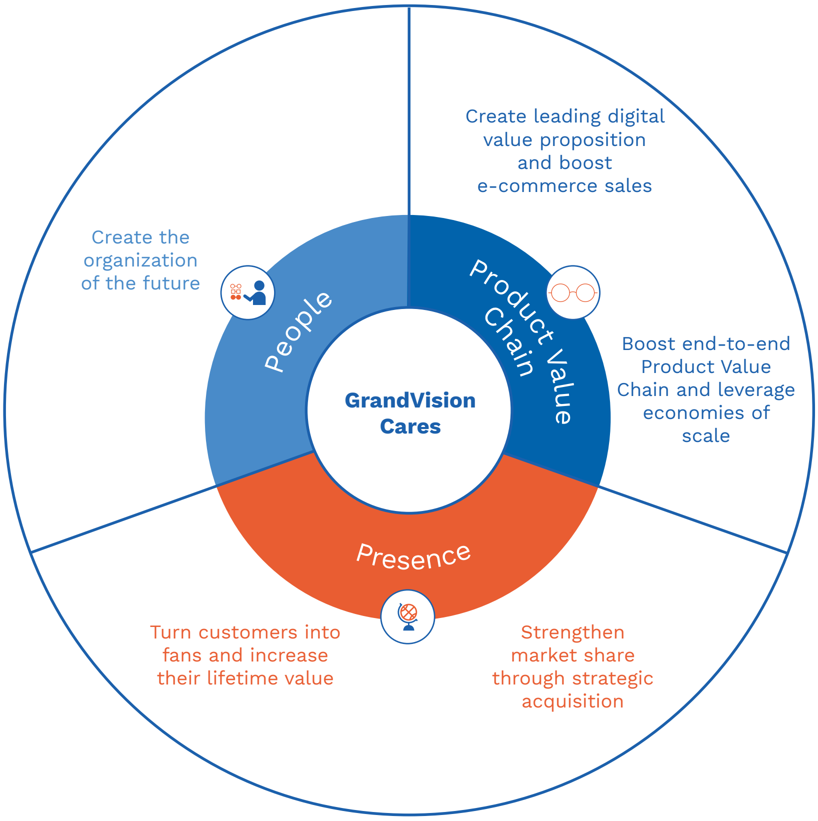
HOW WE CREATE LONG-TERM VALUE

Our resources

- Human capital
- Financial investment
- Production and final fitting facilities
- Natural resources
- Omnichannel presence in-store and online

It's our mission to provide people of all ages around the world with high-quality and affordable eye care. We deliver on our promise with our omnichannel optical retail and eye care services. We formed an effective Corporate Governance to protect our company as we continue to manage our business in a transparent and responsible way, and integrate strong environmental, social and governance values in each strategic priority through our "GrandVision Cares" program.

Our business model and strategy



The results of our efforts

Our People

A continuously improving organization that offers everyone equal opportunities, focuses on global talent management and supports career development.

Our Product Value Chain

A fair and transparent Product Value Chain that maintains a strategic focus on operational excellence and our environmental footprint.

Our Presence

Increased awareness of eye health and access to affordable and high-quality eye care around the world.

Our Business Performance

A solid position as a global optical retail leader, with an increased focus on e-commerce growth.

Our long-term impact on society

3 GOOD HEALTH AND WELL-BEING — We contribute to improved safety and quality of life, as well as socio-economic developments.

8 DECENT WORK AND ECONOMIC GROWTH — We help to alleviate poverty, as well as empower personal growth and professional development.

7 AFFORDABLE AND CLEAN ENERGY — We have the ambition to reduce our energy consumption and have set targets to improve our operational energy efficiency.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — We help to sustain a healthier environment for future generations.

IN FOCUS

Buying glasses online, made simple

Our acquisition of Charlie Temple

In 2019, we welcomed the fast and fashionable Charlie Temple brand into our GrandVision family. Based in The Netherlands, Charlie Temple aims to make eyeglass shopping fun and simple for everyone, without costing a fortune.

Charlie Temple delivers on this promise by producing and selling affordable, high-quality frames that can be purchased from an easy-to-use web store. The brand's online service is very quick; in some cases, customer orders are delivered within 24 hours of placement.

In-house design and production

The Charlie Temple team of professionals and opticians work closely together to fulfil customer orders, answer inquiries and enhance customers' online experiences. The brand's factory is also home to the designers who create new frame collections.

How Charlie Temple creates value for our customers

Thanks to its speed of production and delivery, as well as quality of frames, Charlie Temple offers customers a simple and streamlined online purchasing experience.

Customers can access its web store from any device and can find frames to suit their styles using the store's virtual try-on function. They can also easily upload existing prescriptions to complete their orders.

And, since the company is housed under one roof, Charlie Temple tends to complete orders and deliver frames much faster than other companies.

Finally, the brand's attractive proposition fosters customer loyalty. Combined with affordable prices and a quick delivery time, customers are inspired to reorder glasses much sooner than the usual purchase cycle of two to three years.

This is how Charlie Temple helps GrandVision convert even more customers into loyal fans.

CHAPTER

Our progress in 2019

Due to the nature and size of our business, we play an important role in the lives of our employees, suppliers and customers, as well as in the economies and communities where we have a presence. In this section, you can read about the results we have achieved as a global employer, our efforts to establish an efficient, fair and transparent Product Value Chain, our contributions to customers and local economies, as well as our financial performance.

1. Our people

Our people are the heart of our company. They ensure GrandVision delivers best-in-class eye care service and high-quality products to our customers, and we recognize the responsibility we carry towards them. Our People & Culture (P&C) team focuses on three main objectives:

- Align our organization and employee skill sets with our strategic roadmap
- Attract, develop and nurture talent in eye care and customer service
- Be a responsible, equal-opportunity employer

To achieve these, we have been focusing on key priorities such as talent management, succession planning, organizational effectiveness and the creation of a high-performing, engaging company culture.

1.1. Creating and managing a global workforce

As a global employer, we contribute to the sustainable growth of local economies and labor markets by developing high-quality, permanent and fairly-paid employment opportunities in our organization and supply chain.

FTE count by segment

Company segment	2019	2018	2017	2016
G4	14,696	14,359	13,996	12,625
Other Europe	10,372	9,317	9,120	7,942
Americas & Asia	8,803	8,476	8,453	8,009
Other & Corporate	272	248	233	189
Total	**34,143**	**32,400**	**31,802**	**28,765**

Headcount by segment

Company segment	2019	2018	2017	2016
G4	17,677	17,560	17,117	14,319
Other Europe	12,826	11,180	10,382	9,550
Americas & Asia	9,184	8,490	8,734	7,056
Other & Corporate	294	227	285	188
Total	**39,981**	**37,457**	**36,518**	**31,113**

As we continue expanding our international presence, the average number of full-time equivalent employees (FTEs) has become 34,143 – about 86% of our workforce, an increase of 5% more than 2018. In total, we employ more than 39,000 people, of which 78% are in Europe (G4 and Other Europe segments). Our employee base grew the most in Other Europe due to acquisitions in Spain and Switzerland. Of all our total headcount of employees, 83% have permanent contracts, while 17% have temporary contracts.

1.2. How we develop and nurture talent

Our P&C team established several key initiatives to support our goals to attract talent, enhance career growth and gain global leadership experience for GrandVision employees.

Regular dialogue to establish a talent management mindset
GrandVision's Talent Management Program team has created a culture of dialogue with our employees. This helps us match our company's current and future capability requirements with employees' individual aspirations. Our talent program is a bottom-up process with bi-annual formal talent reviews for every level of professional experience. It includes team discussions, succession planning, goal-setting and formal performance feedback moments.

In 2019, we implemented a unified global talent management approach and rolled it out across all the countries where we are present. This led to the creation of individual development plans and high potential employee groups.

We also implemented a clear leadership profile, which is aligned with our strategic ambitions. In 2020, we will continue to work on this profile through leadership development and launch specific high potential programs.

Professional training and growth opportunities
We offer equal training opportunities to all GrandVision employees through GV Academy, our global center of excellence for continuous learning and development. It features a blended learnings approach, such as e-learning, classroom lessons and on-the-job training. In addition, our integrated Learning Management System facilitates sharing best practices and adapts content to meet local needs and circumstances.

GV Academy's training programs cover three topics:

1. Strategy, e.g. digital empowerment
2. Local business needs, e.g. new products launches in specific markets
3. Global business needs, e.g. leadership development

The content is localized to specific requirements and targets all commercial and retail employees. Learnings include retail training, optical, sunglass and contact lens expertise, the customer journey and store management. Each topic has specific KPIs and targets, and our global P&C team is responsible for following up on each of them.

The total training hours dedicated to our employees and their specific functions reflect our strategic, local and global business needs.

Global training for local store consistency
We ensure our store experiences around the world are consistent by offering the same high level of professionalism through our training program for all store employees. It is segmented in three levels: Bronze, Silver and Gold. Within six months of joining GrandVision, 100% of our store employees pass the mandatory Bronze level. Employees can further develop their professional ambitions based on specific business needs by taking the Silver and Gold level training.

Total and average training hours

	2019	2018	2017
Total training hours	590,024	546,000	507,200
Average training hours/FTE	17.3	16.9	15.9

In 2019, we provided more than 590,000 hours of training, an increase of 8% compared to 2018, which is in line with the acquisition of new retail chains in Spain and Switzerland. On a global level, we provided an average of 17.3 training hours per FTE. Store managers and their employees generally receive more training hours than non-store employees due to their daily contact with customers.

Omnichannel employee training
In late 2019, we also launched an omnichannel digital improvement program to develop retail management skills across all countries. In 2020, we will launch a digital magazine with inspirational, leadership-focused content tailored to local retail brands' unique needs and digital maturity.

GV Academy goes mobile

In 2019, we launched a mobile version of our GV Academy training platform. Now employees can take their e-learning sessions anywhere, on any mobile device.

We developed the app in response to feedback we received from GrandVision employees and our suppliers. Training topics include:

- Eyewear brand-specific courses
- Optometry
- Customer journey
- Product quality and safety
- Compliance

And in 2020, we will continue to update the GV Academy app. Users will see even more modules, training options and collaborations, including our partnership with the LinkedIn Learning platform.

Young talent

More than 18 of our operating companies partner with universities and vocational programs to prepare students to become professional eye care providers. Programs range from two months to three-and-a-half years and provide students with in-store work experience, soft skills and technical training.

In 2019, we received multiple awards for our young talent training programs. They include:

- U.K.'s Vision Express won 'Best Apprenticeship Program' for the East Midlands region
- Germany's Apollo Optik was awarded for its training and apprenticeship programs by Deutschland Test, TEST Bild and Capital
- Spain's +Visión apprenticeship program was recognized by La Universidad Complutense de Madrid

Functional and geographical global mobility

At GrandVision, our mobility policy supports our talent pool and measures our international value. It encourages the exchange of best practices among operating units, enhances GrandVision's culture, and trains and prepares our future eye care industry leaders.

GrandVision continues to benchmark our mobility policy against international best practices, which consist of three employment types:

1. Long-term assignments: last from three to five years, ideal for career development, green field operations or to backfill key positions.
2. Short-term assignments: last three to 12 months and are project-based.
3. Transfer assignments: roles for talent who transfer permanently from one country to another.

We also facilitated a mutual exchange of experience between our operating companies and global headquarters. Our international talent mobility strategy resulted in 15 internal job changes across countries. Now we are boosting the visibility and accessibility of internal vacancies to our employees across more than 40 countries.

In 2020, we will further enhance our global and functional mobility efforts. We will launch an organization-wide mentoring platform to harness internal knowledge-sharing and employee connections across all countries, job functions and professional levels.

1.3. Our inclusive, diverse and ethical work environment

As a responsible employer of a global workforce, we are active in a wide variety of communities. And we strongly believe in equal opportunity and diversity among our employees.

Our inclusion and diversity principles are reflected in our Anti-discrimination and Equality Policy, which you can find at GrandVision.com. By fostering a culture of respect and openness, we aim to create and maintain a safe environment for employees to communicate openly and respect each other's perspectives while preserving a flexible work-life balance. We strive to make our workplaces free of discrimination, harassment and victimization on the basis of (among others):

- 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 are overseen by our global CHRO, and are key for all of our people-related operations such as training and development, employee retention and succession planning.

GrandVision's Global Human Rights Policy

We are committed to business practices that do not infringe on human rights and align with international standards of responsible business conduct. These include 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 standards, expectations and commitments for our responsibility to respect human rights across our operations, and to not knowingly contribute to human rights violations by other parties.

You can find our Global Human Rights Policy at GrandVision.com.

How we foster, cultivate and preserve our culture of diversity and inclusivity
Diversity is an integral part of how we do business and it is crucial to our commercial success. Our employee diversity is a reflection of our global presence and diverse customer base. We are committed to:

- A fair recruitment process based on objective criteria
- An internal remuneration system based on specific position requirements and all employees' professional backgrounds and skills
- Equal access to professional training, talent development and skills enhancement opportunities, mentoring and coaching programs, and succession planning
- Improved work/life balance through flexible work schedules
- Appointments to the Management Board

We also support the rights of all our employees to form and join trade unions and other organizations of their choice, as well as bargain collectively to support their mutual interests. Currently, 47% of our employees (headcount) are covered by local collective bargaining agreements.

Our diversity and equal opportunity efforts have been recognized
In 2019, *The Financial Times* included GrandVision on its 'Diversity Leader 2020' list. We ranked 227 out of 700 of Europe's largest companies, and 11 out of 29 companies with headquarters based in The Netherlands. The research to build the rankings was led by Statista and rated companies in areas of age, gender, ethnicity, disability, LGBTQ and general diversity.

Gender diversity at GrandVision
Gender diversity is one of the priorities of our diversity and equal opportunity efforts.

Gender diversity (total and per segment, FTEs)

	2019 (% of total)		2018 (% of total)		2017 (% of total)	
	Male	Female	Male	Female	Male	Female
G4	32%	68%	32%	68%	30%	70%
Other Europe	24%	76%	23%	77%	23%	77%
Americas & Asia	41%	59%	38%	62%	42%	58%
Total	32%	68%	31%	69%	31%	69%

In line with previous years, 68% of all GrandVision full-time employees are female. And the percentage across our segments ranges from 59% to 76%, with the highest number seen in 'Other Europe.' In the Americas & Asia, it is more equally balanced and women represent 59% of the workforce.

On an extended senior leadership level (Management Teams and direct reports), we have a balanced male/female representation, with about 50% female employees. On Management Team level, however, the female representation is more imbalanced, with 35% female representatives.

In 2020, we will run targeted recruitment campaigns to continue our focus on balancing gender representation within teams. This means if a team is predominately male, we will seek qualified female candidates to fill its open roles. We will also continue to focus on gender diversity in all senior management positions to ensure that at least one woman is a prioritized candidate for open roles.

Diversity on Supervisory and Management Boards
We recognize the importance of diversity within the Supervisory and the Management Boards and believes our business activities benefit from a wide variety of skills and backgrounds. A diverse Supervisory Board and Management Boards contribute to a well- balanced decision-making process and proper functioning of the boards. You can learn more about our diversity policy for the Supervisory and Management Boards on GrandVision.com.

At the board level, gender diversity is a statutory objective for a balanced governance with a minimum of 30% female representatives. Although this objective is not currently met by GrandVision, we made the first step by appointing a female Supervisory Board member in 2019.

In the long term, the Supervisory Board ensures its composition and that of the Management Board represent a fair and balanced makeup of our employee and customer base.

Wages paid compared to capital expenditure

Economic contribution (x €1000)	2019	2018	2017	2016	2015
Total capital expenditure investments	197,728	210,194	197,497	175,913	161,807
Total wages and salaries paid	1,010,934	919,713	830,338	782,743	745,703

Fair wages for employees
By paying fair wages, we can improve the livelihoods of our workforce and indirectly make a positive impact on economic development. The high level of qualifications for our store and other employees and the high demand for qualified opticians and vision experts in many markets is reflected in the level of contribution we pay. In 2019, we paid approximately €1 billion in wages and salaries to our employees. This is an increase of nearly 10% compared to 2018, and is accounted for by our headcount growth and our need to compete for the best talent.

Additionally, as an employer of a global workforce made up of almost 70% women, we pay attention to maintaining a transparent employee remuneration policy and structure to avoid a gender pay gap. We prioritize cultivating and preserving our diversity and inclusivity, and we are committed to paying attention to factors that may cause such a discrepancy.

1.4. We listen and act

Employee satisfaction is as important to us as customer satisfaction. We continue to measure and improve it, because it contributes to a stable work environment and a lower employee turnover rate.

Our local businesses use surveys to track employee satisfaction and measure employee Net Promoter Scores (NPS).

To match and compare results, we began applying a consistent employee engagement approach by aligning methodologies across all countries. This approach helps us gain better insights into employee engagement levels, understanding of our plans and objectives, and management effectiveness. Each local organization, including GrandVision's Schiphol headquarters, acts on NPS outcomes and continually looks for ways to increase our score results. Some specific actions we took in 2019 included:

- Strengthening internal communication among employees
- Increasing manager support with workshops, training sessions and professional lectures
- Establishing a global online learning and development module with more than 30 educational sessions, which we launched across the entire business in early 2020

Our end-to-end Product Value Chain

Our Product Journey can be summarized in seven steps, beginning with a concept and ending with a finished product in customers' hands.

1

Product design

Our assortment of frames, sunglasses, contact lenses and eye care products from our in-house brands and third-party suppliers reflect our customers' needs and expectations.

2

Strategic sourcing

We work with suppliers that share the same views on product quality and standards, as well as ensure safe and respectful work environments for their employees.

3

Production

We produce our Exclusive Brand frames and sunglasses in strictly-regulated supplier factories, which aligns with our expectations as well as recognized international quality and social standards.

4

Transportation

We ship our products from our suppliers to our Regional Fulfilment Hubs (RFHs) and ultimately to our stores. We optimize our transportation for speed in delivery and a reduction in our impact on the environment.

5

Final production activities

We put finishing touches on millions of pairs of glasses at our strategically placed, automated RFHs. Edging and mounting lenses in frames take place here.

6

Purchase experience

Our finished products are delivered to the more than 7,400 stores and e-commerce in our global network spanning Europe, North America, South America, the Middle East and Asia, where our expert opticians ensure high-quality customer service.

7

End-of-product lifecycle

We find ways to extend the lifecycle of a pair of glasses, as well as create more purpose and less waste, by donating new and second-hand products to charitable organizations.

2. Our Product Value Chain

Our Product Value Chain is the foundation of our business model. From design, manufacturing and distribution to end-of-product lifecycle, we strive to deliver an efficient, effective, fair and transparent process. This includes collaborating with suppliers, centralizing processes in our Regional Fulfilment Hubs and evaluating the impact of product transportation.

At the same time, it is in line with our strategic objective to maintain a high-level of operational excellence while reducing negative social and environmental impacts.

Our 'end-to-end Product Value Chain' graphic shows how our product journey incorporates the different functions of our Product Value Chain teams. It also shows the stages of eyewear production, from concept and design to display on our store shelves — and beyond.

2.1. Product selection and development

Our transparent and straightforward value proposition makes it easy for customers to choose from a wide selection of our affordable, high-quality and distinctive Exclusive Brands, which are our in-house brands we manufacture, as well as well-known international brands, which we refer to as third-party or non-exclusive brands.

Assortment accuracy
We review and optimize our Exclusive and third-party brand collections multiple times a year. Our teams prioritize our customers' needs and expectations when selecting products to sell in our stores and online.

Additionally, we harmonize and optimize our products with our supplier base to strengthen our value proposition and positioning of each Exclusive Brand with faster replenishment cycles, more reliable deliveries and higher quality.

Our Exclusive Brand portfolio
Our Exclusive Brands feature a complete range of styles and price points. These brands are a main feature in our commercial strategy that differentiates us in our market and benefit our customers. Our Exclusive Brand portfolio includes the following distinctive brands that offer optical and several sun options:

- DbyD
- Fuzion
- Heritage
- Miki Ninn
- Seen
- Sensaya
- Unofficial

We also offer exclusive branded contact lenses eyexpert and iWear.

Global brand promotion
We promote our collections and their technical features with in-store and media marketing tools, complemented with a Customer Relationship Management system and traditional or digital media.

Each Exclusive Brand roll-out is supported by thorough staff training.

Our Exclusive Brand eyewear performance
In 2019, the volume share of our Exclusive Brand frames remained stable at approximately 66% of optical sales. This reflects our ongoing efforts to optimize frame styles and technical features that reflect changing customer and social trends. Read the In Focus story about our Exclusive Brand product development and marketing teams for more details.

Our contact lens brand performance
In the contact lens category, our Exclusive Brand share increased thanks to an enhanced global customer experience and ongoing product education efforts. This approach leverages our stores as a category entry point, which offer an improved first fit experience that drives customer conversion and contact lens subscriptions. In 2019, to further promote brand awareness, we opened an exclusive iWear store in Brazil.

Other Exclusive Brand accomplishments for contact lenses include indepth training for store employees, iWear-centric marketing campaigns and a global product catalog to optimize our product offerings.

Is laser eye surgery a business threat?
While refractive eye surgery may be an effective option for customers who want a permanent eye care solution, we do not consider it as a threat.

Laser surgery growth rates have significantly slowed down since the mid-2000s and are currently at 5% globally. This rate is much slower than GrandVision's growth rate in the last five years.

However, we are keeping an eye on this trend. We operate several laser eye surgery clinics in Colombia and refer store customers to visit them. These clinics complement our business but we are not currently expanding into other markets.

IN FOCUS

Our sustainable eyewear evolution

Our Exclusive Brand Product Development and Marketing teams are the cornerstone of GrandVision's Product Value Chain. They are involved in key steps from designing frame collections to ensuring they are manufactured in audited factories that meet our quality and sustainability standards.

In 2019, the teams launched three new product lines to address global trends in sustainable production and consumption and meet our customers' growing sensitivities towards these topics. This is in addition to multiple third-party sustainable product lines that we feature in our stores.

Partnering with Mazzucchelli
The DbyD brand partnered with renowned Italian manufacturer Mazzucchelli, the world leader in bio-acetate production, to design a line of optical frames using M49, a bio-acetate that is responsibly sourced and biodegradable. We have plans to introduce this collection to multiple markets around the world in 2020.

Less waste, more sunglasses
We introduced GrandVision's first DbyD sunglass collection made from recycled plastic waste. We plan to introduce this collection to at least 15 markets around the world in 2020.

Play!Wild and preserve
We introduced a phthalate-free* children's collection, 'Play!Wild,' paying tribute to endangered animals such as pandas, tigers and turtles to raise awareness about their preservation. The collection was launched in several countries, and in partnership with the World Wildlife Fund in France (WWF France).

How we create value for our customers
These collections are the beginning of a long-term journey to promote safe, sustainable production practices and contribute to responsible consumption, which is in line with our ongoing ESG commitments.

**A phthalate is chemical compound used to soften plastics; As independently verified, total % of phthalate in the frames is 0.03%.*

2.2. Strategic sourcing and procurement

One of our strategic priorities is to enhance our end-to-end Product Value Chain, as well as to establish fair, transparent and efficient relationships with our suppliers. We also align our strategy with global social and environmental goals, such as creating inclusive and sustainable economic growth, decent work for all and sustainable production patterns.

That's why we only work with suppliers that align with our Supplier Code of Conduct and international standards, including the *Universal Declaration of Human Rights*, and the International Labor Organization's *Declaration on the Fundamental Principles and Rights at Work*.

All suppliers receive and acknowledge a copy of our policy, and we verify their alignment through regular third-party audits. Our employees engaged in procurement take responsibility and accountability for policy compliance.

Centralized suppliers for better business

Partnering with strategic suppliers enables us to centrally manage procuring services and products while using standardized GrandVision Supply Chain contracts, including our Supplier Code of Conduct, which is automatically included in new or renewed contracts. In 2019 we partnered with 48 strategic suppliers, of which 29 are from OECD countries and 19 from non-OECD countries. This is a decrease compared to the 28 non-OECD country suppliers we worked with in 2018.

As a result of harmonization and centralization, the number of GrandVision's local suppliers has decreased by 2% in 2019. We now have 108 local Goods-For-Resale suppliers. With fewer partners to negotiate with, we can improve conditions for conducting business and provide even more affordable eye care to the communities in which we operate, as well as offer customized solutions to suit our customers' needs.

In 2019, our spend was concentrated on strategic suppliers, retaining a concentrated spend index of 95%. We harmonized all local supplier contracts and replaced them with standardized GrandVision Supply Chain contracts, including our Supplier Code of Conduct. We also concluded five new contracts using the standardized contract.

Safeguarding human rights and safe labor practices

The majority of our Exclusive Brand frames are produced in non-OECD countries where potential labor conditions, human rights, and other risks are considered to be higher than for suppliers from OECD countries. We expect our suppliers to comply with the regulatory requirements of the territories where our Exclusive Brand products are sold. We control this through our supplier audit program, which focuses on product quality as well as labor conditions and human rights.

We use third-party audits and an SGS-certified supplier audit rating system, the world's leading inspection, verification, testing and certification company, to ensure responsible operations from our suppliers.

These SGS audits are based on SA8000 Standards of social certification. SA8000 is based on human rights norms as described in International Labour Organization conventions, the UN Convention on the Rights of the Child and the Universal Declaration of Human Rights.

Brands and industry leaders rely on the SA8000's rigorous approach to meet the highest level of social compliance in their supply chains, while maintaining business interests. It measures eight areas important to social accountability in workplaces:

- Child labor
- Forced labor
- Health and safety
- Acceptable living conditions
- Free association and collective bargaining
- Discrimination
- Disciplinary practices
- Working hours
- Compensation and minimum living wages

In addition, SGS audits assess:

- Environmental preparedness of our suppliers' factories by assessing their environmental management systems
- Business integrity policy on topics of bribery, corruption, etc.

Benefits of SA8000 Audit Standard:

- Proves our commitment to social accountability as we treat employees ethically and comply with global standards
- Improves supply chain management and performance
- Ensures our compliance with global standards and reduces risk of negligence, public exposure or possible litigation
- Supports our corporate vision as we build and reinforce our employees', customers' and other stakeholders' loyalty
- Lets us demonstrate proper social accountability

How we manage audit results

SGS applies a 'traffic light' color-coded scoring system to track further measures we need to undertake if suppliers are not completely compliant with SA8000.

- Green: Supplier fulfils all requirements (no critical or major negative findings) and will be audited again in two years.
- Yellow: Supplier fulfils most standards (no critical findings, and high scores in most sections), but must improve in certain areas. In these cases, we proactively work with our audit partner to investigate the root

cause. We also inform the supplier promptly so they can quickly set up a correction plan, and we re-audit these improvement areas in three months.

- Red: Supplier does not fulfil most criteria (has critical findings, and/or low scores in most sections), and will be fully re-audited in three months.

Strategic supplier audits and 2019 results

		2015	2016	2017	2018	2019	2025 target
Suppliers in non-OECD countries	Signed Code of Conduct or equivalent (% of total)	12.5%	68.8%	100%	83%	100%	100%
	Audited (% of total)	18.8%	93.8%	100%	91%	84%	100%
	Fulfils all requirements (green)	0%	47%	94%	67%	81%	100%
	Fulfils most requirements (yellow)	100%	53%	6%	29%	13%	0%
	Does not fulfil most requirements (red)	0%	0%	0%	5%	6%	0%
Suppliers in OECD countries	Signed Code of Conduct (% of total)	6%	23%	80%	83%	100%	100%

In late 2018, we implemented a new round of initial Code of Conduct audits with our 13 non-OECD Exclusive Brand frames and sunglasses suppliers across 28 factories.

We performed audits in all 28 factories and none received negative results.

The majority of non-OECD suppliers fulfilled all of our Code of Conduct and Social Compliance standard requirements. However, we will conduct a follow-up review for one supplier that did not meet the requirements. If it still fails to meet our requirements, then we will cease doing business with this supplier.

Meanwhile 100% of our strategic suppliers in OECD countries have signed our Supplier Code of Conduct. And we have achieved part of our 2025 target to ensure all our strategic suppliers in OECD and non-OECD countries sign our agreement. We are proud to have accelerated this process.

2.3. Ensuring safe and high-quality products

Our strategic priority is to reach more and more people around the world and turn customers into fans. To do this, we offer contemporary and functional product designs, along with high-quality material and safety features.

Since frames are medical devices, we make sure they meet strict safety regulations to fulfil the most important customer and market expectations. We collaborate with cross-departmental representatives of our local retail brands and Regional Fulfilment Hubs to assess relevant quality requirements and related risks.

We perform product tests for ISO standards 12870 (frames) and 12312-1 (sunglasses) in internationally-accredited laboratories. This is to confirm our products are safe and effective, as prescribed by applicable regulations. We also work closely with suppliers to resolve potential quality issues at the start of the manufacturing process by holding in-house quality checks on prototype products. Then, we perform a final inspection on finished products to guarantee stringent control on finished products and increases operational flexibility.

2019 accomplishments and future goals
Our biggest project in 2019 was finalizing our Medical Device Regulation (MDR) compliance and ISO 13485 certification plan for all global and local operations and preparing for a 2020 roll-out. The MDR will be the key driver in the medical device industry for quality and regulatory matters, and GrandVision is on-track to meet these objectives and compliance regulations.

In 2020, our Quality & Regulatory (QARA) team will further improve our quality and regulatory compliance, including ISO 13485 certification, new product quality requirements and improved compliance processes.

Incorporating customer feedback
Our global complaints handling tool lets us learn and address our customers' product-related feedback and complaints. This is overseen by our risk management board, which includes product, process and clinical experts who assess the issues to determine the actions to resolve them. This process is key in updating our products to ensure safety for our customers.

Working with our suppliers improves quality
Our QARA team builds long-lasting relationships with suppliers to ensure the quality and safety of our products. This includes keeping them informed about the latest product quality, regulatory and safety requirements with regular communications, meetings and seminars. The team's work ensures that the products we manufacture and distribute comply with the applicable regulatory requirements. For example, our contact lens suppliers must comply with EU MDR and the quality management system requirements set within the MDR. This new EU 2017/745 regulation will become mandatory in May 2020.

We need to ensure all Exclusive Brand frames and sunglass suppliers are ISO 9001-certified. And as a member of the ISO standards committees for eyewear products, our QARA team helps shape future eyewear safety and effectiveness standards.

We also developed a 'Continuous Improvement' program based on our findings from supplier factory audits. We embedded this concept in our Exclusive Brand suppliers' manufacturing processes by introducing controls and optimization skills through regular supplier education.

IN FOCUS

Style and quality go hand in hand

As a global leading optical retailer, we guarantee our customers a simple, safe and honest customer journey, as well as affordable high-quality eye care and products. Spectacles and contact lenses are categorized as medical devices, which must comply with global quality and safety requirements.

For that purpose, we built a strong and effective Quality & Regulatory Affairs (QARA) team that safeguards GrandVision's Product Value Chain and ensures our products are safe and up-to-code and meet consumers' ever-evolving needs.

We listen and act

Our QARA team continuously works on developing and improving our global quality and regulatory strategy. And learning from customers is an integral part of this process. We listen and act on their feedback by integrating it into our future Exclusive Brand product designs. In this way, we enhance the customer experience and meet new industry standards and market trends.

Going the extra mile

Meeting standard quality measurements is a non-negotiable industry requirement – we go the extra mile for our customers. Our QARA specialists team up with a cross-functional group of experts and boost our standard quality requirements to meet additional user requirements. One of the ways they do this is by incorporating more customer-focused thinking into our Exclusive Brand quality requirements. This widely-used medical device product design practice guides continuous product improvement.

Guaranteeing consistent quality in an ever-changing environment

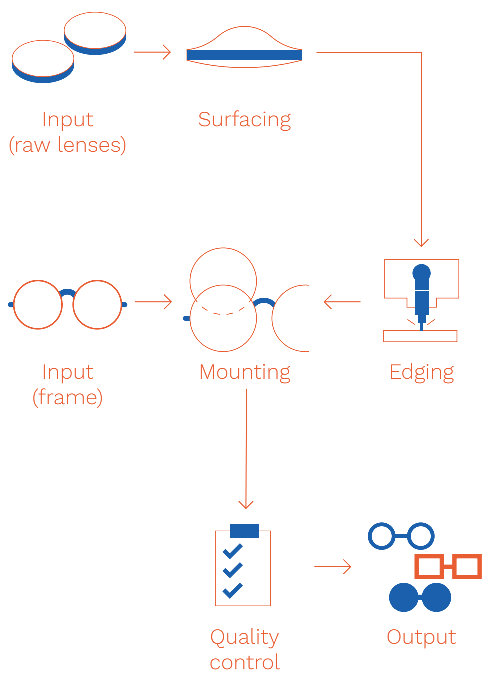
Offering high-quality products that meet our consumer expectations and affordable eye care is our mission. Our QARA team helps us to live up to the promise in the ever-changing environment in which we operate. This is how we prove every day that we not only work to meet the needs of our customers, but we also turn them into life-long fans.

2.4. Manufacturing and dedicated production lines

An effective, efficient and safe Product Value Chain that delivers quality products to our customers quickly would not be possible without our chain of 17 Regional Fulfilment Hubs (RFH).

These highly-automated centers are strategically located across the countries where we are present and put the finishing touches on every pair of frames.

Manufacturing process



As part of our strategy to transform our TechCenters and warehouses into RFHs, we now refer to all manufacturing facilities as RFHs. Following our strategy to centralize more of our production volume in these RFHs, we better align with our long-term value creation objectives. In this way, we also support global social and environmental goals by working at production sites that are centrally regulated for worker safety and environmental protection.

Here are some RFH benefits:

- Reduced CO_2 emissions per processed spectacle
- Increased water and energy efficiency with highly-sophisticated equipment
- Increased manufacturing precision and reduced material scrap, which lowers waste volumes per spectacle
- Increased activity control by dedicated staff
- Reduced occupied space significantly to save supply and management resources

More than 70% of the total spectacles we sell are processed in RFHs, and the volume we processed centrally increased by 8% to almost 13 million. These increases were in line with our retail network growth, centralization planning and 2025 target for RFHs to process at least 85% of our spectacles. We are working towards this integration to support a true omnichannel experience for our customers in the future.

Continuous RFH improvements
We continue to raise our standards for Environment, Health and Safety (EHS) topics in our RFHs. That's why we partnered with Ramboll, a leading engineering company, to support our compliance journey with independent audits to resolve any issues. We employ dedicated environment management system personnel to keep track of this, and educate our RFH employees on EHS topics. We also established plans to audit RFHs for EHS compliance and take corrective actions to maintain ongoing improvements.

Responsible resource use in our RFHs
We track the environmental impact of our manufacturing processes and the materials we use — including those for frames, lenses and packaging, as well as water usage, waste streams, gas and electricity.

We are also aware of the environmental impact of the materials we use to make our spectacles. This includes acetate (a plastic blend of cotton), metals, plastic for lenses, and plastic and cardboard packaging. Currently, we do not have accurate data available to include this information in our carbon footprint and related targets.

However, our RFHs are working to improve:

- Energy efficiency
- Efficient heating and cooling systems
- Electricity use reduction
- Water efficiency
- Waste reduction

CSR KPI monitoring in RFHs is now included on a monthly basis thanks to centralized reporting dashboards.

RFH water efficiency
Last year, we improved our water efficiency by 8% compared to 2018. We now use fewer than two liters of water for cutting, edging and fitting a pair of lenses into a frame. We make about 70% of all our spectacles with about 6% of our total water usage (Total RFH water usage: 23,381 m³; Total store water usage: 359,790 m³).

We also surpassed our 2025 target to reduce water consumption per spectacle to 1.87 liters and reduced it to 1.82 liters. This is more than a 15% reduction compared to the 2015 base year.

Recycled waste streams in RFHs (tons)

	2019	2018
Plastic packaging	156	111
Paper and cardboard	368	216
Production waste	491	516
Total	**1,015**	**843**

RFH waste management
We work to improve our process efficiency while producing as little waste as possible. In general, our RFH waste management systems are more efficient and sustainable than our local stores thanks to centralized processes and procedures. We track waste streams in our RFHs, including plastic packaging waste, paper and cardboard, residual waste from cutting and edging lenses, and unused products.

In 2019, we continued to gain insights into RFHs' waste management practices, and we are improving our waste separation and recycling processes. Our RFHs recycled 20% more waste in 2019 than in 2018. The total waste streams we offered for recycling amount to 1,015 tons. This is partly due to the fact that our RFHs processed 8% more spectacles, and partly because we have become better at separating and recycling more plastic, paper and cardboard. The table above shows the split per waste stream for recycling in tons.

Total environmental pressure for GrandVision RFH portfolio

	2015	2016	2017	2018	2019
Total energy consumption (GJ)	41,169	43,728	42,393	45,151	49,731
Total CO_2 emissions (Ktons)	3.49	2.98	2.97	3.13	3.41
Total water consumption (1,000m^2)	20.0	23.2	22.8	22.9	23.3
Off cuts offered for recycling (tons)	438	596	534	843	1,015

Total environmental pressure in RFHs per spectacle

	2015	2016	2017	2018	2019	2025 target
Energy efficiency (MJ per spectacle processed)	4.6	4.2	4.0	3.9	3.9	-
CO_2 efficiency (grams of CO_2 per spectacle processed)	391	284	282	271	267	205
Water efficiency (liters of water per spectacle processed)	2.24	2.21	2.16	1.98	1.82	1.87

With our RFHs' centralized cutting, edging and fitting facilities, we reduce the environmental footprint of our production activities through efficiencies in energy, water and waste management.

The above tables illustrate the environmental performance of our RFH portfolio, as well as per frame processed. About 98% of all RFH processes are included within the environmental pressure we measured. Please note: we recalculated the 2018 data with updated conversion factors.

Compared to 2018, the environmental pressure of our production processes has increased. This is due to further centralizing our production processes across GrandVision, as we processed 8% more frames at RFHs in 2019 versus 2018.

While our absolute environmental pressure increased, we continue to reduce our CO_2 efficiency rate per spectacle to meet our 2025 target of 205 grams. In 2019, we reduced this rate by 1% to 267 grams of CO_2 per processed spectacle.

Our Finnish/Estonian RFH 's sustainable practices
Our RFH that serves our business in Finland and Estonia recently incorporated more sustainable practices into its daily processes and procedures. These include:

- Transporting products from production facilities to stores in reusable boxes
- Using edging machines that cut lenses without water
- Converting heat from compressors into warehouse heating during winter
- Equipping machines that use water with water recycling systems
- Partnering with a recycling company to create construction materials from lens cutting waste

IN FOCUS

Sharing manufacturing expertise brings benefits beyond production

Our Manufacturing team strengthens GrandVision's Product Value Chain by working closely with suppliers to deliver efficient processes and superior products for our customers. They make sure suppliers meet our high quality standards in their facilities, as well as standardize and harmonize their production processes.

The team manages relationships with suppliers around the world and our 17 RFHs where we assemble about 70% of all GrandVision lenses and frames.

Consistent quality is key

Product quality must be embedded upstream. That's why we established quality checks at every step of the design and manufacturing processes for our Exclusive Brand frames. To maintain consistency and quality, our Manufacturing team began sharing best practices with our suppliers, including adopting lean manufacturing principles in factories.

Thanks to the team's direction, suppliers have even reshaped the organizations of several manufacturing lines and factories. This led to increased production efficiency, Health Safety and Environment standard improvements, and better employee working conditions.

The team is preparing to roll out this initiative to more suppliers in 2020 to further enhance Exclusive Brand production.

How we add value for our customers

By collaborating with our suppliers, we enjoy more quality control and faster production time to market. Meanwhile, our customers can feel confident purchasing products from a company that prioritizes the quality of its products as well as the livelihoods of the people who make them.

Thanks to our Manufacturing team's initiatives, we can turn even more customers into fans.

2.5. Effective transportation

We convert more customers into fans by responding to their delivery needs as quickly as possible. To accomplish this, we rely on our transportation partners to deliver our products from production facilities to our RFHs and then to our stores. We recognize the environmental impact our work has, and we work to reduce our negative environmental impact in line with the global climate change agenda.

The journey our products take from our suppliers to our customers is covered by multiple segments, which can be broadly described as:

- Inbound transportation: From production facilities to our RFHs
- Outbound transportation: From our RFHs to our store network

Inbound/outbound transportation / % of total shipments

Inbound transportation - production to RFH	2019	2018	2017	2016	2015
Ocean (% of total shipments)	64%	75%	62%	73%	54%
Air (% of total shipments)	36%	25%	38%	27%	46%
Outbound transportation - RFH to stores	**2019**	**2018**	**2017**	**2016**	**2015**
Road (% of total shipments)	99.2%	95%	92%	98%	100%
Air (% of total shipments)	0.8%	5%	8%	2%	0%

Inbound transportation is done by ocean and air, while outbound transportation is mainly done by road travel. Our transportation policy and performance are tied to product demand. Our customers want a wide variety of products delivered as quickly as possible, which can be seen by increased inbound air shipments. That's why in 2019, GrandVision transported more frames by air compared to 2018 — an increase from 14% to 19%.

However, we also want to reduce our carbon emissions and this poses a dilemma for us, as air transportation is faster than boat, but is more carbon-intensive. We try to mitigate our increased transportation-related environmental pressure by optimizing product packaging. See paragraph 'Improved packaging reduces environmental impact' below.

Transportation / % of total transport movements

Transportation mode	2019	2018	2017	2016	2015
Ocean	33%	34%	33%	40%	33%
Road	49%	52%	44%	44%	39%
Air	19%	14%	24%	16%	28%

Transportation carbon footprint

	2019	2018	2017	2016	2015
Inbound (tons CO_2e)	2,711	3,156	5,116	3,431	3,590
Outbound (tons CO_2e)	165	691	920	303	92
Total (tons CO_2e)	**2,876**	**3,847**	**6,036**	**3,734**	**3,682**

Due to improved inventory planning, we had fewer inbound and outbound shipments, which is reflected in our total CO_2 reduction from transportation.

Our goal is to keep balancing customer demands while reducing the environmental impact of our transportation modes. In 2020, we will work to collect even more data points about our product transportation.

Apollo Optik's Reduce and Replace project

When Apollo, our German retail brand, reduced its waste volumes, they inspired our own company-wide 'Reduce and Replace' project.

By minimizing plastic packaging and sending reusable delivery boxes between RFHs and stores, Apollo's supply chain team reduced its outbound CO_2 footprint. In 2019, they reduced CO_2 emissions by more than 19 tons. Based on the activities listed above, and additional initiatives that will be introduced in 2020, Apollo expects to save an additional 117 tons of CO_2.

Improved packaging reduces environmental impact

It is widely known that air transportation is very CO_2-intense. However, we acknowledge that air transportation is an essential part of our logistics mix to guarantee speedy delivery to our customers. In 2019 we rolled out some initiatives to lower our transportation-related carbon emissions:

- Reduced packaging material by optimizing box sizes
  - *Results:* Used fewer cartons and reduced empty space/volume during transportation.
  - *Example:* Optimizing box sizes reduced an estimated 20% of packaging material used (carton). This led to an estimated 5% to 20% reduction in transported weight, on both inbound ocean and air, as well as outbound truck transport, resulting in lower CO_2 emissions.
- Consolidated volume to optimize transport
  - *Results:* Fuller container loads shipped using ocean transport and more efficient truck loads for road transport.
  - *Example:* We introduced consolidation points in Asia, which optimized inbound flow of products by air and ocean. This will lead to an estimated yearly savings of 6% on CO_2 emissions.

2.6. End-of-product lifecycle

Even though frames and sunglasses have long lifecycles — and are replaced on average every two to three years — we find ways to extend their usage to create more purpose and less waste. We also contribute to shaping better consumption patterns and provide donations to help people in need.

Many of our retailers offer second-life programs throughout their networks and collaborate with NGOs to collect and donate second-hand eyewear.

Also, we are not always able to sell our inventory and need to dispose of these obsolete high-quality products. In these cases, we donate them to NGOs and research/educational institutions to help people who cannot afford corrective eyewear and students and researchers to advance in their studies.

You can read more about these collaborations and donations in Section 3.3 'We give back to our communities.'

Our CO_2 impact, at-a-glance

In general, the heavier the product, the higher its related CO_2 emissions. Spectacles, contact lenses, eye care accessories and packaging are lightweight products and therefore, on average, are linked to lower emissions. The graphic below shows emissions within a use phase of three years.

Spectacles	T-shirt	Mobile phone
3.9 kg CO_2 (Industry average)	**22.5 kg CO_2**	**~60 kg CO_2**

Our main CO_2 emission sources*

Our manufacturing facilities - RFHs	Transportation	Our store network
	Inbound / Outbound / Business travel / Employee commuting (HQ)	Heating / Cooling / Lighting
3.4 kilotons CO_2	**4.4 kilotons CO_2**	**61.3 kilotons CO_2**

* Please note, we haven't collected and processed data from CO_2 sources such as raw materials sourcing, employee commuting (non-HQ) and waste production yet.

Initiatives to reduce our climate impact

Centralize final production stages

Historically, we edged and mounted lenses for each pair of spectacles in our stores. We now process 70% of the spectacles we sell in our RFHs.

Reduce and replace packaging

Although we are still working to better understand it, we know that a significant part of our climate impact is related to the raw materials and packaging we use. We aim to reduce these by:

- Introducing more frames and sunglasses collections made of sustainable and/or recycled materials.
- Reducing packaging to cut waste and optimize shipping loads.

Install more efficient lighting

With more than 7,400 stores worldwide, our energy consumption is not to be ignored. In 2019, 51% of our own stores were already retrofitted with LED lighting. Each LED-equipped store uses about 39% less electricity from lighting, on average. If all stores are fitted with LED lighting, this would save 46.4 GWh every year.

Our targets

- Reduce our overall energy consumption and scope 1 and 2 emissions by 30% in 2025 compared to our 2018 consumption
- Reduce the CO_2 emissions per processed spectacle by 20% in 2025 compared to our 2016 consumption
- Reduce the CO_2 emissions per transported spectacle by 30% in 2025 compared to our 2016 consumption
- Equip all our stores with LED lighting by 2025
- Centralize 85% our final production activities, which include edging and mounting lenses, by 2025

3. Our presence

By following our growth strategy and expanding our presence, we improve access to high-quality, affordable eye care through our retail network of 7,406 stores. This is supported by a strong omnichannel strategy and e-commerce, as well as our more than 39,000 employees, including professional eye care specialists.

We use our platform to serve customers and the communities in which we are based, and contribute to global social and environmental causes. These include responsible consumption patterns, the importance of good eye health and vision in traffic.

3.1. Our many customer touchpoints

We offer our products and eye care services in more than 40 countries under more than 30 retail brands, which boast multiple retailer awards. In 2019, we were recognized in Europe:

- Pearle in The Netherlands and Belgium and MultiOpticas in Portugal named 'Best Optical Retail Chain.'
- MultiOpticas in Portugal won the 'Trusted Brand Award' (seven years in a row), the 'Consumer's Choice Award' (six years in a row), and the 'Senior Consumer's Brand Award' (five years in a row).

We are also expanding our omnichannel experience to further enhance the accessibility of GrandVision products and services. Customers can shop for eyewear products on our brand websites and access in-store eye care expertise. Our evolving customer journey experience and customer service were recognized in Europe:

- Apollo Optik Germany and GrandVision Italy were both voted 'Service Champions in Optical Retail.'
- GrandVision Italy and Interoptik Norway won 'Best Service Award' and 'Customer Satisfaction Award,' respectively.

Investing in the customer experience

In 2019, our capital expenditure investments excluding acquisitions totaled nearly €198 million. The majority of invested capital optimized our existing store network. This is how we continue to improve our employees' work environments, enhance our operations and maintain responsive customer service. The capital invested in non-store assets mainly supports our digital strategy and omnichannel capabilities. To further increase customer experience continuity, our global store network totaled to 7,406 in 2019, compared to 7,095 stores in 2018, an increase of more than 4%.

Our standardized store concept

We have developed a standardized store concept that covers more than 2,000 stores across 30 countries. This concept ensures GrandVision stores around the world deliver the same high-quality customer service and award-winning customer journey experience.

We continue to standardize and improve our global store concept for a more contemporary and friendlier customer journey, as well as a more positive impact on the environment. Many of our strategic suppliers for furniture, lighting and flooring are third-party certified for quality and environmental management, and some are working to achieve a circular business model.

Environmental benefits of LED store lighting

LED lighting is a required GrandVision standardized store design specification that benefits our company and the environment. More than 3,100 stores (51% of our own stores) are equipped with LED lighting, and it is our target to equip all our stores by 2025.

In 2019, we retrofitted 271 stores, which led to an estimated:

- 2.02 GWh less energy consumption
- 835 tons avoided CO_2 emissions

Over the years, our LED-equipped stores have helped us annually to:

- Consume 23.8 GWh less energy
- Avoid emitting 9,800 tons CO_2

If we achieve our target mentioned above, we could avoid the annual consumption of 46.4 GWh and emission of 19,100 tons CO_2.

3.2. Accelerate omnichannel and digitally empower customer experiences

Our vision is to be *the* trusted advisor for our customers in all aspects of eye care and support their journeys across all our retail channels. Today's consumers are more informed than ever, thanks to mobile devices and the Internet. They browse online and offline channels before making purchase decisions, which depend on on their personal preferences, needs, convenience, category of products, urgency and other factors. We aim to resolve our customers' problems and we are re-architecting our organizational structure, skills and capabilities to make that happen.

Our channel-agnostic customer experience strategy provides our customers flexibility when interacting with our brands. We call this strategy 'personalization at mass scale.' This means moving towards a more bespoke experience that lets customers shape their own individual eye care journeys to match their preferences and needs.

We achieved positive results from all our digital efforts and omnichannel acceleration in 2019. Global e-commerce sales grew by 66% year-on-year. We also achieved a significant increase in digitally influenced store sales driven by omnichannel tools such as Advanced Appointment Booking, mobile-first website, store locator and advanced CRM.

We achieved these successes thanks to the four pillars of our omnichannel customer experience strategy:

1. Global omnichannel e-commerce platform
Our in-house Global Customer Experience & Digital (CX&D) team has centrally designed and developed an advanced, scalable and modular global omnichannel e-commerce platform. Within 12 months, we rolled out this platform in eight countries across 10 retail brands. These include Vision Express U.K. and Ireland, Pearle Netherlands, Eyewish Netherlands, GrandVision Italy, MultiOpticas Portugal, Synoptik Sweden, Synoptik Denmark, Pearle Belgium and GrandOptical Belgium.

These websites support e-commerce for sunglasses and contact lenses, eye test appointment bookings, store locators, product and promotion pages and more. The advanced CRM system and e-commerce back-office give our markets and their local marketing and digital teams flexibility to run and operate e-commerce business on a daily basis without local IT development.

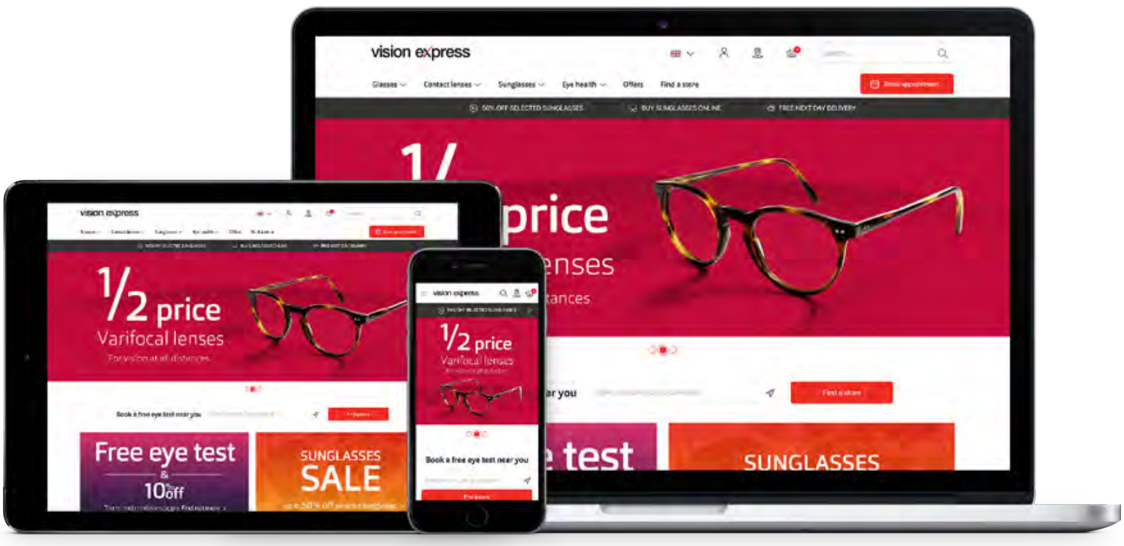
The Global CX&D team follows the AGILE methodology to deliver rapid customer-facing feature innovations, design and performance improvements in two-week cycles to enhance our mobile-first customer experience across all global e-commerce websites.

We will further enhance our customer-facing platform in 2020 with additional customer features and innovations, and will continue to roll out our enhanced platform to more markets in 2021.

2. Global customer 360 marketing personalization platform
We are adapting our marketing approach to meet shifting consumer trends and behaviors as we look to develop data-driven, highly personalized digital performance marketing and CRM capabilities. Our CX&D team has developed an advanced Customer 360 Data Platform that offers a 360° view of the customer, within the allowed boundaries of privacy regulations such as GDPR. This enriched data will enable personalized digital advertising activities; highly relevant and timely CRM campaigns as well as tailored customer service engagements. This Customer 360 Platform was successfully piloted in Latin America in 2019.

We will continue to develop and roll out this platform across multiple countries in Europe in 2020. It will serve as the foundation for the future and help us use advanced technologies such as machine learning artificial intelligence on our customer datasets and provide actionable insights to our marketing, sales, CRM and customer service teams.

We also use a global analytics dashboard that connects all GrandVision websites. It tracks and monitors a range of KPIs to help us improve our customers' online experiences.



3. Our store experience and retail store concept

Our stores are integral to our business and provide access to our products and expert eye care services delivered by thousands of our GrandVision 'Visionistas' and 'Fashionistas.'

Visionistas include optometrists, opticians and other eye care professionals who deliver services to customers such as eye tests, more comprehensive eye exams, and the selection of optical and eye care products. And our Fashionsitas advise customers about frame and sunglass trends and offer style advice.

We piloted an enhanced retail store concept to incorporate omnichannel touchpoints for our mid-low banners in 2019. Pilot countries included The Netherlands, U.K., Germany, France and Switzerland. Initial customer responses have been positive. We will further roll out this concept in 2020. Our goal is to make glasses and contact lens shopping more enjoyable and engaging for customers.

In addition, we are piloting advanced eye exam machines, cutting-edge eye care products and technologies in stores and online in several countries (where local law permits) to stay on pace with latest trends and innovations.

4. Digital skills and capabilities

We are also investing heavily in digital skills and capability transformation within GrandVision – on a local and global scale. People are pivotal to our growth and enabling them with the right tools and training is key to our continued omnichannel success.

We created a Digital Activation Global Center of Excellence within our CX&D team to spearhead this transformation. This team collaborates with Marketing, People & Culture, Category, IT and Supply Chain teams as well as all our local markets. We identified key digital skills throughout the organization (e.g. performance marketing, omnichannel operations, conversion optimization, online merchandising, experience design) and created a global acceleration program to embed these skills in our markets and functions. We created cross-functional, multi-disciplinary teams that break traditional functional and geographical boundaries and cooperate to achieve a seamless customer experience.

Does our e-commerce goal impact eye health?

European e-commerce revenue is predicted to increase by nearly 30% in the next five years (Source: Statista). As more people shop using their mobile devices, we are expanding our omnichannel capabilities to adapt to this trend. However, 'screen time' on our computers and mobile devices has been proven to be detrimental to our eye health. Does this cause a dilemma for GrandVision?

We prioritize the health and safety of our customers and address their various eye care needs. This includes blue light blocking lenses in our stores. For more complex eye care issues, customers can consult our opticians. We will continue to invest in our omnichannel retail experience as we prioritize our customer technology needs, and its potential side effects.

3.3. We give back to our communities

In 2019, we further centralized our global CSR approach to help GrandVision strengthen our overarching CSR strategy and formalize our environmental, social and corporate governance (ESG) commitments.

To achieve this, we started a CSR Ambassador community with representatives across our countries of presence, as well as members from our strategic functions such as Product Value Chain, Finance and P&C. This group aligns stores and offices around the world to deliver on ESG objectives, increase our philanthropy efforts and report on our progress.

Raising awareness

Raising awareness is a critical step when embarking on a journey to educate people who may be misinformed, misled or simply unaware of the eye health and eye care situation in the world right now.

Uncorrected vision is a condition that affects about 2.2 billion people worldwide (source: WHO), yet many people remain unaware of the repercussions of poor vision or the fact that they can do something about it. And for nearly 1 billion people living in underdeveloped countries, eye care is not available or not possible to afford.

Our global CSR Ambassador community works to address these issues effectively and influence positive change across geographies. We connect on causes in line with global demographic and social trends like aging, urbanization and healthier lifestyles. Through regular actions and communications of the crucial roles good eye health and regular eye care play in our lives, we increase awareness in communities where we are present, and beyond.

Some of the topics on our global agenda are:

- Importance of good vision in traffic
- Detection of eye-related conditions at earlier ages and progression stages
- Education of children about the importance of eye care

Recently, we have focused on driver awareness campaigns to educate the public about the importance of driving with good vision. We have launched campaigns in several countries where we are present, and our U.K.-based retail brand Vision Express even influenced change in existing governmental practices. As a result of the brand's lobbying efforts, the U.K. government announced its plan to collaborate with the Driver and Vehicle Licensing Agency to include an eye test reminder when drivers renew their licenses.

Global philanthropy

Growing our philanthropic efforts for those who cannot afford eye care is one of our CSR Ambassador community's goals. By joining forces, we have inspired and organized multiple charitable events around the world:

- Performed more than 100,000 free eye checks
- Took mission trips to underserved communities near our homes and abroad
- Donated more than 119,000 pairs of glasses
- Raised funds for eye-health related charities and local food pantries
- Organized charitable sports events

In 2019, we donated free eye care and eyewear in the following ways:

- **Apollo Optik (Germany):** Donated nearly 30,000 pieces of eyewear to Dutch NGO TwoBillionEyes Foundation. The foundation provides eyeglasses and trains local vision collaborators in underserved African communities.
- **MultiOpticas (Portugal):** The MultiOpticas team made a philanthropic mission to Mozambique. Read more about it in our 'In Focus' story.
- **Synoptik (Denmark):** For more than 10 years, the retail brand has partnered with the Danish Blind and Ghana Blind Unions. They set up an eye clinic in Accra, Ghana, which is run by local eye health specialists and receives annual visits by a Synoptik Denmark delegation. The Synoptik team gives free eye care, donates used frames collected in stores for prescription glasses fittings, and shares knowledge with local employees. This successful collaboration has benefitted more than 50,000 Ghanaians to date.
- **Synoptik (Sweden):** Our Swedish retail brand has partnered for years with charitable foundation Opticians Without Borders, in collaboration with Swedish aid organization Vision For All. Since 2011, they have provided customer-donated second-hand, fully-functional glasses to the organizations. In turn, the two NGOs fit more than 80,000 prescription glasses for free for people in Bolivia, Nicaragua, Peru and Guatemala.
- **GrandVision Headquarters (The Netherlands):** Our HQ donated nearly 57,000 frames, ready readers and sunglasses to Medico Lions Clubs Belgium. These donations are given to people who need eyewear in countries such as the Democratic Republic of Congo, Rwanda and Burundi.
- **Óptica2000 and +Visión (Spain):** These retail brands donated more than 1,000 pairs of glasses to optometry clinic Centro Universitario de la Visión, part of university Facultad de Óptica y Optometría de Terrassa. The donations allow students to practice their technical skills, as they donated free eye tests and prescription glasses to more than 2,000 people throughout 2019.

World Sight Day 2019

In 2019, we observed World Sight Day by connecting our retail brands and operating through our global network of CSR Ambassadors to make a difference in our communities.

The group raised awareness about eye health through a viral challenge that gained popularity internally and externally through our social media channels.

Hundreds of our employees volunteered or contributed to our philanthropic efforts for World Sight Day and their impact was felt across our global network. It resulted in donating:

- 86,300 free eye tests
- €96,600*

**Local currencies from other countries converted into euros.*

▲ The TwoBillionEyes Foundation gave free eye tests and fit hundreds of people in Gambia with new prescription lenses in donated GrandVision frames.

▲ Synoptik (Sweden) partnered with Swedish organization Opticians without Borders to give free eye tests and donate prescription frames in Bolivia.

IN FOCUS

Delivering eye care to Mozambique

Giving from the heart is a gift that keeps on giving. In 2019, MultiOpticas Portugal organized a mission to visit Mozambique and give free eye care and glasses to those who could not afford them.

MultiOpticas' mission was a great success

To prepare for its mission in October 2019, MultiOpticas Portugal collected used prescription glasses in more than 200 stores around the country to donate, with a promise to match the number of pairs it received. It also received more than 1,000 pairs of glasses from GrandVision Headquarters and our German retail brand Apollo.

Once the brand checked and prepared the donated frames, a team of MultiOpticas employees and opticians flew to Mozambique's Nampula region. For nearly two weeks, they worked closely with non-profit group Helpo to conduct eye exams and distribute prescription glasses to local residents. By the end of its trip, the MultiOpticas team had:

- Conducted 1,000 free eye exams
- Distributed 598 pairs of prescription glasses

In addition to providing eye exams and glasses, MultiOpticas also donated all the equipment its team used during the mission trip to a local university. And they gave two MultiOpticas Portugal internship scholarships to the top students in the local university's optometry course.

How does GrandVision's CSR team create value for customers?

Thanks to tremendous efforts like this, we assure customers that they are purchasing products from a company working towards a better future, and it lets them become actively involved in our CSR vision, too. This is how GrandVision makes eye care more accessible everywhere, to everyone.

3.4. We are a responsible corporate citizen

At GrandVision, we prioritize effective corporate governance as well as good company-wide business practices. We comply with regulations and engage with our employees on ethics and good conduct. In doing so, we maintain the value we create.

Ethics and good conduct
GrandVision's Management Board believes that a respectful working environment creates a company culture focused on long-term value creation across our business and affiliated enterprises. We are proud of our values: integrity, trust, openness, teamwork and a focus on customer service and store performance.

We work tirelessly to keep customer needs and experiences at the heart of all we do. We believe these are the ingredients to continue creating value for the long term. This is why we share a common understanding and guidelines to help reinforce and uphold our values, which are actively promoted by the Management and Supervisory Boards.

In addition, the GrandVision Code of Conduct and our Whistleblower Procedure, described below, enable our employees, customers, suppliers and other stakeholders to detect and alert the organization if a deviation may occur. These codes can be found on our website and have been translated into all local languages to make sure every employee has a thorough understanding of both policies.

Our Code of Conduct
Our Code of Conduct provides everyone with a common understanding and guidelines to reinforce and apply our core values. We require all employees in our stores and offices to take our Code of Conduct training each year on our GV Academy e-learning platform. The training completion is also mandatory for new hires in their onboarding process. In 2019, 87% of our employees signed the Code of Conduct. We are working on improving the completion rate to meet our target.

The training course covers several topics including anti-corruption, bribery and data security. We also send all employees regular reminders and leadership communications about the topic.

You can find our Code of Conduct online at GrandVision.com.

Our Whistleblower Procedure
We encourage everyone to report any infringements of our Code of Conduct by following the GrandVision Whistleblower Procedure. It can be used by employees and contractors, customers, suppliers, business partners and the general public who can share evidence of infringements of our Code of Conduct.

In 2019, our Compliance Officer received eight Whistleblower reports. These were followed up in line with our Whistleblower Procedure and duly reported to the Audit Committee.

You can find our Whistleblower Procedure online at GrandVision.com.

Antitrust and competition law compliance at GrandVision
GrandVision is committed to proactively ensuring full compliance with all legal as well as good-governance principles. This includes all aspects of competition law and antitrust compliance, therefore we established a company-wide policy regarding antitrust and competition law compliance. The Management Board monitors its effectiveness and implements this policy. Meanwhile every GrandVision employee receives mandatory annual awareness training on this topic.

You can find more details about our Competition Law and Antitrust Compliance Policy online at GrandVision.com.

Data compliance
Data protection and cybersecurity are part of our wider compliance program. They ensure compliance with all relevant legislation, including the *EU General Data Protection Regulation*. Considering greater data security issues, we take our responsibility seriously as an employer and health service provider.

Our program also helps create and maintain a culture of responsible and safe handling of personal, customer and employee data. It includes company-wide policies related to personal data and information protection, data retention, IT end-users, data breach protocol and social media. We have also set up a governance structure to make sure the cybersecurity compliance program is implemented in all GrandVision countries.

We have appointed Data Protection Officers (DPOs) in every country, who are responsible for implementing their respective policies. These DPOs receive training through internal legal webinars and each year, organize calls to facilitate the sharing of best practices. Our cybersecurity training is also mandatory and available on our employee e-learning platform.

Throughout 2019, we continued to make our countries GDPR-compliant while further strengthening our governance structure.

Protecting human rights across all organizations
Protecting human rights across our value chain is of uttermost importance and in line with our Ethics and Compliance programs. It also aligns with our ambition to be a responsible corporate citizen that contributes to the global human rights agenda. This is why we establish policies, commitments and actions to safeguard human rights and manage the risk of incompliance across our entire value chain. Our most relevant areas are:

- Health and safety in production and manufacturing sites; Read more in the 'Strategic sourcing and

procurement' and 'Manufacturing and production lines' sections for more information.
- Labor rights across all operations; Read more in the 'Strategic sourcing and procurement' and 'Our inclusive, diverse and ethical work environment' sections for more information.
- Data privacy; Read more in the 'Data compliance' paragraph in this section.

We have also implemented an annual risk management cycle that identifies key risks and developments during the period, which are addressed in an ongoing process. During our annual budgeting process, country management and central functional teams conduct risk assessments. They update key risks based on these assessments and on an evaluation of the outcomes of the risks already identified. Compliance risks are included in our assessment. Please read more in the 'Risk Management section' of this report in the chapter 'Corporate governance.'

In 2020, we will conduct a human rights due diligence exercise to identify and reassess salient human rights issues: those at risk of the most severe negative impact through our activities and business relationships. We will analyze our current policies, actions and commitments, and based on the outcome, plan further steps and actions to tackle uncovered human rights risks and opportunities. We will remediate existing impacts and strengthen key elements of our company policies and processes, internal and external communications and stakeholder engagement.

Preventing bribery across all operations
Preventing bribery across all of our operations is in line with our Ethics and Compliance programs as well as our ambition to be a responsible corporate citizen that contributes to the global human rights agenda.

We established policies, commitments and actions in place in order to safeguard the respect of international anti-corruption and anti-bribery regulations.

Our Code of Conduct and Supplier Code of Conduct are also online at GrandVision.com. They describe our commitment and our expectations to all employees, suppliers, contractors and competitors to refrain from offering, promising or giving any bribe to GrandVision employees, representatives or agents, whether directly or indirectly.

Our Supervisory Board oversees our overall performance, including the policies pursued, such as our Code of Conduct, and compliance with all applicable laws, including anti-corruption and anti-bribery regulations.

We have a dedicated compliance officer for our Whistleblower Policy to ensure an effective reporting process if bribery may occur. Read more about this policy in the paragraph 'Our Whistleblower Procedure' in this section.

Additionally, our employee and supplier Codes of Conduct include anti-bribery clauses. Please refer to section 'Strategic sourcing and procurement' for more information.

This type of compliance risk is also included in our annual risk management cycle, as previously described. Please read more in the 'Risk management' section of this report in the 'Corporate Governance' chapter.

Our transparent and responsible tax strategy

Giving back to local economies is part of our goal to be a responsible corporate citizen. We embed tax implications into business processes when and where 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 to comply with all legislation.

We created our tax strategy in line with our corporate values of integrity, trust and openness, and by including input from 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 our tax strategy execution by developing the GrandVision 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 execution of the tax strategy to the Audit Committee and the Supervisory Board. Our Audit Committee is also the governance body that is responsible for approving GrandVision's tax strategy.

The principles of our tax strategy are to:

- Be compliant at all times
- Pay the correct amount of taxes across the value chain in the jurisdictions 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

Our tax policy

GrandVision's tax policy lets us pursue a transparent and responsible tax strategy across all countries in which we are present. It aligns the long-term interests of all stakeholders, shareholders, governments and communities. It also helps us realize our tax goals.

For more information, you can find our tax policy online at GrandVision.com.

Tax Control Framework

We ensure compliance with tax regulations through GrandVision's Tax Control Framework. It enables us to effectively monitor, control and manage group-wide tax positions. It also creates awareness of possible tax exposures and helps us to report our tax positions and, for example, effectively comply with country-by-country obligations.

We strive to maintain strong working relations with tax authorities. In countries where this is possible, it is managed through collaborative working arrangements (horizontal monitoring). For example, we collaborate on an ongoing basis with tax authorities in The Netherlands and the U.K. In addition, our 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, effective tax rate (ETR) and our position in tax transparency benchmarks.

The Framework also covers the work of the independent Internal Audit function, which provides assurance and validation of the overall internal control frameworks.

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 and transfer pricing

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

Our contribution to socio-economic development

The taxes we pay contribute to socio-economic development.

Taxes contributed by segment

	2019	2018	2017	2016	2015
Total Income Tax in EUR	79,177	81,672	101,055	95,775	103,021
of which income taxes segment G4	72,670	61,190	72,494	77,116	83,468
of which income taxes segment Other Europe	18,946	11,743	16,656	17,528	19,865
of which income taxes segment Americas & Asia	7,983	5,506	7,080	-3,188	1,530
of which income taxes corporate	-20,422	3,233	4,825	4,319	-1,842

In 2019, GrandVision reported €79 million in current and deferred income tax, a 3% reduction compared to 2018. The reduction is mainly related to one off impact in deferred tax accounting while our current tax position increased.

Our effective tax rate

	2019	2018	2017	2016	2015
Effective tax rate (income tax as percentage of pre-tax results)	28.9%	25.6%	28.9%	27.5%	30.8%

To gain insight into our relative tax contributions, we use the ETR indicator that divides income tax by total pre-tax results. In 2019, our ETR increased from 25.6% to 28.9%, which was largely driven by the non-tax-deductible impairment of goodwill. The ETR increase was partly offset by positive impacts from business restructuring which led to the recognition of deferred tax assets for unused tax credits from the past in different jurisdictions.

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

Tax risks

As an international company operating in more than 40 countries, GrandVision is exposed 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 2019, we conducted the same tax risk management cycles review exercise as in previous years.

This review covered the whole spectrum, starting with risk identification, and ultimately led to uncertain tax positions in financial reporting and reporting to the Supervisory Board and Audit Committee.

Due to the nature of the retail industry, our core business and our international profile, 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.

4. Our financial performance

GrandVision reported €4.0 billion in revenue and €990 million in adjusted EBITDA for 2019. Revenue growth of 8.7% was driven by comparable growth in all of our three segments as well as strong contribution from acquisitions.

4.1. Group performance

		Pre-IFRS 16					
in millions of EUR (unless stated otherwise)	**Reported 2019**	**2019**	**2018**	**Change versus prior year**	**Change at constant FX**	**Organic growth**	**Growth from acquisitions**
Revenue	4,039	4,037	3,721	8.5%	8.7%	5.1%	3.6%
Comparable growth (%)	4.1%	4.1%	3.4%				
Adjusted EBITDA	990	604	576	4.7%	5.1%	2.3%	2.8%
Adjusted EBITDA margin (%)	24.5%	14.9%	15.5%	-54bps			
Adjusted EBITA	475	443	426	3.9%	4.6%	1.4%	3.1%
Adjusted EBITA margin (%)	11.8%	11.0%	11.5%	-49bps			
Net result	195	193	237				
Net result attributable to equity holders	178	176	216				
Adjusted earnings per share, basic (in €)	0.91	0.89	0.91				
Earnings per share, basic (in €)	0.70	0.69	0.85				
Number of stores (#)	7,406	7,406	7,095				
System wide sales	4,407	4,407	4,079				

Operational highlights
Demand for eye care continued to grow in 2019, driven by long term demographic trends, an increasing need for eye care around the world as well as consumers' focus on value, quality and fashion.

Thanks to these favorable underlying market trends and the continued execution of our commercial strategy, GrandVision achieved a strong year of topline performance, with 8.7% revenue growth at constant exchange rates and 4.1% comparable growth.

During 2019, GrandVision completed several acquisitions to strengthen our competitive positioning in key markets. In January 2019, GrandVision acquired Charlie Temple, the leading online optical retailer in The Netherlands, which offers high-quality frames with single vision and multifocal lenses at competitive prices and, in some markets, next-day delivery. In February, we strengthened our position in the Spanish market through the acquisition of Óptica2000. In July, we completed the acquisition of McOptic, the third largest optical retailer in Switzerland. In total, acquisitions added 3.6% to revenue growth.

System-wide sales, which reflects the retail sales of GrandVision’s own stores plus that of its franchisees, increased by 8.0% to €4,407 million (FY18: €4,079 million).

Store network development

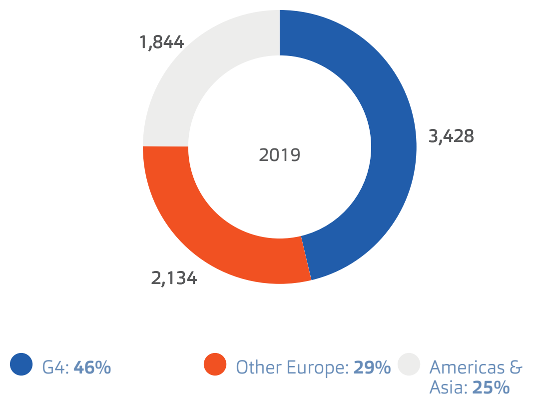
	2019	2018
Number of stores	7,406	7,095
Number of own stores	6,226	5,897
Number of franchise stores	1,180	1,198
Number of countries in which GrandVision is present	43	43
Number of retail banners	30+	30+
Number of employees (average FTE)	34,143	32,400

GrandVision expanded our store network by 311 stores during 2019 through acquisitions and store openings, which led to a total of 7,406 stores at year-end 2019. Of these, 6,226, or 84%, were our own stores and 1,180 were franchise stores.

Store network development

The store base grew strongest in the Other Europe segment through the acquisitions of Óptica2000 in Spain and McOptic in Switzerland, which added 170 stores across both markets, as well as store openings. In the G4 segment, the number of stores increased by 41 due to a combination of openings and smaller acquisitions, mainly in Germany and the Benelux. And in the Americas & Asia segment, the number of stores grew by 48, largely driven by store openings.

Stores by segment



IFRS 16 reporting impact

in millions of EUR	FY19
Occupancy costs included in pre-IFRS 16 adjusted EBITDA	386
IFRS 16 impact on depreciation	- 354
IFRS 16 impact on net financial result	- 30
Total IFRS 16 impact (additional net income)	2

The new leasing standard under IFRS 16 is effective for accounting periods beginning on, or after, 1 January, 2019. This resulted 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. Overall, GrandVision has close to 10,000 lease contracts in all countries that are subject to IFRS 16.

GrandVision has adopted 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 has therefore not restated the comparative amounts for the year 2018.

Reported net income for FY19 was positively impacted by IFRS 16, under which occupancy costs are split into depreciation of Right-of-Use assets and interest expense on lease liability. A reconciliation table is presented above.

For more details, please see Note 12 of the Financial Statements.

Revenue development

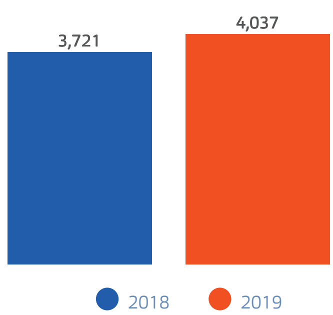
		Pre-IFRS 16					
in millions of EUR (unless stated otherwise)	Reported 2019	2019	2018	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
G4	2,266	2,265	2,131	6.3%	6.0%	4.2%	1.8%
Other Europe	1,269	1268	1,130	12.2%	12.3%	4.0%	8.3%
Americas & Asia	505	504	459	9.7%	12.1%	12.1%	0.1%
Total	4,039	4,037	3,721	8.5%	8.7%	5.1%	3.6%

GrandVision achieved revenue growth at constant exchange rates of 8.7% for the full year 2019 with organic growth of 5.1%. Comparable growth accelerated from 3.4% in 2018 to 4.1% in 2019, driven by a strong performance across all segments and product categories. Acquisitions, mainly Óptica2000 in Spain and McOptic in Switzerland, added 3.6% to revenue growth.

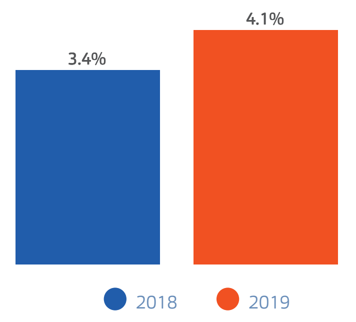
In 2019, all three regional segments delivered solid revenue growth. The Other Europe segment delivered the highest revenue growth overall due to acquisitions.

Among our product categories, contact lenses showed the highest growth rate, benefiting from the continued expansion of e-commerce sales. Overall, these sales grew by 66% as a result of Lenstore's ongoing growth, including the expansion into France and Italy, the acquisition of Charlie Temple in The Netherlands as well as growth in our retail brands.

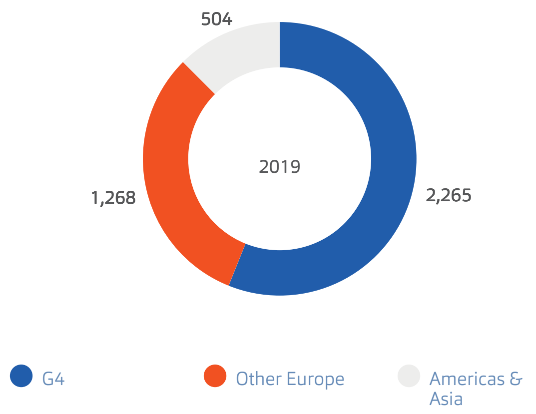
Revenue in € million (pre-IFRS 16)



Comparable Growth



2019 Revenue by segment in € million (pre-IFRS 16)



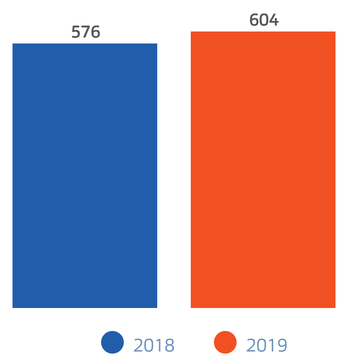
Adjusted EBITDA development

in millions of EUR (unless stated otherwise)	Reported 2019	2019	2018	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
G4	616	421	411	2.3%	2.2%	0.4%	1.8%
Other Europe	315	195	176	10.9%	11.2%	6.1%	5.1%
Americas & Asia	100	29	20	46.4%	57.2%	57.5%	-0.2%
Other reconciling items	- 40	- 41	- 31				
Total	990	604	576	4.7%	5.1%	2.3%	2.8%

Reported adjusted EBITDA increased from €576 million in 2018 to €990 million, largely due to the positive impact of IFRS 16, under which occupancy costs are split into depreciation of right-of-use assets and interest expenses on lease liabilities.

Excluding the effect of IFRS 16, adjusted EBITDA increased by 5.1% at constant exchange rates to €604 million in FY19 with 2.3% organic growth and a positive contribution of 2.8% from acquisitions, largely related to Óptica2000 and McOptic.

Adjusted EBITDA in € million (pre-IFRS 16)



Adjusted EBITDA margin

in millions of EUR (unless stated otherwise)	Reported 2019	2019	2018	Change versus prior year
G4	27.2%	18.6%	19.3%	-73bps
Other Europe	24.8%	15.4%	15.5%	-18bps
Americas & Asia	19.8%	5.8%	4.3%	144bps
Total	24.5%	14.9%	15.5%	-54bps

The adjusted EBITDA margin decreased by 54 bps to 14.9% mainly due to higher central investments to support our digital and Product Value Chain strategies and operational challenges in a few key markets.

Reconciliation of adjusted EBITDA, EBITDA, EBITA and operating result

		Pre-IFRS 16			
in millions of EUR	Reported 2019	2019	% of revenue	2018	% of revenue
Adjusted EBITDA	**990**	**604**	**14.9%**	**576**	**15.5%**
Depreciation and amortization Software	- 515	- 161	-4.0%	- 150	-4.0%
Adjusted EBITA	**475**	**443**	**11.0%**	**426**	**11.5%**
Non-recurring items	-63	-63	-1.6%	- 20	-0.5%
EBITDA	**927**	**541**	**13.4%**	**557**	**15.0%**
EBITA	**413**	**380**	**9.4%**	**406**	**10.9%**
Amortization and impairments	-89	-89	-2.2%	- 69	-1.9%
Operating result	**324**	**292**	**7.2%**	**337**	**9.1%**

Non-recurring items of €63 million are related to impairment of software (€21 million), expenses related to the potential EssilorLuxottica transaction (€9 million), restructuring costs (€9 million), the discontinuation of activities in China (€4 million) and costs related to acquisitions and to the prior year.

In 2018, these items mainly related to restructuring, legal provisions, VAT risks, software impairment as well as corrections related to prior years.

EBITDA increased from €557 million in 2018 to €927 million in 2019, largely due to the positive impact of IFRS 16, under which occupancy costs are split into depreciation of right-of-use assets and interest expenses on lease liabilities.

Excluding the effect of IFRS 16, EBITDA decreased by 2.8% from €557 million in FY18 to €541 million in FY19.

Depreciation and amortization of software increased from -€150 million in 2018 to -€515 million in 2019, largely due to the depreciation of right-of-use asset under IFRS 16.

Excluding the effect of IFRS 16, depreciation and amortization of software increased by -€11 million during 2019 as a result of increased IT investments.

EBITA increased from €406 million in 2018 to €413 million in 2019 driven by the positive impact of IFRS 16, under which occupancy costs are split into depreciation of right-of-use assets and interest expense on lease liabilities.

Excluding the effect of IFRS 16, EBITA decreased by 6.4% from €406 million in FY18 to €380 million in FY19.

Amortization and impairments of -€89 million (-€69 million in 2018) includes a goodwill impairment charge of €51 million related to the U.S. as the operational performance of the For Eyes business remains below the performance targets of the business plan set out at the time of the acquisition in 2015.

Operating result (EBIT) decreased from €337 million in 2018 to €324 million in 2019, which includes the positive effect of IFRS 16, under which occupancy costs are split into depreciation of right-of-use assets and interest expenses on lease liabilities.

Excluding the effect of IFRS 16, EBIT decreased by 13.5% to €292 million in 2019, compared to €337 million in 2018, as positive adjusted EBITDA growth was offset by higher non-recurring items, depreciation and amortization as well as higher impairment charges.

4.2. Financial review

Summarized consolidated income statement

		Pre-IFRS 16			
in millions of EUR	**Reported 2019**	**2019**	**% of revenue**	**2018**	**% of revenue**
Revenue	4,039	4,037	100.0%	3,721	100.0%
Cost of sales and direct related expenses	- 1,110	- 1,110	-27.5%	- 1,004	-27.0%
Gross profit	**2,930**	**2,928**	**72.5%**	**2,717**	**73.0%**
Selling and marketing costs	- 2,028	- 2,056	-50.9%	- 1,899	-51.0%
General and administrative costs	- 578	- 579	-14.3%	- 480	-12.9%
Share of result of associates	- 1	- 1	0.0%	- 1	0.0%
Operating result	**324**	**292**	**7.2%**	**337**	**9.1%**
Net financial result	- 49	- 19	-0.5%	- 18	-0.5%
Result before tax	**275**	**272**	**6.7%**	**319**	**8.6%**
Income tax	- 79	- 79	-2.0%	- 82	-2.2%
Result for the period	**195**	**193**	**4.8%**	**237**	**6.4%**
Result attributable to equity holders	178	176	4.4%	216	5.8%
Result attributable to non-controlling interests	17	17	0.4%	21	0.6%

Net financial result

Net financial result increased from -€18 million in 2018 to -€49 million in 2019, which includes net interest on lease liabilities and lease receivables of €30 million following the split of occupancy costs into depreciation of right-of-use assets and interest expenses of lease liabilities as a result of IFRS 16.

Excluding this impact, our net financial result of -€19 million was broadly in line with the previous year.

Income tax

Income tax decreased from €82 million in 2018 to €79 million in 2019. The effective tax rate (ETR) increased from 25.6% to 28.9%.

The increase in the ETR is mainly resulting from the non-tax deductible impairment of goodwill in 2019. This ETR increase was partly offset by positive impacts from business restructuring which led to the recognition of deferred tax assets for unused tax credits from the past in different jurisdictions.

Net result for the period

Reported net result decreased from €237 million in 2018 to €195 million in 2019, as a higher adjusted EBITDA was more than offset by higher non-recurring items and impairment charges. GrandVision's FY19 net income increases by €2 million following the adoption of IFRS 16.

Excluding the effect of IFRS 16, our net income was €193 million in 2019.

Net result attributable to equity holders decreased by 17.7% to €178 million in 2019 from €216 million in 2018.

Earnings per share (EPS)

Adjusted EPS, which excludes non-recurring items, was €0.91 in FY19 (FY18: €0.91). EPS decreased by -17.5% to €0.70 in FY19 (FY18: €0.85).

The weighted average number of shares outstanding was 253,693,611 in FY19 (FY18: 253,702,033). On a fully diluted basis, EPS decreased by -17.5% at €0.70 in FY19 (FY18: €0.85).

4.3. Financial position

Summarized balance sheet

in millions of EUR	2019	2018
Property, plant and equipment	533	517
Right-of-use assets	1,443	-
Intangible assets	1,561	1,616
Other non-current assets	146	97
Non-current assets	**3,683**	**2,229**
Inventories	356	331
Other current assets	342	316
Cash and cash equivalents	163	138
Current assets	**861**	**785**
Total assets	**4,544**	**3,014**
Total equity	**1,264**	**1,252**
Borrowings	386	363
Lease liabilities	1,037	-
Other non-current liabilities	235	201
Non-current liabilities	**1,659**	**564**
Borrowings	517	515
Lease liabilities	373	-
Trade and other payables	660	621
Other current liabilities	71	61
Current liabilities	**1,621**	**1,197**
Total equity and liabilities	**4,544**	**3,014**

Following the adoption of IFRS 16 Leases, lease liabilities of €1,363 million and the right-of-use assets of €1,394 million were recognized on the balance sheet on 1 January, 2019 in relation to leases that were previously classified as 'operating leases.' The cumulative effect of historical depreciation of the right-of-use assets in the amount of €72 million is included in total equity.

For more details on IFRS 16 implementation, please see note 2.7.1 of the Financial Statements section.

Cash flows and liquidity

GrandVision's liquidity requirements primarily relate to investments in existing and new stores and our global capabilities, the payment of interest, and the need to fund our working capital requirements and acquisitions. We primarily rely on cash flows from operating activities to finance our operations. In addition, we use 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 shows the primary components of our cash flows.

Cash flow components

in millions of EUR	2019	2018
Net cash from operating activities	878	448
Net cash used in investing activities	- 362	- 239
Net cash used in financing activities	- 446	- 137
Inflow/(outflow) in cash and cash equivalents	**70**	**70**
Cash and cash equivalents at beginning of year	72	12
Inflow/(outflow) in cash and cash equivalents	70	70
Exchange gains/(losses) on cash and cash equivalents	- 7	- 10
Cash and cash equivalents at end of period	**134**	**72**

IFRS 16 had no impact on total amount of cash flows but changed the presentation. Lease payments were reclassified from cash from operating activities to cash from financing activities.

Net cash from operating activities increased to €878 million in 2019 compared to €448 million in 2018. Excluding the reclassification impact of IFRS 16, the increase was mainly driven by underlying EBITDA growth and improvements in working capital due to lower levels of inventories and receivables than in the previous year.

Net cash used in investing activities increased from €239 million in 2018 to €362 million in 2019. This was mainly driven by more acquisitions compared to the previous year, which was partially offset by lower capital expenditure. In total, cash outflows relating to acquisitions of companies was €154 million, reflecting the increase of acquisitions in 2019, particularly Óptica2000 in Spain, Charlie Temple in The Netherlands and McOptic in Switzerland.

Net cash used in financing activities was an outflow of €446 million in 2019, compared to an outflow of €137 million in 2018, which mainly reflects the reclassification impact of IFRS 16.

Capital expenditure

in millions of EUR	2019	2018
Capital expenditure (not related to acquisitions)	198	210
Store capital expenditure	127	162
Non-store capital expenditure	70	48

Capital expenditure not related to acquisitions decreased by €12 million to €198 million (4.9% of revenue) in 2019, compared with €210 million (5.6% of revenue) in 2018. The majority of capital expenditure was dedicated to optimizing our store network.

Store capital expenditure decreased from €162 million in 2018 to €127 million in 2019 due to the higher level of refurbishments in the previous year related to the integration and refurbishment of the Tesco Opticians business in the U.K., as well as fewer store openings in 2019.

Non-store capital expenditure increased to €70 million in 2019 compared to €48 million in 2018 mainly due to the roll-out of our omnichannel platform in eight markets throughout the year.

Free cash flow and cash conversion

	2019	2018
Free cash flow (€ million)	296	238
Cash conversion (%)	54.6%	42.8%

Free cash flow increased to €296 million in 2019, compared to €238 million in 2018. The increase in free cash flow was mainly driven by improvements in working capital as well as lower capital expenditure.

Cash conversion, calculated as Free Cash Flow divided by EBITDA, increased from 42.8% in 2018 to 54.6% in 2019. Following the implementation of IFRS 16, the calculation is based on EBITDA less depreciation of right-of-use assets and net financial result on lease liabilities and receivables.

Financial indebtedness

Throughout 2019, GrandVision maintained a financial position with sufficient liquidity to fund our strategy and pursue our growth ambitions. In addition to utilizing our own cash flow, we can draw on various financing sources, like our Revolving Credit Facility, the commercial paper program and various bilateral credit facilities.

In July 2019, we successfully refinanced the current Revolving Credit Facility of €1.2 billion with a group of our close relationship banks. The new Facility has a maturity until 2024 and can be extended two times by one year at the end of the first and second anniversary (5 + 1 + 1). The new Facility has the same size and similar terms to the previous facility that would have matured in 2021. In addition, a sustainability feature has been added to the Facility, whereby the margins are linked to our sustainability performance.

Net debt and leverage

GrandVision aims to maintain a leverage ratio (net debt over EBITDA-covenants for the last 12 months) of equal to or less than 2.0, excluding the impact of any borrowings associated with, and any adjusted EBITDA amounts attributable to any major acquisitions.

In order to monitor the financial covenants, we use the following definitions of Net Debt and EBITDA-covenants: Net debt consists of GrandVision's borrowings, derivatives and cash and cash equivalents, excluding lease liabilities. EBITDA-covenants is calculated as adjusted EBITDA less depreciation of right-of-use assets and net financial result on lease liabilities and receivables (following the application of IFRS 16 as of 1 January, 2019).

This table shows GrandVision’s net debt, as well as our net debt leverage as of 31 December, 2019:

Borrowings

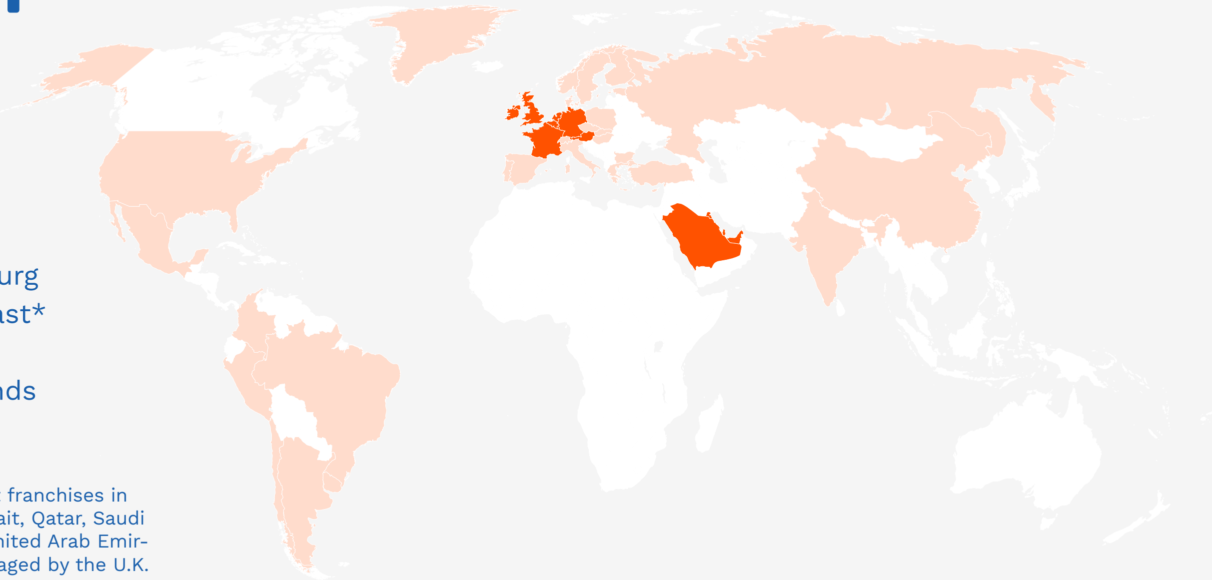
in millions of EUR (unless stated otherwise)	2019	2018
Total borrowings	903	878
Cash and cash equivalents	- 163	- 138
Derivatives (liabilities)	14	7
Derivatives (assets)	- 2	- 3
Net debt	753	743
EBITDA - covenants	605	576
Net debt leverage (times)	1.2	1.3

At year-end 2019, our net debt increased slightly from €743 million in 2018 to €753 million in 2019, as strong cash flow generation was offset by acquisitions Óptica2000, Charlie Temple and McOptic during the period.

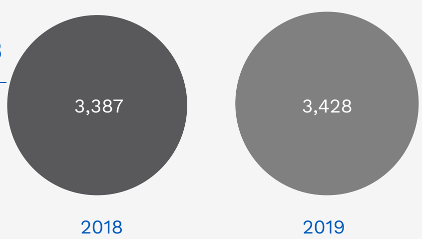
The net debt leverage ratio year-end 2019 was 1.2x, compared to 1.3x at the end of 2018.

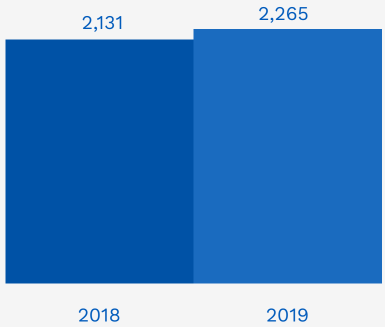
G4

Austria
Belgium
France
Germany
Ireland
Luxembourg
Middle East*
Monaco
Netherlands
U.K.



* Middle East franchises in Bahrain, Kuwait, Qatar, Saudi Arabia and United Arab Emirates are managed by the U.K. business unit





millions of EUR (unless stated otherwise)	Reported FY19	Pre-IFRS 16 FY19	FY18	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	2,266	2,265	2,131	6.3%	6.0%	4.2%	1.8%
Comparable growth (%)	3.7%	3.7%	2.4%	-	-	-	-
Adjusted EBITDA (%)	616	421	411	2.3%	2.2%	0.4%	1.8%
Adjusted EBITDA margin (%)	27.2%	18.6%	19.3%	-73bps	-	-	-
Adjusted EBITA	347	336	331	1.5%	1.4%	-0.4%	1.8%
Adjusted EBITA margin (%)	15.3%	14.8%	15.5%	-70bps	-	-	-
Number of stores (#)	3,428	3,428	3,387	-	-	-	-

Apollo
CHARLIETEMPLE
eye wish opticiens
Generale d'Optique
GrandOptical
LENSTORE.co.uk VISION CARE EXPERTS
Pearle opticiens
Robin Look
(sightful)
Solaris
vision express
ZONNEBRILLEN.COM

G4

The G4 segment includes our four largest business units: (i) The Netherlands and Belgium; (ii) France, Luxembourg and Monaco; (iii) Germany and Austria; and (iv) the U.K. and Ireland, including franchises in several Middle Eastern countries.

The G4 business units manage retail brands with owned and franchise stores across these countries. Within the segment, we have market leading positions in Austria, Belgium and The Netherlands, and number two or three positions in France, Germany and the U.K.

At the end of 2019, the G4 segment operated a network of 3,428 stores, an increase from 3,387 stores in 2018. Key brands in the G4 segment include Apollo Optik in Germany with 873 stores, Pearle in Austria, Belgium and The Netherlands with 697 stores, Générale d'Optique in France with 627 stores and Vision Express in the U.K., Ireland and Middle East with 615 stores.

Revenue

In the G4 segment, revenue increased by 6.0% at constant exchange rates to €2,265 million in FY19 (2018: €2,131 million) with organic growth was 4.2%. Acquisitions, which contributed 1.8% to revenue growth, are mainly related to acquiring franchise stores across Germany and The Netherlands during the year as well as Charlie Temple.

The total number of stores in the G4 segment increased by 41 to 3,428 (FY18: 3,387), which was mainly driven by store openings and acquisitions across the region.

Comparable growth for the segment accelerated to 3.7% in 2019, from 2.4% in 2018. In the Benelux, we saw a particularly strong business performance in The Netherlands driven by successful commercial campaigns, following a difficult year of management transition. In France and Germany our businesses delivered solid comparable growth for the year in line with overall segment growth.

Our U.K. business saw modest comparable growth as it has continued to be impacted by a weaker retail environment. This was compensated by growth in online sales as well as an improving performance of the Vision Express business in Tesco stores.

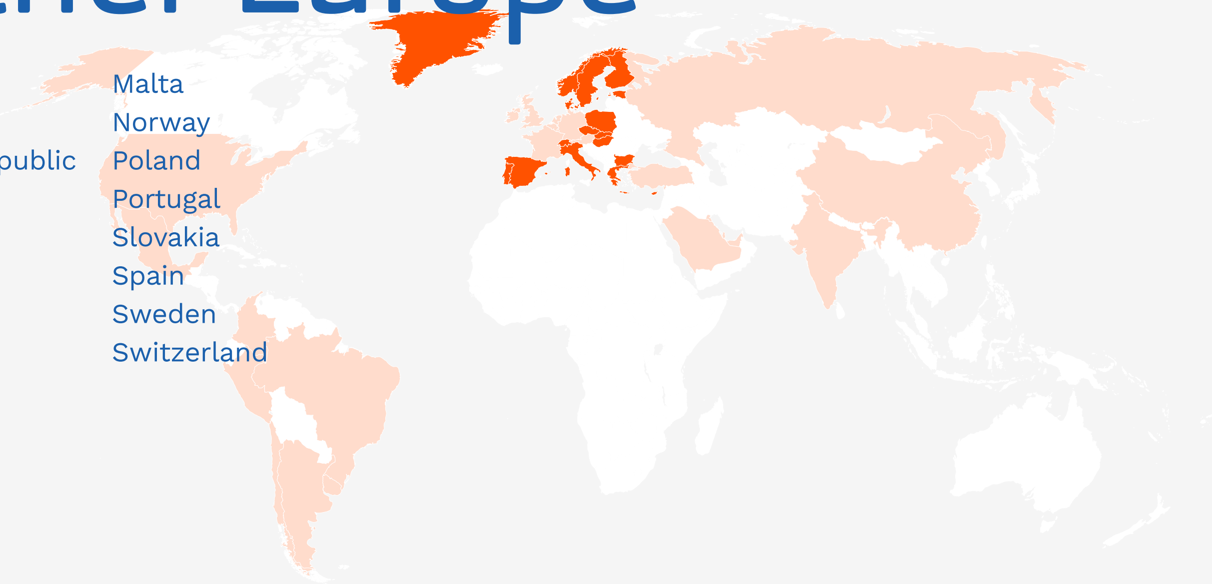
Adjusted EBITDA

Adjusted EBITDA in the G4 segment was €616 million in 2019, compared to €411 million in 2018, largely due to the impact of IFRS 16.

Excluding the effect of IFRS 16, adjusted EBITDA in the G4 segment grew by 2.2% at constant exchange rates to €421 million as the full recovery of the Benelux segment during the year was partially reduced by an EBITDA decline in the U.K. related to operational and macroeconomic headwinds as well as higher investments in e-commerce activities.

The adjusted EBITDA margin decreased by 73 bps to 18.6% in 2019 (FY18: 19.3%) mainly due to investments in online platforms and omnichannel solutions as well as a weaker operational performance in the U.K.

Other Europe



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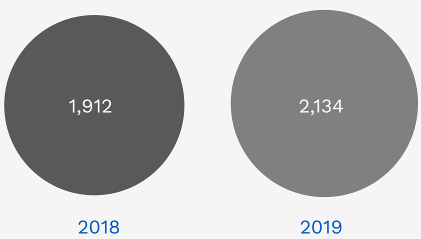
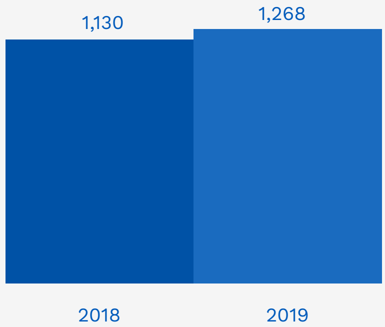
Spain
Sweden
Switzerland

Stores



Revenue
in million €



Adjusted EBITDA
in million €

millions of EUR (unless stated otherwise)		**Pre-IFRS 16**					
	Reported FY19	**FY19**	**FY18**	**Change versus prior year**	**Change at constant FX**	**Organic growth**	**Growth from acquisitions**
Revenue	1,269	1,268	1,130	12.2%	12.3%	4.0%	8.3%
Comparable growth (%)	2.8%	2.8%	2.7%	-	-	-	-
Adjusted EBITDA (%)	315	195	176	10.9%	11.2%	6.1%	5.1%
Adjusted EBITDA margin (%)	24.8%	15.4%	15.5%	-18bps	-	-	-
Adjusted EBITA	152	146	129	13.7%	14.1%	8.4%	5.7%
Adjusted EBITA margin (%)	12.0%	11.5%	11.4%	15bps	-	-	-
Number of stores (#)	2,134	2,134	1,912	-	-	-	-

brilleland
GrandOptical
GrandVision
instrumentarium
interoptik
KEOPS OPTIIKKA
KOCH OPTIK
LINSEN MAX
McOptic
+Vision
MultiOpticas
NISSEN
Ofotért
OPTICA2000
Solaris
Synoptik
TRENDY OPTICIANS
VISILAB
vision express

Other Europe
The Other Europe segment includes our business units that operate in Northern, Eastern and Southern Europe.

These business units manage single or multiple optical retail brands in one or several countries. The brands are mostly comprised of own stores and, to a lesser extent, franchise stores.

In many markets, GrandVision brands have market leading positions such as in the Czech Republic, Estonia, Finland, Hungary, Italy, Poland and Portugal. Key retail brands include GrandVision with 292 stores across Italy, MultiOpticas in Portugal with 217 stores, Vision Express in Poland, Hungary and Bulgaria with 281 stores, as well as Synoptik in Sweden and Denmark with 246 stores.

At the end of 2019, there were 2,134 stores in the Other Europe segment, an increase from 1,912 stores in 2018, due to acquisitions and openings across the region.

The optical retail markets in the Other Europe segment are characterized by higher maturity profiles in Northern Europe and parts of Southern Europe, and a lower level of maturity with faster annual growth rates across in Eastern Europe.

In 2019, we continued to capture growth opportunities in this segment through the acquisitions of Óptica2000 in Spain and McOptic in Switzerland, as well as expanding our existing store base through acquisitions.

Revenue

In the Other Europe segment, revenue increased by 12.3% at constant exchange rates to €1,268 million in FY19 (FY18: €1,130 million) with organic and comparable growth of 4.0% and 2.8%, respectively. Acquisitions, primarily Óptica2000 in Spain and McOptic in Switzerland, contributed 8.3% to the revenue growth.

Comparable growth was particularly strong in Eastern Europe, especially in Hungary and Poland, while our more mature markets in Northern and Southern Europe delivered low single digit growth.

Adjusted EBITDA

Adjusted EBITDA in Other Europe increased from €176 million in 2018 to €315 million in 2019, largely due to the impact of IFRS 16.

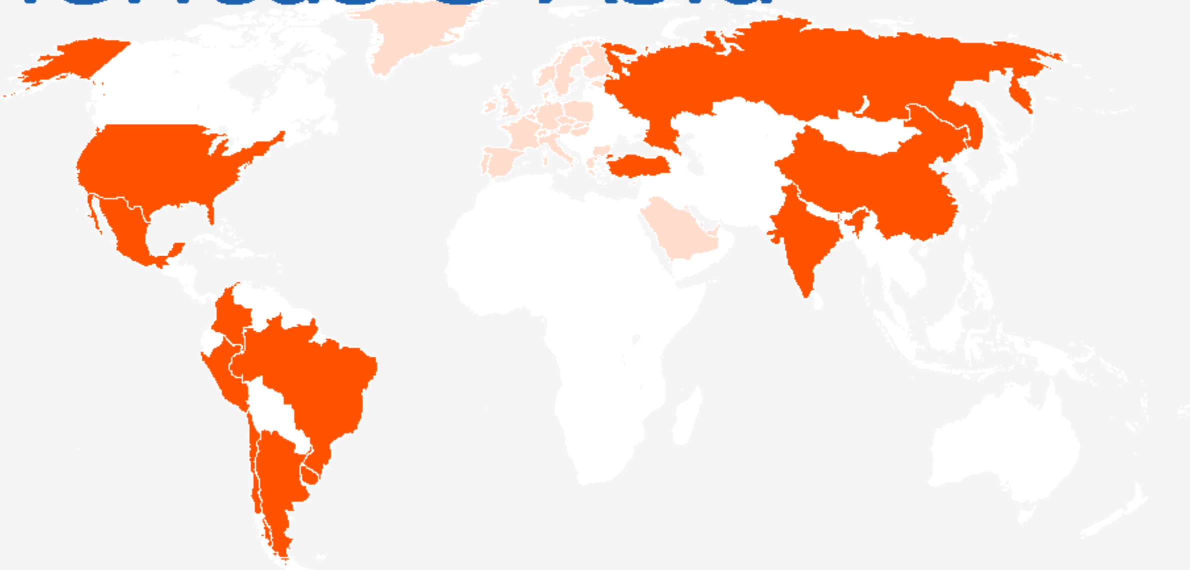
Excluding the effect of IFRS 16, adjusted EBITDA in the segment increased by 11.2% at constant exchange rates to €195 million in FY19 (FY18: €176 million), driven by organic growth of 6.1% and a positive contribution from acquisitions of 5.1%.

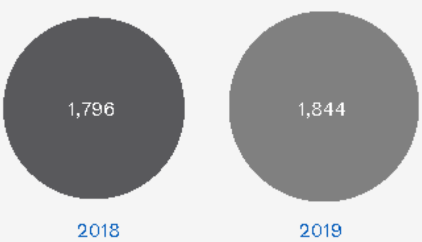
The adjusted EBITDA margin decreased by 18 bps to 15.4%, as strong EBITDA growth and margin enhancement in Italy was reduced by the focus of the business integration in Switzerland and a weaker operational performance in Northern Europe.

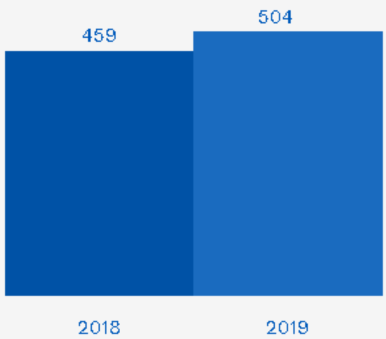
Americas & Asia

Argentina
Brazil
Chile
China
Colombia
India*
Mexico
Peru
Russia
Turkey
U.S.
Uruguay

* Joint venture







millions of EUR (unless stated otherwise)			Pre-IFRS 16				
	Reported FY19	FY19	FY18	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	505	504	459	9.7%	12.1%	12.1%	0.1%
Comparable growth (%)	8.8%	8.8%	9.4%	-	-	-	-
Adjusted EBITDA (%)	100	29	20	46.4%	57.2%	57.5%	-0.2%
Adjusted EBITDA margin (%)	19.8%	5.8%	4.3%	144bps	-	-	-
Adjusted EBITA	22	6	-2	417.9%	521.9%	524.2%	-2.3%
Adjusted EBITA margin (%)	4.3%	1.3%	-0.4%	169bps	-	-	-
Number of stores (#)	1,844	1,844	1,796	-	-	-	-

Americas & Asia
The Americas & Asia segment includes businesses in Latin America, China, Russia, Turkey and the U.S.

In Latin America, we operate leading optical retail brands in Argentina, Chile, Colombia, Mexico and Uruguay. Most regions in the Americas & Asia segment have the lowest levels of maturity in the GrandVision group.

These optical retail markets have been growing faster on average than the more developed markets in the G4 and Other Europe segments. GrandVision is a market leader in Latin America with number one positions in Argentina, Chile, Colombia and Uruguay.

During 2019, we increased our store network by 48 to 1,844 as openings across the region were partially offset by closings to enhance the profitability of the segment, particularly in Latin America. In Turkey, we opened 43 stores in 2019. The Mexican market expanded its position as GrandVision's largest market within the segment with a total of 690 stores at the end of 2019.

Revenue

The Americas & Asia segment delivered revenue growth of 12.1% at constant exchange rates to €504 million in FY19 (FY18: €459 million). Comparable growth and organic growth reached 8.8% and 12.1%, respectively, with particularly strong comparable growth in Colombia, Russia and Turkey.

Adjusted EBITDA

Adjusted EBITDA in the Americas & Asia segment increased from €20 million in 2018 to €100 million in 2019. This was largely due to the impact of IFRS 16 as well as a strong organic EBITDA growth during 2019.

Excluding the effect of IFRS 16, adjusted EBITDA increased by 57.2% at constant exchange rates to €29 million in FY19. During the year, the segment achieved strong underlying organic EBITDA growth driven by a strong operational performance in several Latin American markets, Russia and Turkey, which was partially reduced by ongoing operational challenges in the U.S.

The adjusted EBITDA margin increased by 144 bps to 5.8% compared to 4.3% in FY18.

CHAPTER

Corporate Governance

Good corporate governance is the cornerstone of any legitimate company. It ensures that companies are managed in a responsible, sustainable way and align with stakeholder interests. At GrandVision, we adhere to and implement global policies and management systems. This is how we make sure all our employees and international business partners comply with external regulations and act ethically and lawfully.

Our Corporate Governance, explained

GrandVision N.V. is a public limited Dutch company listed on the Euronext Amsterdam stock exchange. We have prepared this Corporate Governance report in accordance with and adherence to the *2016 Dutch Corporate Governance Code* and applicable laws.

GrandVision is subject to external regulations and internal control documents. Responsibility for management and control of GrandVision's Corporate Governance and Compliance is shared between our Supervisory and Management boards. This is further explained in the Supervisory Board Rules and Management Board Rules. Some examples of external regulations of Corporate Governance that apply to GrandVision include:

- 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)

Some examples of internal control documents that apply to GrandVision include:

- *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

Our Supervisory Board's report

This report provides an overview of the approach and activities our Supervisory Board participated in throughout the year.

Supervisory Board activities

In 2019, the Supervisory Board held seven ordinary and six extraordinary meetings. One of the extraordinary meetings was dedicated to our CFO succession. Five extraordinary meetings dealt with the EssilorLuxottica transaction. Our Management Board and company secretary were present at every meeting and all members of the Supervisory Board attended in person or by video conference. Mel Groot did not attend the five extraordinary meetings that dealt with the EssilorLuxottica transaction. One of the Board's priorities is strategic development, and it fully dedicated an extended meeting to plan GrandVision's long-term value creation strategy.

In between meetings, Kees van der Graaf, Chairman of the Supervisory Board and Stephan Borchert, CEO of GrandVision, maintained regular contact and held several meetings in 2019. The chairman acts as the first point-of-contact within the Supervisory Board for the CEO, and they discuss topical issues and general GrandVision matters.

At least once a year, the chairman holds individual meetings with each Management Board member. Last year, the Supervisory Board mainly discussed documents and presentations prepared by the Management Board and GrandVision's management team.

The Management Board provided the Supervisory Board with updates on recurring topics in meetings, including:

- GrandVision news
- Financial performance
- Internal risk management and control processes
- Developments in markets where GrandVision operates
- Business projects
- Acquisition opportunities

In February 2019, PricewaterhouseCoopers Accountants N.V. (PwC), GrandVision's auditor, participated in a Supervisory Board meeting. They discussed the 2018 financial statements, external auditor's report and the findings summarized in the management letter. The auditor's recommendations in the letter and Board report were both related to improving opportunities such as our global ERP system roll-out, additional recommendations for certain countries, and reviewing the payment process. While no material weaknesses in internal controls were identified, the external auditor offered several recommendations. The Management Board agreed with to them and made follow-up plans. After reviewing the auditor's unqualified opinion, GrandVision's 2018 financial statements were endorsed by all Supervisory Board members.

Before the quarterly reports were published, the Supervisory Board held indepth discussions with the Management Board about the results and related documents, such as reviewing the press release draft. At the December 2019 meeting, the Supervisory Board discussed the 2020 plan and financial budget. They also challenged the sustainable growth and financial objectives set by the Management Board. After a productive discussion, the Supervisory Board unanimously approved the proposed 2020 financial budget.

Supervisory Board committees

Audit Committee
Mel Groot; Peter Bolliger (Chairman)
The Audit Committee met five times in 2019 according to its fixed schedule. All members attended the meetings, including the CFO, internal auditor, external auditor PwC and the company secretary. The CEO participated in two meetings. During the February 2019 meeting, the Audit Committee reviewed the draft 2018 Annual Accounts. Key items on the agenda were the auditor's 2018 report and GrandVision's ongoing commitment to strong internal controls. The external auditor did not identify any material weakness in internal controls. Nevertheless, the internal and external auditors both made a number of recommendations. The Management Board agreed with both auditors' comments and made follow-up plans.

The Audit Committee held additional meetings in 2019. They discussed several topics including internal controls, internal audit, tax, financial reporting and risk management. And since May 2019, Mel Groot has been active in his role as the financial expert.

There were also some appointment changes in the Audit Committee in 2019. Peter Bolliger became Chairman of the Audit Committee. Mel Groot joined the Audit Committee as a member after Willem Eelman resigned from the Supervisory Board and has assumed the role of GrandVision CFO.

Remuneration Committee
Cornelis van der Graaf; Mel Groot (Chairman)
In 2019, the Remuneration Committee held three ordinary meetings, according to its fixed schedule, and a

number of extraordinary meetings. The meetings were fully attended. In the February meeting, they discussed 2018 achievements and recommended GrandVision senior management bonuses. In April, the Remuneration Committee discussed the Long Term Incentive Plan vesting for 2019 and the new allocations for 2019. December's meeting focus was on salary reviews for senior management and bonus objectives for 2019, which were discussed and proposed for approval to the Supervisory Board. The Remuneration Committee also addressed the amendment of the Remuneration Policy 2019, which was approved at the EGM on 4 November, 2019.

Nomination Committee
Cornelis van der Graaf; Mel Groot (Chairman)
In 2019, the Nomination Committee met three times according to its fixed schedule, in addition to numerous informal meetings throughout the year. All members attended all meetings. The Committee discussed GrandVision's nomination procedures for the Supervisory and Management Boards, and confirmed these were systematically followed. They also paid special attention to the succession of Paulo de Castro as CFO of GrandVision and the desire to create gender diversity in the Supervisory Board. In addition, the Nomination Committee reviewed the structure, profile and succession planning for both the Supervisory and Management Boards.

Composition of the Supervisory Board and Management Board

As a group, the Supervisory Board members represent a broad range of experience and expertise in line with the desired Supervisory Board profile in view of GrandVision's business. It complies with the *Dutch Corporate Governance Code*. The board has five members, whose profiles you can find under 'Supervisory Board' in this section. All Supervisory Board members qualify as independents, except for Mel Groot. As permitted by the *Dutch Corporate Governance Code* best practice provision 2.1.10, Groot does not satisfy all independent criteria.

After the Annual General Meeting on 26 April, 2019, Mel Groot's first term expired. Groot was eligible and available for reappointment and complied with the profile of the Supervisory Board. During this meeting, Groot was reappointed to his position on the Supervisory Board for an additional four-year term. In the same meeting, Rianne Meijerman was appointed for her first term as a Supervisory Board member.

Willem Eelman was appointed as CFO for the Management Board at the EGM on 15 May, 2019. He succeeded Paulo de Castro, who resigned on the same day after serving seven-and-a-half years with GrandVision.

Diversity, including gender, remains an important consideration in the selection process for the appointment and reappointment of Management and Supervisory Board members. In the meantime, quality, expertise and experience remain key areas of focus. Diversity in the broad sense is a topic on the Supervisory Board agenda.

Supervisory Board evaluation

In 2019, to comply with best practice provision 2.2.6 of the *Dutch Corporate Governance Code*, the Supervisory Board conducted a self-assessment. The self-assessment related to the Supervisory Board, its individual members and three committees, and covered a number of criteria, including performance, composition, committee structure, compensation, responsibilities, roles, meetings, preparation, communication and strategic direction and operating matters input. The overall conclusion of this self-assessment found that the Supervisory Board and its committees had performed well, and it identified areas of improvement like succession planning and digital skills.

2019 Financial Statements and Dividends

The 2019 Financial Statements were prepared by the Management Board, and audited by PricewaterhouseCoopers Accountants N.V. They issued an Auditor Report, which is included in this Annual Report. It was discussed extensively 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 recommended to the Annual General Meeting of Shareholders to approve the proposal to distribute a dividend of €0.35 per share for 2019.

The Supervisory Board recommended that the Annual General Meeting adopt the 2019 Financial Statements and discharge the Management and Supervisory Boards from liability for their management in the year under review and the supervision, respectively.

Schiphol, 25 February, 2020

On behalf of the Supervisory Board

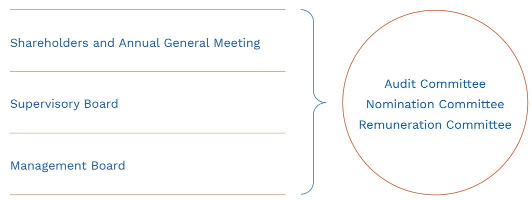
KEES VAN DER GRAAF, CHAIRMAN

Governance and compliance

GrandVision respects the needs of our stakeholders and effective governance determines the way we conduct business. GrandVision fully endorses the core principles of the *Dutch Corporate Governance Code* and adheres to the *Code*'s best practices to the furthest extent possible.

Structure and responsibilities

GrandVision's two-tier governance structure consists of a Management Board and a Supervisory Board. In 2019, the Management Board was made up of the CEO and the CFO, while the Supervisory Board was made up of five directors.



Management Board responsibilities

The Management Board is responsible for achieving GrandVision's objectives, including those related to strategy, policy, quality and sustainability, as well as the day-to-day operation of our company. In performance of its duties, the Management Board is guided by the interests of GrandVision and its stakeholders.

Supervisory Board responsibilities

The Supervisory Board oversees GrandVision's overall performance, including the policies pursued, such as the company Code of Conduct, and complies with all applicable laws including anti-corruption and anti-bribery regulations. The Supervisory Board also oversees the Management Board's achievements. It monitors the company's financial situation and reviews the financial statements and the Management Board's strategy. 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 evaluates the performance of the Management Board, the CEO and CFO. It proposes any changes to the composition of the Management Board which it deems necessary to the General Meeting. The Supervisory Board also reviews its own performance and proposes 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 its policies are sustainable and meet ethical standards.

The Supervisory Board appoints an Audit, a Nomination and a Remuneration Committee from its members. The Supervisory Board directors are 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 responsibilities

The Audit Committee supervises and monitors the Management Board and the CEO and CFO individually, as well as advises them about the operation of the company's internal risk management and control systems. The Audit Committee advises the Supervisory Board on the exercise of certain duties, and nominates and prepares reviews for the Supervisory Board. The Committee also supervises the submission of financial information by GrandVision, compliance with recommendations made by internal and external auditors, and our policy on tax planning and financial arrangements. It assists the Supervisory Board by monitoring the use of GrandVision's information and communication technology. It also maintains regular contact with, and supervises the external auditor, and nominates an external auditor to be appointed at the General Meeting. The Committee also issues preliminary advice to the Supervisory Board regarding the approval of financial statements, the annual budget and any major capital expenditures. It meets at least four times a year.

Nomination Committee responsibilities

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 Nomination Committee also establishes the selection criteria and appointment procedures for the CEO, CFO and Supervisory directors, and draws up the profile for the Supervisory Board. It also periodically reviews the size and composition of the Management and Supervisory Boards, 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 a year.

Remuneration Committee responsibilities

The Remuneration Committee advises the Supervisory Board on the exercise of its duties for the remuneration policy of the CEO and CFO, all individual members of the GrandVision Management Team and other GrandVision senior managers. They analyze any changes in the *Code* and draw up related proposals for the Supervisory Board. The Remuneration Committee also develops proposals for the Supervisory Board on the remuneration policy for the CEO and the CFO to be adopted at the General Meeting, and on the remuneration of the CEO and CFO, to be determined by the Supervisory Board. The Committee also prepares a remuneration report to implement the remuneration policy for the CEO and the CFO during the respective year to be adopted by the Supervisory Board. They meet at least three times every year.

The rules for all the committees are published on the GrandVision corporate website at Grandvision.com.

Compliance with the Dutch Corporate Governance Code

GrandVision fully endorses the core principles of the 2016 *Dutch Corporate Governance Code*, and adheres to its best practices as closely as possible. You can find the latest *Dutch Corporate Governance Code* online at MCCG.nl. GrandVision 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 has made insufficient progress in implementing its diversity policy in a timely fashion. The topic of diversity will remain on the agenda of the Supervisory Board and its Nomination Committee for the coming years.

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 GrandVision and more than half of the members of the committee should be independent within the meaning of best-practice provision 2.1.8.

Mel Groot is 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 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 1996 *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 1 January, 2010 (the Decree). You can find 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, in this chapter of the 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. As of 31 December, 2019 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 the Euronext Amsterdam stock exchange. Read more about GrandVision's shareholders in the 'Shareholder Information' section of this Annual Report.

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 rights. There are no special controlling rights attached to shares.

Employee share plans

You can find information about GrandVision's long-term incentive plans (employee share plans) in Note 26 in the Consolidated Financial Statements section.

Rules governing the appointment and dismissal of Management Board and Supervisory Board members and the amendment of the Articles of Association

GrandVision's *Articles of Association* stipulate that Management and Supervisory Board members are appointed and dismissed at the General Meeting. The Supervisory Board makes a non-binding nomination to appoint members of the Management Board. Then 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 rights

The Management Board has the powers which the relevant legislation and Articles of Association have not been 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 26 October, 2020 to issue a maximum of 10% of the shares issued on 5 February, 2015.

The Management Board, if so designated by the General Meeting, resolves or decides on the repurchase of shares. The Management Board is authorized until 26 October, 2020 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 issued shares on 5 February, 2015). Their purchase price must range 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

GrandVision's revolving credit facility incorporates what is referred to as a 'change of control' provision. Once any person or Group of persons, other than HAL Holding N.V. or any of its Subsidiaries, acting in concert gains direct or indirect control of GrandVison N.V., the majority of the banks (67%) can demand repayment and/or cancellation of the facilities.

There are no agreements in place between GrandVision and the Management Board or employees that 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.

Our Management Board members

Stephan Borchert, CEO

A German national, Stephan Borchert joined GrandVision as a Management Board member on 15 January, 2018. He was later appointed CEO on 28 February, 2018. Borchert has indepth retail experience with a variety of service-oriented retailers. Prior to GrandVision, Borchert was Sephora EMEA President. Borchert began his professional career at Peek & Cloppenburg, a fashion retailer, and then was a partner at Roland Berger Strategy Consultants. He later became president of Red Earth in Hong Kong and Managing Director of Douglas, a multinational cosmetics company. Subsequently, Borchert became a member of the Executive Board at Celesio, a German healthcare and pharmaceutical company that owns pharmacies in several countries.

Stephen Borchert holds a degree in Business Administration from the University of Dortmund.

- Current term of office: until the 2022 Annual General Meeting
- Year of birth: 1969

Willem Eelman, CFO

A Dutch national, Willem Eelman was appointed a Management Board member and CFO on 15 May, 2019. He previously served on the GrandVision Supervisory Board. Eelman is the former CFO and Chief Operations Transformation Officer of C&A Europe, a leading European clothing retailer that is also present in several developing and emerging markets. Prior to C&A, Eelman worked at Unilever in several senior commercial and financial roles. These roles included CFO Europe (2007-2010) and CIO (2010-2014).

Willem Eelman holds a Master's Degree in Agricultural Economics with a specialty in Marketing and Business Administration and graduated cum laude from the Agricultural University Wageningen. Eelman also holds a Chartered Controllers Degree from the Vrije Universiteit Amsterdam and followed the Advanced Management Program at Harvard, Cambridge.

- Current term of office: until the 2023 Annual General Meeting
- Year of birth: 1964

Our Supervisory Board members

Cornelis (Kees) van der Graaf

A Dutch national, Kees 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. Van der Graaf is also the Founder and Chairman of FHSD Unlimited, a bio-tech start-up.

- Chairman
- First term since IPO: 2015
- Reappointment: 2019
- Current term of office: until 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, Mel Groot is Chairman of the Executive Board of HAL Holding N.V., and former GrandVision SA and Pearle Europe B.V. CEO. Groot 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 Anthony Veder Group N.V. Supervisory Board.

- Vice-Chairman
- Non-independent director
- First term since IPO: 2015
- Current term of office: until the 2023 Annual General Meeting
- Chairman of the Nomination Committee
- Chairman of the Remuneration Committee
- Member of the Audit Committee
- Year of birth: 1959

Peter Bolliger

A Swiss national, Peter Bolliger is the former CEO of Clarks, a U.K. shoe retailer. Before joining Clarks, he was Managing Director of Harrods. In the meantime, Bolliger also served as Chairman of Kurt Geiger and Executive Director of House of Fraser. Bolliger is currently a non-executive Director at Stella International, a leading developer and manufacturer of quality footwear based in Hong Kong, and Chairman of the Supervisory Board of Kurt Geiger.

- First term since IPO: 2015
- Reappointment: 2018
- Current term of office: until the 2021 Annual General Meeting
- Chairman of the Audit Committee
- Year of birth: 1945

Jeffrey (Jeff) Cole

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

- First term since IPO: 2015
- Reappointment: 2018
- Current term of office: until the 2021 Annual General Meeting
- Year of birth: 1941

Rianne Meijerman

A Dutch national, Rianne Meijerman is an executive at Royal Philips, a leader in consumer electronics and health technology company headquartered in The Netherlands. She has built an international career with a strong track record of business leadership, innovation management and restructuring. Meijerman currently heads its global digital marketing transformation program. Prior to joining Royal Philips, Meijerman held several commercial and procurement leadership roles at A.S. Watson Group, the world's largest international health and beauty retailer.

- First term: 2019
- Current term of office: until the 2023 Annual General Meeting
- Year of birth: 1978

Remuneration report

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

GrandVision's Remuneration Report will begin with a summary of two significant changes that took place in 2019.

Firstly, the adoption of a new Remuneration Policy of GrandVision N.V. for the Management Board Directors and the Supervisory Board Directors, as approved by the General Meeting of shareholders on 4 November, 2019, and effective per 1 January, 2019. Secondly, the proposed transaction of EssilorLuxottica to acquire HAL's 76.72% interest in GrandVision. This envisaged transaction had a direct effect on the Remuneration Policy 2019 that was proposed at the General Meeting.

The amendments in the Remuneration Policy 2019 can be divided in three categories.

The first category of amendments brought the Remuneration Policy 2019 in line with new Dutch legislation that implemented the European Shareholders Rights Directive. These amendments included linking remuneration of the Managing Director to the long-term value creation and sustainability of GrandVision and requiring the inclusion of financial and non-financial metrics to which performance-based remuneration is linked as well as a clear explanation of how these align with our business strategy.

The second category of amendments brought the Remuneration Policy 2019 in line with market practices. This was a result of a review of the remuneration packages for GrandVision senior executives to align with best practices and with the intention to simplify arrangements for members of our Senior Management Team, including the Managing Directors.

GrandVision used the services of external executive remuneration consultancy Mercer for these purposes. Using both policy and quantum benchmarking against two peer groups – a subset of the AEX and listed European specialty retailers – it was found that both STI and LTI award possibilities lagged behind the market and at times fell significantly behind on a comparable basis.

As a result, changes were made to the remuneration of GrandVision senior executives. For the Management Board Directors and the Supervisory Board Directors, this is managed by the Remuneration Policy 2019. The remuneration of the Supervisory Board Directors remained in line with previous years while adjustments were made to the Management Board of Directors.

The third category of amendments to the Remuneration Policy 2019 was the inclusion of a deviation as set out in the Remuneration Policy for exceptional circumstances and specifically for the Managing Directors, such as a change of control at the Company level.

In case of a change of control, the Managing Directors can be entitled to a cash retention bonus and a risk compensation fee, of up to one time the full maximum annual remuneration package. In case both the cash retention bonus and risk compensation fee are awarded the maximum amount is limited to two times their full maximum annual remuneration package.

The envisaged transaction between EssilorLuxottica and HAL constitutes such a change of control. In the period leading up to a change of control as well as the period thereafter, it is essential to retain the Managing Directors, who both were recruited for the roles as CEO and CFO of an independent public listed company and whose roles and responsibilities and management scope are at significant risk of being changed after the transaction, as they play a key role in ensuring full continuity of all business operations as well as a smooth and successful transaction. In the opinion of the Supervisory Board, these circumstances justify the inclusion of these deviations from the remuneration policy.

Based on above the Supervisory Board decided to apply the deviations set forth in the Remuneration Policy 2019 and offer Borchert and Eelman a cash retention bonus and risk compensation fee. Furthermore, the Supervisory Board decided to deviate from (i) the two-year holding period as stated in paragraph 5.4.1.4 of this Remuneration Policy and the LTIP 2015 and (ii) the performance conditions as stated in paragraph 5.4.1.5 of this Remuneration Policy and LTIP 2015.

Objectives and principles of the Remuneration Policy

The objective of GrandVision's remuneration policy is to attract, motivate and retain the qualified individuals that it needs in order to achieve its strategic and operational objectives. The policy is designed in the context of international competitive market trends, statutory requirements, Corporate Governance best practices, the societal context around remuneration and the interests of GrandVision's shareholders and other stakeholders.

The overriding principle of GrandVison's remuneration policy is to ensure fairness and transparency. While it is important for GrandVision, which is in a growth stage, to reward achievement against growth targets, the remuneration structure has been designed so that Managing Directors and Supervisory Directors are not encouraged to take/stimulate inappropriate risks.

The remuneration policy and business strategy have been aligned through the creation of specific short- and long-term targets that link each Managing Director's variable pay to the success of our company. As such, both the short- and long-term plans align with our business strategy and accordingly to GrandVison's longer term value creation and sustainability. Reference is made to the specific paragraphs below on target setting. Variable remuneration is higher when targets are exceeded and no variable remuneration is payable if threshold targets are not met. This helps to ensure the alignment of the Managing Directors' interests with those of GrandVision's stakeholders and create a true pay-for-performance culture.

Remuneration for the Management Board in 2019

The remuneration of the Management Board in 2019 is comprised of fixed and variable components and includes a fixed base salary, fringe benefits in natura and cash, a short- and long-term variable remuneration component. Furthermore, it includes extraordinary items and pension expenses. The total aggregate remuneration received by the Management Board in 2019 was €2,277,420. 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.

Eelman was appointed CFO to the Management Board on 15 May, 2019. He succeeded Paulo de Castro Fernandes, who resigned on the same day after serving seven-and-a-half years with GrandVision. Our former CFO received a total remuneration in 2019 of €267,304.

No malus or clawback provision was used in 2019 to recover any bonus granted.

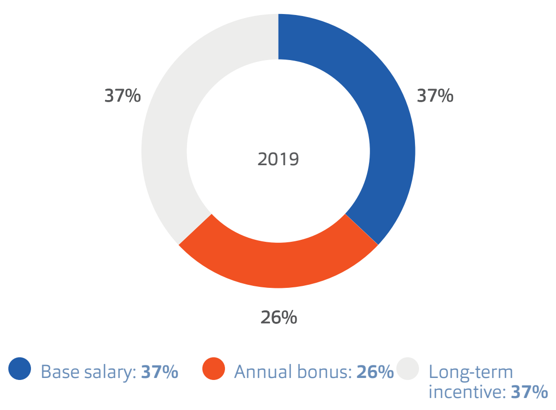
Management Board

in EUR	Stephan Borchert (CEO)		Willem Eelman (CFO)		Paulo de Castro (former CFO)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Fixed remuneration:						
Base salary	816,000	771,015	333,333	-	222,275	523,000
Fringe benefits in natura	2,316		52,395	-	9,966	5,769
Fringe benefits in cash allowance	18,000	17,348	12,000		40,977	120,201
Variable remuneration:						
Annual Bonus / STIP	587,520	400,000	216,667	-	-	82,373
Share-based payments (LTIP)	180,483	196,098	33,690	-	-13,341	34,905
Other remuneration:						
Extraordinary items		1,507,750		-	-	-
Pension expense	15,009	14,145	10,006	-	7,426	17,429
Total remuneration	**1,619,328**	2,906,356	**658,092**	-	**267,304**	783,677

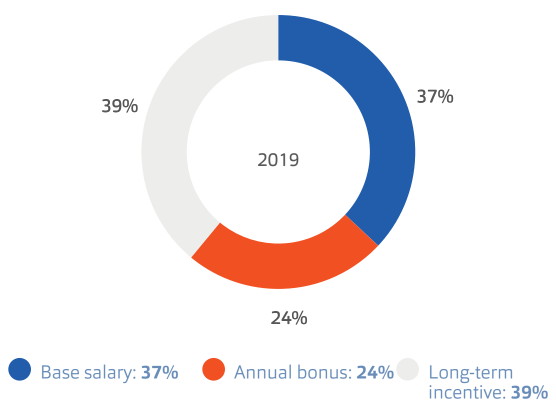
2019 Ratio fixed and variable pay

The following graphics display the ratio between the fixed and variable pay over 2019. We used the fair value at grant date for the valuation of the long-term incentive.

CEO Remuneration in 2019



CFO Remuneration in 2019



Fringe benefits

The fringe benefits in 2019 consisted of benefits in natura and in cash, such as a travel allowance, car lease, medical insurance, school fees and an extra pension allowance for our former CFO, P.J. de Castro Fernandes.

Short-term variable remuneration

CEO Borchert has been awarded a bonus of €587,520, representing 72% of his 2019 base salary. The bonus targets over 2019 can be divided in two groups: 1) financial and 2) strategic and personal targets, each having a 50% weight in the bonus outcome.

The financial targets related to the achievement of a certain target for the total net revenue and the adjusted EBITA. The strategic / personal targets included amongst others:

- achieving the budgeted e-commerce target;
- delivering the digital roadmap on time and on budget;
- delivering turnaround plan for the Americas & Asia segment; and
- implementing the new GrandVision organization

CFO Eelman has been awarded a bonus of €216,667 representing 65% of his base salary. Eelman started in May 2019 and therefore received a guaranteed pro rata bonus at target.

Long-term incentive plan (LTIP) awards

As part of the long-term incentive plan award LTIP 2015 in the Remuneration Policy 2019, the CEO has been awarded 42,284 performance-based conditional share awards. The CFO has been awarded 18,137 performance-based conditional share awards. The LTIP 2015 shares awards are subject to the performance conditions (total net revenue and earnings per share) as stated in the Remuneration Policy 2019.

The table below shows outstanding share-based awards for the Management Board. No share-based awards were settled in 2019:

Outstanding share-based awards	Award	Awards at 1 January 2019	Granted in 2019	Awards at 31 December 2019	Exercise price option awards	Fair value at grant
Stephan Borchert (CEO)						
GrandVision NV - LTIP 2018	performance based conditional share awards	56,481	-	56,481	-	20.80
GrandVision NV - LTIP 2018	share settled share appreciation rights	64,057	-	64,057	20.61	3.32
GrandVision NV - LTIP 2019	performance based conditional share awards	-	42,284	42,284	-	19.30
Willem Eelman (CFO)						
GrandVision NV - LTIP 2019	performance based conditional share awards	-	18,137	18,137	-	19.30
	Total	**120,538**	**60,421**	**180,959**		

The table below shows outstanding share-based awards for the former members of the Management Board. No new share-based awards were granted in 2019:

Outstanding share-based awards	Award	Awards at 1 January 2019	Settled in 2019	Forfeited in 2019	Awards at 31 December 2019	Exercise price option awards	Fair value at grant	Share price at vesting
Paulo de Castro (former CFO)								
GrandVision NV - LTIP 2016	performance based conditional share awards	10,580	- 7,935	- 2,645	-	-	23.32	19.00
GrandVision NV - LTIP 2017	performance based conditional share awards	11,530	-	- 11,530	-	-	23.50	-
GrandVision NV - LTIP 2017	share settled share appreciation rights	51,903	-	- 51,903	-	25.43	3.20	-
GrandVision NV - LTIP 2018	performance based conditional share awards	6,391	-	- 6,391	-	-	20.80	-
GrandVision NV - LTIP 2018	share settled share appreciation rights	64,057	-	- 64,057	-	20.61	3.32	-
	Total	**144,461**	**- 7,935**	**- 136,526**	**-**			

The table below shows key terms of the outstanding share-based awards:

Outstanding share-based awards	Award	Status at 31 December 2019	Vesting year	Holding period end	Performance conditions
GrandVision NV - LTIP 2018	performance based conditional share awards	Conditional	2021	2023	0-150% on Rev/EPS 2018-2020
GrandVision NV - LTIP 2018	share settled share appreciation rights	Unconditional	2023	-	No
GrandVision NV - LTIP 2019	performance based conditional share awards	Conditional	2022	2024	0-150% on Rev/EPS 2019-2021

Equity holdings

The number of shares owned by the Management Board as of 31 December, 2019.

	Shares owned
S. Borchert (CEO)	54,674
W. Eelman (CFO)	12,650

Five-year comparative overview

As required under the new European Shareholders Rights Directive we present in the table below the five-year overview of the total remuneration per Management Board Director. Furthermore, GrandVision presents in accordance with best practice 3.4.1. of the *Dutch Corporate Governance Code*, the pay ratio between the Management Board and the employees of our G4 segment (Benelux, Germany/Austria, France and the U.K.).

in thousands of EUR	2019	2018	2017	2016	2015
Management Board					
S. Borchert, CEO	1,619	2,906	-	-	-
W. Eelman, CFO	658	-	-	-	-
P.J. de Castro Fernandes, former CFO	267	784	1,333	1,654	2,246
T.A. Kiesselbach, former CEO	-	332	2,181	2,561	2,445
Total remuneration	**2,545**	**4,022**	**3,514**	**4,215**	**4,691**
Average number of Management Board Members	2.08	2.33	2.00	2.00	2.00
Average remuneration (A)	**1,221**	**1,724**	**1,757**	**2,108**	**2,346**
Employees G4					
Total Remuneration G4	699,626	656,580	610,042	555,519	567,193
Average number of Employees G4 (FTE)	14,937	14,583	13,193	12,548	12,308
Average remuneration (B)	**47**	**45**	**46**	**44**	**46**
A/B pay ratio	**26**	**38**	**38**	**48**	**51**

The table below shows financial metrics:

in thousands of EUR	2019 (pre IFRS 16)	2018	2017	2016	2015
Revenue	4,037,417	3,720,976	3,449,857	3,316,077	3,204,886
Adj. EBITA	443,035	426,246	415,081	410,301	390,291
Dividend per share	0.35	0.33	0.32	0.31	0.28

Conditional deviations from the Remuneration Policy 2019

In its meeting on 5 November, 2019 the Supervisory Board decided that the proposed transaction with EssilorLuxottica, including the Block Trade Agreement, Support Agreement and Mandatory Tender Offer, as announced in the press release issued by GrandVision on 31 July, 2019, qualifies as exceptional circumstances for purposes of Article 2.4 of the revised Remuneration Policy 2019. The Supervisory Board also decided that the envisaged transaction between EssilorLuxottica and HAL constitutes such a change of control. The Supervisory Board decided to deviate on the following subjects from the Remuneration Policy 2019, subject to closing of the transaction. The Supervisory Board recognizes the key role played by Management Board Directors Borchert and Eelman (together referred to as 'Recipients' and individually as 'Recipient') in the Closing of the Block Trade Agreement, compliance with the Support Agreement as well as the subsequent Mandatory Tender Offer.

Retention bonus

The Supervisory Board decided to award Borchert a retention bonus of €1,632,000 gross and Eelman a retention bonus of €1,000,000 gross. The first tranche of 25% of this amount will be processed through the payroll as soon as practicable following the closing of the Block Trade Agreement ('First Vesting Date') provided the Recipient is still providing services to GrandVision at that time. The second tranche of 75% of this amount will be paid following the first anniversary of the closing of the Block Trade Agreement ('Second Vesting Date') provided the Recipient is still providing services to GrandVision at that time. Furthermore, customary provisions in case of termination, disablement and death have been agreed on.

Risk Compensation Fee

Subject to closing of the Block Trade Agreement and their continued service as Management Board members, the Supervisory Board has decided to award Borchert a Risk Compensation Fee of €2,448,000 gross, and Eelman a Risk Compensation Fee of €1,500,000 gross. This amount will be payable after Closing.

If the Recipient (i) resigns as a Management Board member (other than at the request of GrandVision or its majority shareholder) prior to the date (the 'Reference Date') that is the earlier of (a) the delisting of GrandVision's shares from Euronext Amsterdam and (b) the first anniversary of the Closing or (ii) is suspended or dismissed as a Management Board member for Cause prior to the Reference Date, the Recipient shall be required to repay the aforementioned amount, minus applicable income tax paid by the Recipient, in full to GrandVision.

For purposes of the above paragraph, 'Cause' means a reason found in acts or omissions that constitute (i) an urgent reason (*dringende reden)* within the meaning of section 7:678 of the *Dutch Civil Code* or (ii) serious culpable acts or negligence (*ernstig verwijtbaar handelen of nalaten),* including gross negligence *(grove schuld*), willful misconduct *(opzet),* fraud (*bedrog*) or (other) serious culpability (*ernstig verwijt).*

LTIP 2015

The grant in 2018 under the LTIP 2015, will fully vest at Closing. Performance conditions will vest 'at target.' No additional holding period for the vested shares will be applied.

As for the LTIP 2019 grant, the original vesting date will move to six months prior original vesting date, and vesting will occur pro rata plus an additional six months to ensure participants will not lose any value. Performance conditions will vest at target for those who have a performance condition plan. No additional holding period for the vested shares will be applied.

Top LTIP 2015 (amended 2017)

The share settled share appreciation rights under the Top LTIP 2015 (amended 2017) shall vest unconditionally at Closing at the prorated plus 12 months value.

The holding requirements for the share settled share appreciation rights under the Top LTIP 2015 (amended 2017) are waived.

2019 Remuneration for the Supervisory Board

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

The total aggregated remuneration of the Supervisory Board in 2019 was €300,833. Supervisory Board members are reimbursed for all reasonable costs of travel, accommodation and representation incurred in the performance of their duties.

As of 31 December, 2019 Supervisory Board Chairman 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.

Eelman was a member of the Supervisory Board until 2 April, 2019. Meijerman has been a member of the Supervisory Board since 26 April, 2019.

in EUR	2019	2018	2017	2016	2015
C.J. van der Graaf, Chairman	72,500	72,500	72,500	72,500	72,500
M.F. Groot, Vice-chairman	60,000	60,000	60,000	60,000	60,000
P. Bolliger, member	60,000	60,000	60,000	60,000	60,000
J.A. Cole, member	60,000	60,000	60,000	60,000	60,000
R. Meijerman, member	33,333	-	-	-	-
W. Eelman, member	15,000	60,000	60,000	60,000	60,000
	300,833	**312,500**	**312,500**	**312,500**	**312,500**

Supervisory Board member Cole provided consultancy services to our operating company For Eyes in 2018 and 2019. Cole received an annual remuneration of U.S. $50,000. These consultancy services are not related to his function as a Supervisory Board member of GrandVision N.V.

Risk management

Risk management system and governance

Risk Management plays an important role in implementing GrandVision's strategy. Our Risk Management and Internal Control Framework is based on the COSO[1] Enterprise Risk Management Framework and is in line with the *Dutch Corporate Governance Code*. The framework combines an effective and professional organization with a risk profile that GrandVision is willing to accept for the business. Additionally, Risk Management and Internal Controls significantly contribute to the prompt identification and adequate management of strategic, market and business risks. They also enable us to achieve operational and financial goals and comply with applicable legislation and regulations.

The Management Board, under the supervision of the Supervisory Board, bears ultimate responsibility for GrandVision's Risk Management and Internal Control Framework. The Board performs oversight by setting the desired 'tone from the top,' establishing risk appetite and risk strategy and making decisions to identify, analyze or mitigate risks.

Business unit management teams are responsible implement the strategy, achieve results, identify underlying opportunities and risks and ensure effective controls. They form the first line of defense as risk owners. GrandVision has developed a comprehensive Internal Control Framework with a minimum set of internal control standards that all business units must comply with. The quality of internal control performance is also an integral part of management incentive schemes at country or business unit levels.

To detect control issues and proactively support the country management teams in solving underlying root causes, both internal and external resources are established at a group level. Country management acts in accordance with policies and standards set by the Management Board. Global functional teams design and monitor these and are responsible for compliance, control and risk management, which form the second line of defense in the Framework.

GrandVision's management of our independent Internal Audit function is partly outsourced to an international audit firm, which forms the third line of defense and assures and validates the overall Framework.

GrandVision's Internal Control Framework

[1] *For more information visit Coso.org*

Risk culture

GrandVision's risk management is supported by our risk culture and enhanced by our values and policies. We continue to increase risk awareness through communication and training. Employees at all levels of the organization are expected to be aware of our business principles, which shape how we operate and conduct ourselves. GrandVision's risk culture is:

- ***Disciplined:*** As a leading retailer with more than 7,400 store locations around the world, discipline, standard operating procedures, policies and a low level of deviation tolerance are inherent to our company's culture.
- ***Entrepreneurial:*** GrandVision keeps driving growth to serve more and more customers around the world. We take calculated business risks that continue to evolve our business model.
- ***Pragmatic:*** GrandVision avoids bureaucracy and perfectionism and instead, is driven by effectiveness and cost consciousness.

Enterprise Risk Management

GrandVision adopts a sensible risk-taking approach, which is not defined by one figure or formula. We set our risk boundaries according to our strategy, values, policies and corporate directives. And our approach to risk depends on the type of risk:

- ***Strategic risk***: We take above-average calculated and carefully-weighted risk as we pursue our growth ambitions.
- ***Operational risk:*** We minimize risks related to our strategy implementation, and take decisive action in business operations to continuously improve customer satisfaction.
- ***Financial risk***: We adopt a prudent financing strategy to maintain sufficient financial headroom to continue investing in the pursuit of our strategic objectives. We also set very low tolerance levels to deviations in internal controls and financial reporting.
- ***Compliance risk***: We strive for full compliance with all legal, regulatory and tax requirements, and do not tolerate non-adherence to our Corporate Governance policies.

At GrandVision, we have implemented an annual risk management cycle, which identifies key risks and developments that we continue to address. During the annual budgeting process, all country management and central functional teams conduct risk assessments. Based on these assessments and upon an evaluation of the outcomes of the already identified risks, we update the key risks.

In 2019, we identified approximately 150 risks in this process. They were classified and consolidated, using a quantification method to weigh potential impacts and likelihoods of the different risks. In addition, these risks were benchmarked with risks identified by other retailers to ensure that more general industry risks are included in the evaluation. The final key risk categories were reviewed and approved by management, the Audit Committee and Supervisory Board.

During 2019, developments were monitored as an integral part of the performance management and internal controls and reporting cycles and we took the necessary actions 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 our retail price policies to stay competitive.	M/H	We continue to invest in a portfolio of high-quality Exclusive Brands that appeal to our customers. To remain price competitive, we invest in digital marketing campaigns and added-value sales promotions. To support this strategy, we persistently pursue cost efficiencies in everything we do, from purchasing products to store, webstore and back office operations to maintain our competitive retail prices.
CUSTOMER PREFERENCE Becoming less relevant to our consumers due to our products and services and how they are offered. Declining street traffic due to changing consumer habits with ongoing digitization plays an increasing role and requires new tools and skills.	H/M	We invest in our people, products and stores to remain relevant to our customers. Our investment in the digital omnichannel customer journey lets customers decide how, when and where they want to buy products from GrandVision, and preserves our value proposition. We also monitor eye correction alternatives that we believe will very slowly take hold as many customers prefer to wear glasses over surgical vision solutions.
EXTERNAL FACTORS Unfavorable economic or political developments, as well as natural or environmental disasters, may occur in our markets.	M/H	Our diversified portfolio in more than 40 countries is a strong mitigating factor against individual country or regional economic risk. We monitor these risks through the normal course of business and apply measures such as commercial promotions, financial hedging, internal reorganizations and cost savings to counter the potential impact in the short term. Our CSR focus also helps us to have a broader perspective on non-financial contributors to our business and our environmental impact.

Operational Risk

Risk area and possible impact	IMPACT/ LIKELIHOOD	How does GrandVision mitigate this risk?
OPERATIONAL MODEL Risk of suboptimal implementation of global capabilities, including supply chain operations, will result in inefficiencies, declining product availability and loss of confidence.	M/M	The design of our Product Value Chain has matured to support our end-to-end processes, with special attention for customer fulfilment and product categories. Our business continuity plans are in place in case of natural disasters or other calamities, in addition to specific insurance that will help reduce the financial impact of such events. We continue to harmonize and improve our product portfolio, which further benefits our company.
TALENT Inability to recruit, train and retain qualified management and suitably skilled employees to support our expansion.	H/H	We establish strong connections with universities and higher education foundations and explore transnational leveraging of education. In our recruitment process, we focus on diversity and equal opportunity to further grow and mature our GrandVision culture.
RETENTION Retention of key personnel in vital positions is becoming an increased risk for GrandVision. A lack of focus or disruption may result in unplanned employee turnover.	H/H	Our redefined performance and talent management cycle and development conversations form the first level of defense in achieving employee satisfaction. To retain employees, we have secured key positions in our organization. In addition, management organizes employee information sessions at every level in the company and manages uncertainty with feedback sessions. This practice supports an open culture.
REAL ESTATE In the brick-and-mortar retail market, competition for prime spots in new malls or on high streets leads to the risk of rent increases and inability to secure optimal locations.	M/L	Our dedicated Operations teams build strong relations with landlords and project developers on a country-by-country basis. Thanks to our internal processes, countries work closely with group departments on real estate opportunities, and make timely decisions with the right level of attention for legal and compliance matters.
COMMERCIAL PROPOSITION Product purchasing prices of frames, lenses, sunglasses and contact lenses can increase, which results in margin pressure or requires adjusting our commercial policies.	L/M	GrandVision has multi-year contracts with key suppliers thanks to holding competitive tender processes. In addition, the increasing centralization of our supply chain and reduction of key suppliers allows us to harmonize our portfolio and achieve economies of scale.

Financial Risk

Risk area and possible impact	IMPACT/ LIKELIHOOD	How does GrandVision mitigate this risk?
FOREIGN CURRENCY EXPOSURE The volatility of foreign currencies due to economic and political developments may reduce our profitability in certain markets	M/H	We have regular discussions with our main suppliers to mitigate currency impact through various means like sharing mechanisms, changing sourcing locations or adjusting invoicing currency prices. We further mitigate risk by regularly entering into FX contracts.
TAX AND TAX-RELATED RISK We operate stores and other activities in many countries. As tax laws and regulations differ per country and can be complex, we run an inherent risk of deviating views on the interpretation of tax legislation by local tax authorities.	L/H	The GrandVision Minimum Control Standards have a dedicated section stipulating internal controls to address tax-related risks. In addition, the Global Tax department assists local and divisional management in complying with tax requirements and monitoring the effectiveness of the internal tax-related controls as well as the tax position of the group.

Compliance Risk

Risk area and possible impact	IMPACT/ LIKELIHOOD	How does GrandVision mitigate this risk?
OPTICAL INDUSTRY RISK Risk of impact on business performance as a result of changing healthcare reimbursements or optical operating regulations in key markets.	M/M	Our portfolio is protected by operating in multiple markets with different regulations. Compared to independent opticians, we are better equipped to cope with these changes and capture market share in changed markets. A quality assurance and regulatory affairs function provides assurance over existing activities and ensures that we achieve compliance. We successfully operate in many countries where eye care reimbursements do not exist. In the short term, changing healthcare regulations can impact our results. And in the long term, it supports our position as a high-quality, affordably-priced retailer and can help us gain market share in deregulating markets.
DATA PRIVACY Enforced data privacy regulations in the jurisdictions in which we operate lead to more requirements that can be put into place.	H/M	Our global policies and guidelines address data privacy compliance requirements. Using these policies, we manage compliance with data privacy legislation on a country-by-country basis, which is supported by outside counsel as needed. We also perform internal assurance activities to ensure such activities remain compliant and to continuously improve on specific areas.

Emerging trends

While we focus on managing existing risks, we always keep an eye on emerging risks and opportunities that can significantly impact our business. In 2019, we identified several emerging trends.

A main driver is the favorably developing global economy, yet rising nationalism and populism can impact the economies of specific regions or countries. From an operating effectiveness perspective, we need to ensure our people hold critical positions to drive continuous improvements for the customer journey experience.

We also identified a trend of continued increase of regulations and compliance requirements in many areas, and more specifically with data privacy.

Furthermore, optical markets are becoming less subsidized by healthcare systems as governments focus on containing healthcare costs.

In global retail, an ongoing and very important trend is the shift of customer behavior to digitalization, which leads to increased price transparency in the market — which we welcome.

Finally, there is an increased scarcity of talent, particularly of qualified opticians.

Internal Control

GrandVision's internal control activities provide reasonable assurance that there are no misstatements in financial reporting, that compliance to local laws and regulations is achieved, and that we achieve ongoing enhancements to internal process effectiveness.

We have embedded a comprehensive Internal Control Framework with a set of minimum internal control standards in the organization and management's incentive schemes. Periodically, we review our standards to ensure that the controls and guidance remain relevant and effective, and in line with the identified main risks.

At least every six months, operating companies and group departments assess the components of the standards. Their results include improvement plans, which are discussed with regional management and Internal Audit, and are reported to the Management Board and Audit Committee. We also hold 'close-the-gap' sessions and internal control assessments where relevant and residual risk exceed the risk appetite.

Internal Audit

Our Internal Audit function leads internal audits and collaborates closely with other group departments, which include Risk Management. The internal auditing scope includes examining and evaluating the adequacy and effectiveness of our governance, risk management and internal controls, based on minimum internal control standards.

They also include the performance quality in carrying out assigned responsibilities to achieve our goals and objectives. Observations and recommendations are discussed and agreed upon with local management before they share final reports with the Management Board and Audit Committee. Risk Management monitors the progress of audit findings by function, based on the auditee's quarterly status update.

We continue to evaluate the internal audit function through stakeholder evaluation forms that are completed by the auditee and other functions involved in the audit process. In addition, an external quality assurance assessment takes place every five years to support and confirm that GrandVision's internal audit function complies with Internal Auditing Standards.

In 2019, an external party's assessment resulted in our internal audit generally conforming to the commonly accepted standards for professional practice, as defined in the International Professional Practice Framework of the Institute of Internal Auditors.

Risk management in 2019: Main findings and future improvement plans

During the year, we conducted multiple risk workshops and risk self-assessments. As a result, we identified risks that the responsible management and experts determined as 'Priority.' The outcome of these risk analyses is included in the risk profile and described in 'Emerging Trends' in this section. 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 they 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 some of these need further actions to be taken.

In 2020, we will further strengthen our risk management process for all three lines of defense. The risks that occur due to our company growth will be treated in a similar way as before, but in a more technology-enabled environment.

Management review and reporting

In Control Statement

The Management Board manages GrandVision and is responsible for achieving our strategy, objectives, goals and results. It is also responsible 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 our strategic, operational and financial objectives, safeguard the reliability of our financial reporting, and comply with applicable laws and regulations.

To fulfil these responsibilities, GrandVision systematically reviewed and, where necessary, enhanced our internal risk management and control processes with regards to our strategic, operational, compliance and financial risks (including risks related to financial reporting) during 2019. The results of these reviews, including changes and planned improvements, were discussed with the Audit Committee and 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 for the realization of operational and strategic objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

Based on the approach described above and in accordance with best practice provision 1.4.3 of the *Dutch Governance Code*, our Management Board states that the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems. The aforementioned systems provide reasonable assurance that our financial reporting does not contain any material inaccuracies.

Based on the current state of affairs, it is justified that our financial reporting is prepared on a going concern basis, and this report states those material risks and uncertainties that are relevant to expectations of the GrandVision's continuity for the 12-month period 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 2019 present 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 GrandVision's position as of 31 December, 2019 and of our development and performance during 2019, and describes the key risks to which GrandVision is exposed.

Schiphol, 25 February, 2020

STEPHAN BORCHERT, CEO

WILLEM EELMAN, CFO

CHAPTER

Shareholder information

Our listing

2015 Initial Public Offering and listing

On 6 February, 2015 GrandVision listed its shares in an Initial Public Offering (IPO). You can find them traded on the Euronext Amsterdam stock exchange under the ticker 'GVNV.' GrandVision is a constituent of the Amsterdam Midkap Index® (AMX).

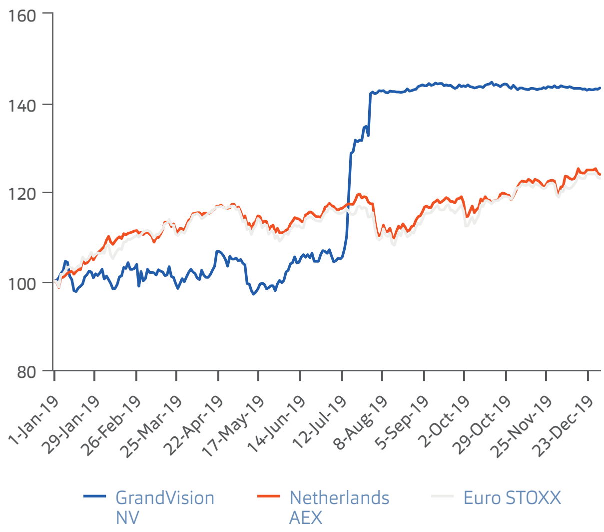
As of 31 December, 2019, the total number of publicly traded GVNV ordinary shares was 58,383,930. This represents 22.94% of our share capital.

2019 GVNV share price performance

The closing price in 2019 was €27.42 per GVNV share. This represents a 43.3% increase over the €19.13 per share on 29 December, 2018. By comparison, the Dutch AEX index increased by 23.9% while the Euro STOXX increased by 23.0% during the same period.

On 31 July, 2019 EssilorLuxottica announced its intention to acquire full ownership of GrandVision for a cash purchase price of €28.00 per share. The price will be increased by 1.5% to €28.42 if closing of the acquisition does not occur within 12 months of the announcement date. The purchase price of €28.00 per share agreed between EssilorLuxottica and HAL represents a premium of 33.1% to GrandVision's closing price on 16 July, 2019 of €21.04.

GVNV Share Price Performance 2019



Shareholder structure and proposed acquisition by EssilorLuxottica

Shareholder structure

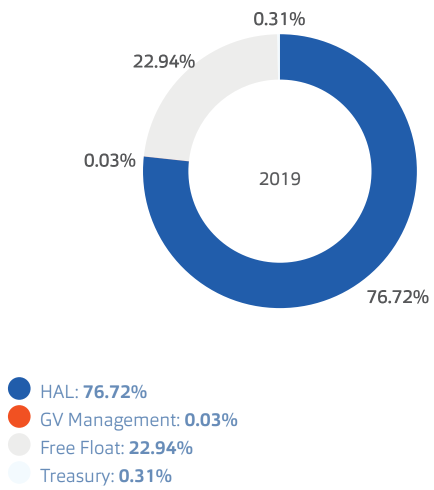
Shareholders as of 31 December, 2019
At the end of 2019, HAL Optical Investments B.V. held 76.72% of GrandVision shares, while our Management Board held 0.03%. The shares held in treasury (0.31%) allow GrandVision to hedge price risks related to grants made under long-term incentive plans.

Since the 2015 IPO, the remaining shares have been held by a number of institutional and retail investors across several jurisdictions.

Shareholders with more than 3% equity
Under Dutch law, shareholders who hold 3% or more shares in any Dutch company must be disclosed to the Dutch Financial Markets Authority (AFM). According to the register kept by the AFM, as of 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.

Ownership structure
The following chart provides an overview of our shareholder structure as of 31 December, 2019:



Approximately 1% of the share capital from our publicly-traded shares was owned by investors registered in The

Netherlands, while 99% were owned by foreign investors at the end of 2019.

The U.K. account held the highest percentage of shareholders registered outside The Netherlands, followed by the U.S.

Proposed Acquisition of GrandVision by EssilorLuxottica

On 31 July, 2019 GrandVision N.V. announced that EssilorLuxottica S.A. and HAL Optical Investments B.V. have reached an agreement for the sale of HAL's 76.72% ownership interest in GrandVision (the 'Block Trade Agreement'). Under the Block Trade Agreement, EssilorLuxottica will buy HAL's shares for a price of €28.00 per share, to be increased by 1.5% to €28.42 if closing of the Transaction (the 'Transaction') does not occur within 12 months from the announcement date. GrandVision supports the Transaction under the terms of a support agreement with EssilorLuxottica (the 'Support Agreement').

Closing of the Transaction between EssilorLuxottica and HAL is subject to various conditions, including obtaining anti-trust clearance. The Transaction is expected to close within 12 to 24 months of the announcement date of 31 July, 2019. After the Transaction has been successfully concluded, EssilorLuxottica will launch a mandatory cash public offer (the 'Mandatory Public Offer') for all outstanding shares in the Company, in accordance with the applicable Dutch public offer rules.

Transaction structure

The Block Trade Agreement provides for the purchase by EssilorLuxottica of the entire participation of HAL in GrandVision equal to 76.72% at a price per share of €28.00 payable in cash, to be increased by 1.5% to €28.42 if closing of the Transaction does not occur within 12 months from the announcement date, representing a total consideration of approximately €5.5 billion.

The purchase price of €28.00 per share as agreed between EssilorLuxottica and HAL represents the following premium to the undisturbed share price:

- A premium of 33.1% to GrandVision's closing price on 16 July, 2019 of €21.04;
- A premium of 37.6% to GrandVision's average volume weighted price for the one-month period up to and including 16 July, 2019 of €20.35; and
- A premium of 41.7% to GrandVision's average volume weighted price for the three-month period up to and including 16 July, 2019 of €19.77.

Prior to the closing of the Transaction, GrandVision is permitted to pay dividends of up to €0.35 per share for 2019 and €0.37 per share for 2020 (or, in each case, 40% of net results if lower) without adjustment to the purchase price under the Block Trade Agreement.

Conditions and termination

The Transaction is subject to, among other things, approval from various anti-trust authorities and other third parties. EssilorLuxottica has committed to taking certain actions required to obtain merger clearance in each of the relevant jurisdictions, but it will not be required to consent to any remedies which may materially adversely affect the value of the combination of EssilorLuxottica and GrandVision as a whole, materially affect the strategic rationale of the Transaction or otherwise impose an unreasonable burden on either EssilorLuxottica or GrandVision.

In addition to the approvals mentioned above, the Transaction is subject to various other conditions including completion of mandatory consultation procedures with employee representative bodies, performance of the parties' obligations under the Block Trade Agreement, no breach of warranties, performance of the obligations by GrandVision under the Support Agreement, and the appointment conditional upon closing of four EssilorLuxottica nominees to the Supervisory Board. Furthermore, the Transaction is conditional upon GrandVision's net debt at Closing being less than €993 million.

In case of termination of the Transaction as a result of (i) failure to satisfy the condition to obtain approval from the relevant regulatory authorities by 30 July, 2021 (the 'Long Stop Date') or (ii) a breach of the agreement or a breach of warranties by EssilorLuxottica resulting in any closing conditions not being met, EssilorLuxottica shall pay termination compensation in the amount of €400 million to HAL. HAL and GrandVision have agreed that the after-tax amount of such termination compensation shall be contributed as share premium to GrandVision. In case the agreement is terminated as a result of the net debt of GrandVision being more than €993 million, HAL shall pay to EssilorLuxottica termination compensation in the amount of €100 million. HAL and GrandVision have agreed that, upon demand by HAL, GrandVision will pay such termination compensation to HAL.

The Block Trade Agreement and the Support Agreement may not be terminated as a result of a superior third party offer for the shares in GrandVision.

Support Agreement

While the Transaction is between HAL and EssilorLuxottica, EssilorLuxottica has requested GrandVision's support for the Transaction and EssilorLuxottica acquiring control.

Together with external advisors, GrandVision reviewed the strategic, social, financial, legal and operational consequences of the proposed Transaction for GrandVision and its various stakeholders, and ING has issued a fairness opinion to the Management Board and Supervisory Board. On the basis of such review, the Management Board and Supervisory Board have concluded that providing support to the Transaction supports the ongoing, sustainable success of the business and is in the interest of GrandVision and its stakeholders. Mel Groot, HAL's representative on the Supervisory Board of GrandVision, did not partake in any deliberations or decision-making in relation to the Transaction.

In addition to a general commitment to support the Transaction, GrandVision more specifically agreed to cooperate with EssilorLuxottica in connection with (i) the anti-trust clearance process (including by offering certain remedies in order to obtain anti-trust clearance), (ii) the required filings for the Mandatory Public Offer, (iii) the financing of the Transaction (including the refinancing of GrandVision's existing debt), (iv) consultation procedures with employee representative bodies, (v) convening a general meeting in which EssilorLuxottica's nominees for the Supervisory Board can be conditionally appointed, and (vi) accepting certain restrictions in GrandVision's conduct of business until Closing, including with respect to M&A. In addition, GrandVision and EssilorLuxottica have each agreed to abstain from performing any actions that would reasonably be expected to materially prejudice or render more difficult closing of the Transaction. GrandVision believes it has considerable flexibility to continue executing its strategy as communicated during its Capital Markets Day in September 2018.

After closing of the Transaction and the Mandatory Public Offer, EssilorLuxottica intends to terminate GrandVision’s listing on Euronext Amsterdam and to acquire 100% of the shares of GrandVision pursuant to statutory buy-out proceedings or to obtain full ownership of GrandVision’s business through other second-step transactions. GrandVision acknowledges and agrees that it will be desirable that following the closing of the Transaction, EssilorLuxottica acquires full ownership of GrandVision and its business and has agreed that the Management Board and Supervisory Board will reasonably consider any reasonable proposals for such post-closing second-step transactions.

GrandVision and EssilorLuxottica have agreed that any related party transactions that are not in the ordinary course or at arm's length terms, require the affirmative vote of at least one independent member of the Supervisory Board of GrandVision. Such affirmative vote will be required until EssilorLuxottica holds all shares in GrandVision or has initiated statutory buy-out proceedings. EssilorLuxottica has furthermore agreed not to acquire any GrandVision shares or other securities before the launch of the Mandatory Public Offer.

Corporate Governance

It is envisaged that upon successful completion of the Transaction and until the earlier of EssilorLuxottica acquiring full ownership or initiating statutory buy-out proceedings, the Supervisory Board of GrandVision will be composed of four members to be identified by EssilorLuxottica and two current members of GrandVision's Supervisory Board.

Kees van der Graaf and Rianne Meijerman, qualifying as independent under the *Dutch Corporate Governance Code*. Van der Graaf will continue to serve as Chairman of the Supervisory Board.

EssilorLuxottica has expressed strong respect and appreciation for the current management team, and Stephan Borchert and Willem Eelman are committed to remain as CEO and CFO of GrandVision post-closing of the Transaction and the subsequent Mandatory Offer.

Timetable and Mandatory Public Offer

EssilorLuxottica and GrandVision will work together to obtain all necessary merger clearances. It is expected that it will take approximately 12 to 24 months before closing of the Transaction.

At, or prior to, the Annual General Meeting of Shareholders in 2020, GrandVision will propose the conditional appointment of four Supervisory Board members to be nominated by EssilorLuxottica. The appointment will be effective upon and subject to closing of the Transaction.

After closing of the Transaction and because EssilorLuxottica will obtain an ownership interest in excess of 30%, EssilorLuxottica will have the obligation to make a Mandatory Public Offer for all remaining outstanding shares of GrandVision. The price of the Mandatory Public Offer will be determined in accordance with Dutch law and will be at a minimum the price per share paid to HAL pursuant to the Block Trade Agreement (as it may be adjusted in accordance with the Block Trade Agreement). Settlement of the Mandatory Public Offer is expected to take place approximately six months after closing.

Investor information

Investor Relations

GrandVision provides our shareholders, potential shareholders and other stakeholders with relevant information about our business model, strategy and results. The majority of communications to the investment community are widely-distributed corporate press releases, made available and filed with the AFM. In addition, GrandVision posts all relevant and important information available on the Investor Relations section of GrandVision.com.

GrandVision communicates with financial markets directly on a regular basis. These exchanges with shareholders, analysts and potential investors are based on publicly available presentations and discuss price-sensitive information that is also publicly available.

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 and we publish annual and semi-annual results. For the first and third quarters, we publish trading updates. GrandVision also organizes conference calls for analysts and investors that are available on GrandVision.com.

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

Closed periods
GrandVision's bylaws state the company observe a 'closed' period prior to publishing regular financial information. The annual results period starts two months before the publication date. Semi-annual results run from the first day of the quarter until the semi-annual results announcement. And there is a one month closed period for trading updates 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 our 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. These are not recognized measures of financial performance or liquidity under IFRS. In addition, certain operational data, such as the number of brands, stores and countries where we are present, may be disclosed.

Our management use the non-IFRS financial measures to monitor GrandVision's underlying performance of business and operations and, accordingly, they have not been audited or reviewed. In addition, they may not be indicative of the historical operating results, nor are meant to predict future results.

These non-IFRS measures are presented because they are important supplemental measures of GrandVision's performance. We believe 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 their non-IFRS financial measures in the same manner or consistency. 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

GrandVision holds General Meetings at least once a year. 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 GrandVision or to independent third parties. Our shareholders may cast one vote for each share. All resolutions adopted at 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.

GrandVision'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 for the meeting, and can be found on GrandVision.com.

The following matters need to be approved at the Annual General Meeting:

- Adoption of the financial statements
- Declaration of dividends
- Significant changes to the GrandVision's corporate governance
- Remuneration policy
- Remuneration of the Supervisory Board
- Management Board's discharge from liability
- Supervisory Board's discharge from liability
- Appointment of external auditor
- Appointment, suspension or dismissal of Management Board and Supervisory Board members
- Issuance of shares or rights to shares, the restriction or exclusion of preemptive rights of shareholders and the repurchase or cancellation of shares
- Amendments to the *Articles of Association*

GrandVision's 2020 Annual General Meeting of Shareholders (AGM) will be held on 24 April, 2020 in Haarlemmermeer, The Netherlands.

Dividends

Dividend policy

To increase dividend-per-share over time, GrandVision pays an annual ordinary dividend in line with our medium- to long-term financial performance and targets. GrandVision predicts that, as a result of this policy, the ordinary dividend payout ratio will range from 25% to 50%.

Manner and timing of dividend payments

Payment of any dividends in cash will be made in euros. Dividends paid to shareholders through Euroclear Nederland will be automatically credited to the relevant shareholders' accounts without the shareholders presenting documentation to prove their share ownership. Dividend payments 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 they were released for payment. Any dividend or distribution not collected within this period will be considered to be forfeited to GrandVision.

2019 dividend

GrandVision's Supervisory Board proposes a dividend of €0.35 per share for the 2020 fiscal year, subject to shareholder approval.

If approved, the shares will trade ex-coupon as of 28 April, 2020 and dividends will be payable from 4 May, 2020. The record date will be 29 April, 2020. The dividend represents a payout of 49.6% of net income attributable to equity holders, compared to a payout ratio of 38.7% in 2018.

Key ratios per share

	2019	2018	2017	2016	2015
Adjusted earnings per share basic, EUR	0.91	0.91	0.97	0.96	0.87
Earnings per share basic, EUR	0.70	0.85	0.90	0.92	0.84
Earnings per share diluted, EUR	0.70	0.85	0.90	0.91	0.84
Dividend per share, EUR	0.35	0.33	0.32	0.31	0.28
Year-end share price, EUR	27.42	19.13	21.3	20.91	27.66
Dividend pay-out ratio, percent	49.6%	38.7%	35.6%	33.9%	33.1%

Financial calendar 2020

Date	Event
6 March	2019 Annual Report publication
24 April	First quarter 2020 trading update
24 April	Annual General Meeting
28 April	Ex-dividend date (2019 dividend)
29 April	Dividend record date
4 May	Dividend payment date
5 August	Half-year and second quarter 2020 results report
30 October	Third quarter 2020 trading update

CHAPTER

Financial statements

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Consolidated Financial Statements

Consolidated Income Statement

in thousands of EUR	Notes	2019	2018
Revenue	6	4,039,306	3,720,976
Cost of sales and directly related costs	7	- 1,109,550	- 1,003,547
Gross profit		2,929,756	2,717,429
Selling and marketing costs	7	- 2,027,025	- 1,899,119
General and administrative costs	7	- 578,091	- 480,284
Share of result of Associates and Joint Ventures		- 671	- 702
Operating result		323,969	337,324
Finance income	8	3,592	1,873
Finance costs	8	- 53,013	- 20,229
Net financial result		- 49,421	- 18,356
Result before tax		274,548	318,968
Income tax	10	- 79,177	- 81,672
Result for the year		**195,371**	**237,296**
Attributable to:			
Equity holders		178,483	216,278
Non-controlling interests		16,888	21,018
		195,371	237,296
Earnings per share, basic and diluted (in EUR per share)	9	0.70	0.85

GrandVision has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognized in retained earnings. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

in thousands of EUR	Notes	2019	2018
Result for the year		**195,371**	**237,296**
Other Comprehensive Income:			
Items that will not be reclassified to Income Statement			
Remeasurement of post-employment benefit obligations	25	- 26,100	7,750
Income tax relating to this item		5,879	- 2,130
		- 20,221	5,620
Items that may be subsequently reclassified to Income Statement			
Currency translation differences		15,534	- 15,136
Share of Other Comprehensive Income of Associates and Joint Ventures		1	- 31
Cash flow hedges	20, 22	- 4,283	2,308
Income tax	20, 22	1,021	- 586
		12,273	- 13,445
Other Comprehensive loss (net of tax)		**- 7,948**	**- 7,825**
Total comprehensive income for the year (net of tax)		**187,423**	**229,471**
Attributable to:			
Equity holders		171,805	207,361
Non-controlling interests		15,618	22,110
		187,423	229,471

GrandVision has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognized in retained earnings. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

in thousands of EUR	Notes	31 December 2019	31 December 2018
ASSETS			
Property, plant and equipment	11	532,690	516,782
Right-of-use assets	12	1,442,954	-
Goodwill	13	1,146,028	1,052,282
Other intangible assets	14	415,121	563,267
Deferred income tax assets	10	61,822	46,706
Investments in Associates and Joint Ventures		1,012	1,091
Non-current receivables	16	83,544	38,656
Other non-current assets	17	-	10,451
Non-current assets		3,683,171	2,229,235
Inventories	15	356,259	330,502
Trade and other receivables	16	275,618	253,933
Other current assets	17	32,605	49,800
Current income tax receivables	10	31,759	8,944
Derivatives	24	1,581	3,459
Cash and cash equivalents	18	162,899	138,257
Current assets		860,721	784,895
Total assets		**4,543,892**	**3,014,130**
EQUITY AND LIABILITIES			
Share capital	19	5,089	5,089
Share premium	19	72,580	69,455
Treasury shares	19	- 16,235	- 14,068
Other reserves	20	- 167,622	- 157,048
Retained earnings	21	1,283,340	1,259,026
Equity attributable to equity holders		1,177,152	1,162,454
Non-controlling interests	22	87,109	90,011
Total equity		1,264,261	1,252,465
Borrowings	23	385,817	362,492
Lease liabilities	12	1,037,293	461
Deferred income tax liabilities	10	42,969	71,547
Post-employment benefits	25	136,112	96,199
Provisions	27	18,193	17,003
Derivatives	24	7,935	2,605
Other non-current liabilities	28	21,637	6,294
Contract liabilities	6	8,641	7,776
Non-current liabilities		1,658,597	564,377
Borrowings	23	517,330	514,851
Lease liabilities	12	373,278	411
Current income tax liabilities	10	40,705	40,389
Provisions	27	24,034	16,841
Derivatives	24	6,106	4,144
Trade and other payables	29	569,628	542,978
Contract liabilities	6	89,953	77,674
Current liabilities		1,621,034	1,197,288
Total liabilities		3,279,631	1,761,665
Total equity and liabilities		**4,543,892**	**3,014,130**

GrandVision has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognized in retained earnings. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in 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 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		-	-	-	831	-	831	- 262	569
Acquisition of non-controlling interest	21, 22	-	-	-	-	- 4,539	- 4,539	2,704	- 1,835
Share-based payments	19, 21	-	- 2,721	3,685	-	- 90	874	-	874
Dividends	21, 22	-	-	-	-	- 81,147	- 81,147	- 16,021	- 97,168
Total transactions with equity holders		-	- 2,721	3,685	-	- 85,776	- 84,812	- 13,317	- 98,129
At 31 December 2018		**5,089**	**69,455**	**- 14,068**	**- 157,048**	**1,259,026**	**1,162,454**	**90,011**	**1,252,465**
Adjustment on initial application of IFRS 16 (net of tax)						- 70,083	- 70,083	- 1,627	- 71,710
Adjusted at 1 January 2019		**5,089**	**69,455**	**- 14,068**	**- 157,048**	**1,188,943**	**1,092,371**	**88,384**	**1,180,755**
Result for 2019		-	-	-	-	178,483	178,483	16,888	195,371
Cash flow hedge reserve	20, 22	-	-	-	- 3,269	-	- 3,269	7	- 3,262
Remeasurement of post-employment benefit obligations	20, 22	-	-	-	- 17,266	-	- 17,266	- 2,955	- 20,221
Cumulative currency translation reserve	20, 22	-	-	-	13,857	-	13,857	1,678	15,535
Total comprehensive income		-	-	-	- 6,678	178,483	171,805	15,618	187,423
Hedge results transferred to the carrying value of inventory purchased during the year	20	-	-	-	- 3,896	-	- 3,896	- 179	- 4,075
Purchase of treasury shares		-	-	- 3,814	-	-	- 3,814	-	- 3,814
Acquisition of non-controlling interest	21, 22	-	-	-	-	- 386	- 386	- 33	- 419
Share-based payments	19, 21	-	3,125	1,647	-	43	4,815	-	4,815
Dividends	21, 22	-	-	-	-	- 83,743	- 83,743	- 16,681	- 100,424
Total transactions with equity holders		-	3,125	- 2,167	-	- 84,086	- 83,128	- 16,714	- 99,842
At 31 December 2019		**5,089**	**72,580**	**- 16,235**	**- 167,622**	**1,283,340**	**1,177,152**	**87,109**	**1,264,261**

GrandVision has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognized in retained earnings. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in thousands of EUR	Notes	2019	2018
Cash flows from operating activities			
Cash generated from operations	30	1,000,863	585,311
Tax paid		- 123,482	- 136,982
Net cash from operating activities		**877,381**	**448,329**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	4	- 154,497	- 13,736
Settlement of contingent consideration	29	- 19,540	- 26,129
Purchase of property, plant and equipment	11	- 140,309	- 161,904
Proceeds from sales of property, plant and equipment		7,967	8,618
Purchase of intangible assets	14	- 57,419	- 48,290
Proceeds from sales of intangible assets		1,688	1,203
Investments in associates and joint ventures		- 639	- 629
Proceeds from sales of investments in buildings		-	151
Change in other non-current receivables and lease prepayments		1,072	- 578
Dividends received		48	-
Net cash used in investing activities		**- 361,629**	**- 241,294**
Cash flows from financing activities			
Purchase of treasury shares	19	- 3,814	-
Proceeds from borrowings	23	203,196	205,939
Repayments of borrowings	23	- 141,171	- 233,301
Repayments of lease liabilities	12	- 400,492	-
Receipts from finance subleases	12	16,717	-
Interest swap payments	23	- 3,126	- 2,752
Acquisition of non-controlling interest	21, 22	- 419	- 1,835
Dividends paid to shareholders	21	- 83,743	- 81,147
Dividends paid to non-controlling interests	22	- 16,681	- 16,021
Interest received		3,179	1,816
Interest paid		- 19,367	- 10,004
Net cash used in financing activities		**- 445,721**	**- 137,305**
Net increase in cash and cash equivalents		**70,031**	**69,730**
Cash and cash equivalents at beginning of the year		71,619	12,236
Effect of exchange rate changes on cash and cash equivalents		- 7,409	- 10,347
Cash and cash equivalents at end of year	18	**134,241**	**71,619**

GrandVision has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognized in retained earnings. The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General Information

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

At 31 December 2019, 76.72% of the issued shares are owned by HAL Optical Investments B.V. and 22.94% by institutional and retail investors, with the remaining shares held by GrandVision's Management Board (0.03%) and in treasury (0.31%). 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. In July 2019 it was announced that EssilorLuxottica SA, a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses, has reached an agreement with HAL Optical Investments B.V. for the sale of HAL's 76.72% ownership interest in GrandVision (referred to as "announced acquisition"). Management believes that it is more likely than not that the acquisition will be completed. Accounting implications of this are included in the notes 5 and 26 to the Consolidated Financial Statements.

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 2019, the Group, including its associates and joint ventures, operated 7,406 (2018: 7,095) optical retail stores (including franchise stores). The average number of employees within the Group during 2019 (excluding the associates and joint ventures) in full-time equivalents was 34,143 (2018: 32,400).

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 in these consolidated financial statements. 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.

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, equity, liabilities, commitments, income and expenses.

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 consolidated 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 stated otherwise.

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 when 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 the consolidated 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 average exchange rates to approximate the exchange rates at the date of the transaction. Resulting exchange differences are recognized in the consolidated 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 the Group.

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 consolidated Statement of Cash Flows
The consolidated statement of cash flows is compiled using the indirect method. The consolidated statement of cash flows distinguishes between cash flows from operating, investing and financing activities. For the purpose of the consolidated statement of cash flows, 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 . 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. Repayments of lease liabilities and receipts from finance subleases including principal amount and interest are classified as cash flows from financing activities (see note 2.7.1).

2.7. Changes in Accounting Policies 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, where applicable:

- IFRS 16 *Leases*

• IFRIC 23 *Uncertainty over Income Tax Treatments*

No other new or amended standards and interpretations had significant impact on the Group's consolidated financial statements.

IFRS 16 *Leases*

IFRS 16 Leases is effective for accounting periods beginning on or after 1 January 2019. GrandVision has up to 10,000 leases in its current lease portfolio. The majority of these leases is modified during the year due to indexations, store closures, decisions about renewals or terminations.

The impact of IFRS 16 on the consolidated Balance Sheet at 1 January is disclosed in relevant notes to this Consolidated Financial Statements.

Transition to IFRS 16 Leases

The Group has adopted 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. The Group will therefore not restate comparative amounts for the year prior to first adoption.

The Group measured 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 of the lease.
- 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.

Practical expedients:

- The Group adjusted the right-of-use assets recognized as at 1 January 2019 for the amount of any provision for onerous lease contracts recognized in the consolidated Balance Sheet as at 31 December 2018.
- The Group applied a single discount rate as at 1 January 2019 to a portfolio of leases with reasonably similar characteristics.
- The Group used hindsight in determining the lease term when the contract contains options to extend or terminate.
- On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to the contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Reconciliation to operating lease commitments as at 31 December 2018

The following reconciliation to the opening balance of lease liabilities at 1 January 2019 is based on the operating lease commitments as at 31 December 2018 (see note 12):

in millions of EUR	At 1 January 2019
Reported operating lease commitments at 31 December 2018 (undiscounted)	**1,420**
Less: Short-term and low-value leases	- 6
Other	- 5
Operating lease commitments at 31 December 2018 under IFRS 16 (undiscounted)	**1,409**
Less: Effect of discounting	- 86
Add: Non-lease components (fixed service costs) (discounted)	39
Lease liabilities due to initial application of IFRS 16 at 1 January 2019	**1,362**
Add: Lease liabilities from finance leases at 1 January 2019	1
Total lease liabilities at 1 January 2019	**1,363**

The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.3%.

Changes in Presentation

The application of IFRS 16 resulted in changes in presentation of certain items in the consolidated financial statements (comparative information is not restated for these changes).

Changes in the Consolidated Balance Sheet:

- Right-of-use assets are presented as a separate line in the consolidated Balance Sheet under Non-current assets.
- Lease liabilities are presented as separate lines in the consolidated Balance Sheet under Non-current liabilities and Current liabilities.

Changes in the Consolidated Income Statement:

- Rental income from operating subleases is recognised in the consolidated Income Statement within other revenue.

In addition, lease costs are now split between depreciation of right-of-use assets and interest expenses , which resulted in decrease in occupancy costs. Please refer to note 7 for more details.

Changes in the Consolidated Cash Flow Statement:

- Repayments of lease liabilities including both repayments of the principal amount and interest are classified as cash flows from financing activities and presented in a separate line 'Repayments of lease liabilities'
- Receipts from finance subleases including both repayments of the principal amount and interest are classified as cash flows from financing activities and presented in a separate line 'Receipts from finance subleases'
- Line 'Other non-current receivables' in the Cash flows from investing activities is renamed to 'Change in other non-current receivables and lease prepayments' to include key money paid and lease payments made before or at the lease commencement date.

IFRIC 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*. The Group adopted IFRIC 23 as from 1 January 2019 and it did not have a significant impact on the consolidated financial statements.

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 on or after 1 January 2020. These have not been applied in preparing these consolidated financial statements and will be adopted by the Group at the moment they become effective. The Group does not expect significant impact from these standards.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform

The amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform were issued in 2019 and are effective for accounting periods beginning on or after 1 January 2020. Many interest rate benchmarks such as LIBOR (the London Inter-Bank Offered Rate) are in the process of being replaced. There will be financial reporting implications to this reform, with some effects arising even before a particular interest rate benchmark has been replaced (pre-replacement issues).The amendments provides relief from certain hedge accounting requirements in order to avoid unnecessary discontinuation of existing hedge relationships during the period of uncertainty over interest rate benchmark reform.

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.

Amendments to References to the Conceptual Framework in IFRS

Amendments to References to the Conceptual Framework in IFRS were issued in 2018 and are effective for accounting periods beginning on or after 1 January 2020. The amendments were issued to align various standards to reflect the issue of the revised *Conceptual Framework for Financial Reporting*. In addition, the amendments clarify that the definitions of asset and liability applied in certain standards have not been revised, with the new definitions included in the new conceptual framework.

2.8. Significant Accounting Estimates and Judgments

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
Leases	Note 12
Impairment test of Goodwill	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 (currency risk, interest rate risk, 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 58% (2018: 57%) 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 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% higher (2018: 0.8% lower) of which 2.2% higher impact of mainly USD offset by 1.4% lower impact of mainly currencies in Europe (HUF, SEK, PLN) (2018: 1.8% lower impact of mainly currencies in Europe (HUF, SEK, PLN) offset by 1% higher impact of mainly USD) and equity would have been 3.0% lower (2018: 3.3% lower), of which 0.8% lower impact of GBP (2018: 0.9% lower impact of GBP and 0.4% lower impact of USD).

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, 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 functional currency of companies within the Group, 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. Due to the volatility of the British Pound in relation to the Brexit event, in 2019 GrandVision has adapted its policy towards hedging the GBP and hedged its British Pound Sterling transactional exposures to the higher end of this range or slightly above, to appropriately take into account the changed circumstances and currency risks that resulted from the Brexit developments.

Cash flow hedge accounting is applied when the forecasted transaction is highly probable.

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

	2019		2018	
	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	-2,281	5,979	- 2,323	6,367
EURIBOR rate - decrease 50 basis points	2,278	-4,188	2,279	- 4,236

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 level, 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 applies 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.

In view of the Brexit event and to mitigate the risk of the United Kingdom financial institutions (domiciled in the United Kingdom) not being able to provide services to European Economic Area (EEA) counterparties, a number of agreements in place between the Group and the banks in the United Kingdom has been transferred to the corresponding financial institutions in EEA subsidiaries. In addition, the Group adheres to a strict counterparty risk policy with defined limits per counterparty based on size and external ratings, thereby effectively spreading the embedded counterparty risk in financial transactions over a number of financial institutions.

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 to have 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. The Group and the local management monitors its liquidity periodically based on expected cash flows.

The Group has a revolving credit facility of €1,200 million, which was refinanced in July 2019 and has a new maturity date of 23 July 2024 (see note 23). 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 the Group to comply with the following financial covenant: maintenance of a maximum total leverage ratio (net debt/EBITDA-covenants) of less than or equal to 3.25. Compliance with the bank covenant is tested and reported on twice a year. As at 31 December 2019, the Group is compliant with the bank covenant and has been so for the duration of the facility.

The Group has a commercial paper program under which it can issue commercial paper up to the value of €500 million. As at 31 December 2019, the amount outstanding under the commercial paper program was €453 million (2018: €418 million).

The table below analyses the maturity of Group's financial liabilities and derivative financial liabilities. 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 2019					
Lease liabilities	380,210	322,087	575,873	224,672	1,502,842
Borrowings	67,266	2,883	392,814	-	462,963
Commercial paper	452,053	-	-	-	452,053
Derivatives	2,441	2,881	6,897	1,355	13,574
Contingent consideration	2,000	2,789	11,190	-	15,979
Trade and other payables (excluding other taxes and social security)	492,920	-	-	-	492,920
31 December 2018					
Lease liabilities	448	257	255	-	960
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
Trade and other payables (excluding other taxes and social security)	457,615	-	-	-	457,615

In 2019, the Group launched its Supply Chain Financing program. This program allows suppliers to receive payments early from the bank, at their full discretion. Since the Group doesn't have a direct benefit, the payment terms of the Group are not impacted by this scheme and there is no change to contractual relationship between the Group and the bank, the trade and other payable balances with suppliers participating in this program continue to be classified as trade and other payable.

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 to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no externally imposed capital requirements, except for certain limitations following the announced acquisition of GrandVision shares by EssilorLuxottica, which is conditional on net debt cap of €993 million.

The Group monitors capital based on leverage ratio (defined as net debt/EBITDA - covenants). 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/EBITDA - covenants) 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, excluding lease liabilities. In 2019, EBITDA used for monitoring financial covenants is calculated as adjusted EBITDA less depreciation of right-of-use assets and net financial result on lease liabilities and receivables ("EBITDA - covenants").

in thousands of EUR	31 December 2019	31 December 2018
Equity attributable to equity holders	1,177,152	1,162,454
Net debt	752,708	743,248
EBITDA - covenants	605,669	576,423
Leverage ratio	1.2	1.3

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 2019		
Assets		
Derivatives used for hedging	1,581	-
Non-current assets	-	1,410
Total	**1,581**	**1,410**
Liabilities		
Contingent consideration - Other current and non-current liabilities	-	7,688
Derivatives used for hedging	14,041	-
Total	**14,041**	**7,688**
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**

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 Charlie Temple.

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: royalty rate, revenue and EBITA growth, discount rate, churn rate.

The following acquisitions and adjustments to the purchase price allocation were done in 2019

Charlie Temple

On January 25, 2019 the Group acquired 67% of Charlie Temple, the leading online optical retailer in the Netherlands. As part of the agreement GrandVision's shareholding will increase in three steps, to 100% in 2023. This acquisition is an important step in the development of a digital platform for the Group and will enable the Group to build a stronger presence in the segment of the online market at a much faster pace. The Group paid €20,847 in cash and recognized a total contingent consideration of €7,036 relating to its obligation to increase its shareholding by a further 33% in three steps in 2021, 2022 and 2023.

The contingent consideration is calculated using average net sales and average EBITDA multiple of Charlie Temple corrected for changes in net debt based on agreed business targets by Charlie Temple, adjusted for the time value of money. The higher average net sales and average EBITDA multiple, the higher the contingent cinsideration will be. This contingent consideration has been included as a part of Other Non-Current Liabilities.

Based on the purchase price allocation an amount of €23,476 is identified as goodwill and represents increase in Group's online market position and assembled workforce. The purchase price allocation has been completed. Charlie Temple forms part of the G4 segment.

Óptica2000

On February 20, 2019 the Group acquired 100% of Óptica2000 through its Spanish business in the Other Europe segment. The acquisition incorporates Óptica2000's network of 108 optical stores across Spain and Portugal, with the majority of these establishments in the El Corte Ingles department stores. With this acquisition the Group further strengthened its market position in Spain. Total consideration for the acquisition of the assets, consisting mainly of customer database, trademark and concession agreement, is €89,563. The Group paid €79,056 in cash and took over from the seller a liability of €10,507.

Based on the purchase price allocation an amount of €29,598 was identified as goodwill. The goodwill mainly comprises the expected expansion in the Spanish market and synergies following the integration of the acquired business into our existing organization, which cannot be recognized as separately identifiable assets. The purchase price allocation has been completed.

McOptic

On July 31, 2019 the Group acquired 100% of McOptic through its Swiss business in the Other Europe segment. The acquisition incorporates McOptic's network of 62 optical stores in Switzerland. With this acquisition the Group further strengthened its market position in Switzerland. The Group paid €40,294 (CHF 44,473) in cash for the acquisition of the assets consisting mainly of customer database, trademark, unfavourable supplier contract (see note 28).

Based on the initial purchase price allocation an amount of €37,398 (CHF 41,277) was identified as provisional goodwill. The goodwill mainly comprises the expected expansion in the Swiss market and synergies following integration of the acquired business into our existing organization, which cannot be recognized as separately identifiable assets. The purchase price allocation has been largely completed pending final valuation of identified assets.

Store acquisitions

During 2019 the Group acquired 60 stores across the G4 and Other Europe segments. 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 2019, an amount of €9,330 is identified as 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.

The Group recognized a deferred consideration of €4,852 relating to outstanding payments for an acquisition in Germany, which will be paid in 2020, 2021 and 2022. This deferred consideration has been included as a part of Other Non-Current and Current Liabilities (see notes 28 and 29).

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

in thousands of EUR	Notes	Charlie Temple	Óptica2000	McOptic	Stores acquisitions	Total
Property, plant and equipment	11	634	3,992	2,076	2,618	9,320
Right-of-Use Assets	12	43	3,291	13,680	6,264	23,278
Other intangibles assets	14	4,866	58,324	18,101	9,880	91,171
Deferred income tax assets	10	-	1,314	9,078	-	10,392
Other non-current assets		-	100	1,065	65	1,230
Inventories		1,195	5,957	3,843	808	11,803
Trade and other receivables		457	8,817	1,949	547	11,770
Cash and cash equivalents		- 174	6,348	4,955	1,200	12,329
Deferred income tax liabilities	10	- 1,145	- 15,317	- 8,640	- 2,739	- 27,841
Retirement benefit obligations	25	-	-	- 10,974	-	- 10,974
Lease liabilities	12	- 55	- 3,291	- 13,680	- 3,480	- 20,506
Other non-current liabilities		-	-	- 11,411	- 10	- 11,421
Current borrowings		-	-	-	- 345	- 345
Trade and other payables		- 1,414	- 9,570	- 7,146	- 1,950	- 20,080
Total identifiable net assets and liabilities at fair value		4,407	59,965	2,896	12,858	80,126
Consideration paid		20,847	89,563	40,294	16,122	166,826
Cash and cash equivalents and bank overdrafts at acquired subsidiary		- 174	6,348	4,955	1,200	12,329
Outflow of cash and cash equivalents net of cash acquired		**21,021**	**83,215**	**35,339**	**14,922**	**154,497**
Consideration paid		20,847	89,563	40,294	16,122	166,826
Consideration to be transferred		7,036	-	-	6,066	13,102
Total consideration transferred or to be transferred		27,883	89,563	40,294	22,188	179,928
Minus: Identifiable net assets and liabilities at fair value		- 4,407	- 59,965	- 2,896	- 12,858	- 80,126
Goodwill	13	**23,476**	**29,598**	**37,398**	**9,330**	**99,802**

The acquisitions in 2019 contributed the following in revenue and net result for the Group:

in thousands of EUR	Charlie Temple	Óptica2000	McOptic	Stores acquisitions	Total
Revenue	7,375	72,862	19,505	19,448	119,190
Net result	- 1,861	3,824	- 1,109	5,293	6,147

Had the acquisitions in 2019 been consolidated for the full year, revenue and net result would be:

in thousands of EUR	Charlie Temple	Óptica2000	McOptic	Stores acquisitions	Total
Revenue	8,100	84,769	47,251	34,493	174,613
Net result	- 1,907	4,621	- 156	9,078	11,636

Acquisition costs for the above acquisitions amount to €2,056 and are included in the general and administrative costs in the consolidated Income Statement.

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, Monaco & 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 and EBITA for the operating segments for 2019 and 2018. The adjusted EBIT(D)A is defined as EBIT(D)A excluding 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 2019 these items amount to €63 million and are related to impairment of software (€21 million), expenses related to the announced acquisition of GrandVision shares by EssilorLuxottica (€9 million), restructuring costs (€9 million), discontinuation of activities in China (€4 million) and costs related to acquisitions and to prior year. For 2018 these items mainly related to restructuring, legal provisions, VAT risks, software impairment as well as costs related to prior years. A reconciliation from adjusted EBIT(D)A to earnings before taxes is presented within each table below. Other reconciling items represent corporate costs that are not allocated to a specific segment.

in thousands of EUR	G4	Other Europe	Americas & Asia	Other reconciling items	Total
2019					
Total net revenue	2,265,947	1,268,782	504,577	-	4,039,306
Adjusted EBITDA	**616,028**	**314,537**	**99,657**	**- 40,184**	**990,038**
Depreciation and amortization software					- 514,843
Adjusted EBITA	**346,922**	**151,990**	**21,707**	**- 45,424**	**475,195**
Non-recurring items					- 62,632
Amortization and impairments (excl. software)					- 88,594
Operating income					**323,969**
Non-operating items:					
Net financial result					- 49,421
Earnings before tax					**274,548**
2018					
Total net revenue	2,131,381	1,130,209	459,386	-	3,720,976
Adjusted EBITDA	**411,473**	**175,641**	**19,836**	**- 30,527**	**576,423**
Depreciation and amortization software					- 150,177
Adjusted EBITA	**331,191**	**128,562**	**- 1,995**	**- 31,512**	**426,246**
Non-recurring items					- 19,847
Amortization and impairments (excl. software)					- 69,075
Operating income					**337,324**
Non-operating items:					
Net financial result					- 18,356
Earnings before tax					**318,968**

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

in thousands of EUR	2019	2018
France	645,683	616,568
Germany	566,524	527,012
United Kingdom	498,665	477,465
Other countries	2,328,434	2,099,931
	4,039,306	3,720,976

Revenue in the Netherlands, the Group's country of domicile, is €293,142 (2018: €250,449). 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 2019	31 December 2018
France	635,307	500,209
United Kingdom	465,253	282,895
Switzerland	394,733	221,673
Germany	382,051	125,761
Netherlands	286,571	164,761
Other countries	1,457,434	887,230
	3,621,349	2,182,529

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. In 2019, increase in non-current assets caused by recognition of right-of-use assets following adoption of IFRS 16 (refer to note 2.7.1 for more details).

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 based on 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 generally is recognized on the moment of the delivery 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.

As of 1 January 2019, Income from operating subleases, mainly for store space, is recognized as other revenue. Please refer to note 7 for details relating to accounting before 1 January 2019.

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers per reportable segment 2019 and 2018, 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 and income from subleases.

in thousands of EUR	G4	Other Europe	Americas & Asia	Total
2019				
Revenue from contracts with customers				
Own store sales	2,034,258	1,247,138	484,979	3,766,375
Franchise revenues	227,181	15,090	5,445	247,716
Other merchandise revenues	1,179	65	11,701	12,945
	2,262,618	1,262,293	502,125	4,027,036
Revenue from other sources				
Other revenues	3,329	6,489	2,452	12,270
	2,265,947	**1,268,782**	**504,577**	**4,039,306**
	-	-	-	-
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**

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 2019, an amount of €8.6 million (2018: €7.8 million) and €90 million (2018: €77.7 million) was recognized as non-current and current contract liabilities respectively.

Revenue recognized during 2019 that was included in contract liability at the beginning of the year amounts to €77.7 million (2018: €74.8 million).

At 31 December 2019, an amount of €32.1 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 €23.5 million will be recognized as revenue during 2020 and in an amount of €8.5 million in 2021.

All other contract liabilities are for periods of one year or less.

Refund liabilities and return assets

The Group recognized a refund liability of €680 (2018: €596), which relates to customer's right to return a product within a given period. 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 €84 (2018: €55). 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.

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, 12, 14 and 13, respectively.

Accounting policy applied until 31 December 2018

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 and lease receipts from subleases) are charged to the consolidated Income Statement on a straight-line basis over the period of the lease.

Accounting policy applied from 1 January 2019

Payments relating to lease contracts with a duration of less than 12 months, lease contracts for which the underlying asset, when new, has a value of below €5,000 and variable payments not included in lease liabilities are expensed to the consolidated Income Statement when incurred. In addition, the following items are recognized in the consolidated Income Statement within occupancy costs:

- a difference between changes in a lease liability and a right-of-use asset as a result of reassessment/modification;
- a difference between changes in a lease liability and a lease receivable as a result of reassessment/modification;
- a difference between an amount of derecognized right-of-use asset and an amount of lease receivable on initial recognition of finance subleases;

The following costs have been included in the operating result:

in thousands of EUR	Notes	2019	2018
Direct materials		951,159	848,533
Employee costs		1,407,018	1,278,302
Occupancy costs		176,813	515,335
Marketing & publicity costs		203,510	190,818
Depreciation and impairments	11, 12	488,833	124,195
Amortization and impairments	13, 14	143,272	101,611
Distribution costs		79,180	81,020
Other costs		264,881	243,136
		3,714,666	3,382,950

In 2019, the decrease in occupancy costs is a result of the IFRS 16 implementation as lease costs are now split between depreciation and impairments category (depreciation of right-of-use assets) and interest expenses. Please refer to notes 12 and 8 for more details.

In 2019, items relating to leases, which were recognized in the consolidated Income Statement mainly within occupancy costs are as follows:

in thousands of EUR	2019
Variable leases	99,145
Short-term leases	2,332
Low value leases	2,522
Result on initial recognition of finance subleases	274

The employee costs can be specified as follows:

in thousands of EUR	Notes	2019	2018
Salaries & wages		1,010,934	919,713
Social security		197,444	184,928
Pension costs - Defined benefit plans	25	6,359	7,624
Pension costs - Defined contribution plans		21,742	20,247
Share-based payments	26	5,027	3,770
Other employee-related costs		165,512	142,020
		1,407,018	1,278,302

8. Finance Income and Costs

Accounting Policy
Finance income comprises interest received on outstanding monies and upward adjustments to the fair value, gain on derivatives, net foreign exchange gain and interest income on lease receivables.

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 losses on derivatives, other interest expenses, commitment fees, the amortization of transaction fees related to borrowings, interest expense on lease liabilities and net foreign exchange losses.

Finance income and costs include:

in thousands of EUR	Notes	2019	2018
Finance costs			
- Interest expense on lease liabilities	12	- 30,265	-47
- Bank borrowings		- 8,258	-5,546
- Result on derivatives		- 2,418	-3,391
- Commitment and utilization fee		- 1,606	-1,778
- Other		- 9,767	-5,749
- Net foreign exchange loss		- 699	-3,718
Total finance costs		- 53,013	-20,229
Finance income			
- Interest income		1,953	783
- Interest deposits		964	1,058
- Interest income on lease receivables	12	650	-
- Interest loans to management		25	32
Total finance income		3,592	1,873
Net financial result		**- 49,421**	**-18,356**

In 2019, the increase in interest expense on lease liabilities, interest income on lease receivables relates to the implementation of IFRS 16 Leases.

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

Unwinding of discount on the contingent and deferred considerations amounting to €4,070, is included in Other finance costs.

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)	2019	2018
Result for the year attributable to equity holders of the parent	178,483	216,278
Average number of outstanding ordinary shares	253,693,611	253,702,033
Diluted average number of outstanding ordinary shares	254,313,931	254,282,866
Earnings per share, basic and diluted (in EUR per share)	0.70	0.85

10. Current and Deferred Income Taxes

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 based on 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 based on 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 based on 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 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	2019	2018
Current income tax	100,361	122,760
Deferred income tax	- 21,184	-41,088
Charge in Income Statement	79,177	81,672

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	2019	%	2018	%
Result before tax	274,548	100.0%	318,968	100.0%
Computed weighted average tax rate	86,098	31.5%	93,509	29.4%
Net exempt expenses not deductible for tax purposes	17,654	6.4%	7,520	2.4%
Incentive tax credits for the reporting period	- 3,097	-1.1%	-2,763	-0.9%
Effect of (de)recognition of tax losses and unused incentive tax credits	- 6,714	-2.4%	-23,504	-7.4%
Changes in tax rate	- 601	-0.2%	80	0.0%
(Over)/Under provided in prior years	- 14,163	-5.2%	6,830	2.1%
Tax charge	79,177	28.9%	81,672	25.6%

Expenses not deductible for tax purposes in 2019 include €10,739 related to impairment of goodwill in CGU United States (see note 13).

An unused incentive tax credit of €16,906 in relation to the restructuring of the activities in China is included in the line "Effect of (de)recognition of tax losses and unused incentive tax credits".

In 2019, based on the anticipated outcome of proceedings in relation to the tax audits and subsequent, currently pending international arbitration on Transfer Pricing positions, the Group has recognised a current income tax receivable of €15,271. This impact is presented in the line "(Over)/Under provided in prior years".

Furthermore, if the Group had recognized all losses from operating companies across jurisdictions, the tax charge would have been €10,930 lower.

Current income tax assets and liabilities recognized on the consolidated Balance Sheet:

in thousands of EUR	2019	2018
Current income tax receivables	31,759	8,944
Current income tax liabilities	- 40,705	-40,389
Net amount at 31 December	- 8,946	-31,445

Current income tax receivables include the uncertain tax position in France of €15,271 (2018: €0). Current income tax liabilities include uncertain tax positions of €18,995 (2018: €18,649).

Deferred Income Tax

in thousands of EUR	Notes	2019	2018
The movement on the deferred income tax assets is as follows:			
Gross amount at 31 December		**108,853**	**78,501**
Adjustment on initial application of IFRS 16		325,967	-
Adjusted Gross amount at 1 January		**434,820**	**78,501**
Acquisitions	4	10,392	1,465
Income Statement impact		14,190	32,863
Change because of income rate change		- 18,459	- 1,304
Recognized in Other comprehensive income		8,797	- 2,467
Reclassification		7,327	- 314
Exchange differences		3,156	109
Gross amount at 31 December		**460,223**	**108,853**
Offset assets and liabilities		- 398,401	- 62,147
Net amount at 31 December		**61,822**	**46,706**
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		326,430	72,095
- Deferred income tax asset to be recovered within 12 months		133,793	36,758
		460,223	108,853
The movement on the deferred income tax liability is as follows:			
Gross amount at 31 December		**133,694**	**142,106**
Adjustment on initial application of IFRS 16		293,686	-
Adjusted Gross amount at 1 January		**427,380**	**142,106**
Acquisitions	4	27,841	992
Income Statement impact		- 7,379	- 8,305
Change because of income rate change		- 18,074	- 1,224
Recognized in Other comprehensive income		469	441
Reclassification		7,353	- 314
Exchange differences		3,780	- 2
Gross amount at 31 December		**441,370**	**133,694**
Offset assets and liabilities		- 398,401	- 62,147
Net amount at 31 December		**42,969**	**71,547**
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		366,477	124,282
- Deferred income tax liability to be settled within 12 months		74,893	9,412
		441,370	133,694
Net deferred income taxes		**- 18,853**	**24,841**

Specification of gross deferred income tax assets:

in thousands of EUR	31 December 2019	31 December 2018
Property, plant and equipment	7,233	6,500
Leases	330,250	-
Goodwill	446	457
Other intangible assets	7,545	5,486
Inventories	5,294	4,930
Post-employment benefits	23,631	18,567
Provisions	10,237	9,204
Derivatives	3,103	1,456
Contract liabilities and amounts to be invoiced	8,454	8,424
Trade and other payables	5,314	5,450
Deferred taxes on temporary differences	401,507	60,474
Deferred taxes on carry forward losses and unused incentive tax credits	58,716	48,379
Total deferred income tax assets	**460,223**	**108,853**

Specification of gross deferred income tax liabilities:

in thousands of EUR	31 December 2019	31 December 2018
Property, plant and equipment	9,054	10,323
Leases	318,402	-
Goodwill	40,447	37,654
Other intangible assets	68,105	79,505
Inventories	377	127
Post-employment benefits	214	211
Provisions	3,674	3,865
Derivatives	175	780
Contract liabilities and amounts to be invoiced	9	11
Trade and other payables	913	1,218
Total deferred income tax liabilities	**441,370**	**133,694**

At 31 December 2019 deferred income tax assets on carry-forward losses have been recognized for an amount of €23,329 (2018: €21,425). 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 €95,650 (2018: €84,503).

Deferred taxes on unused incentive tax credits relate to the restructuring of the activities in China for €16,906 (2018: €0) and incentive tax credit in Germany of €17,922 (2018: €26,954).

At 31 December 2019 deferred tax assets of €20,844 (2018: €19,892) relate to entities which suffered a loss in either the current or the preceding period.

Unrecognized income tax losses amount to €334,084 (2018: €301,547). These tax losses expire as follows:

in thousands of EUR	31 December 2019	31 December 2018
Expiring within one year	2,499	1,836
Expiring between one and two years	9,454	2,884
Expiring between two and five years	23,755	9,352
Expiring after more than five years	105,579	84,855
Offsettable for an unlimited period	192,797	202,620
	334,084	301,547

The unrecognized tax losses offsettable for an unlimited period relate mainly, amongst others to activities in Brazil. 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.

Movements in property, plant and equipment are as follows:

in thousands of EUR	Notes	Buildings and leasehold improvements	Machinery and equipment	Furniture and vehicles	Total
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		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
Adjustment on initial application of IFRS 16		-	- 88	- 2,632	- 2,720
Adjusted at 1 January 2019		**255,137**	**152,339**	**106,586**	**514,062**
Cost		616,647	547,639	387,817	1,552,103
Accumulated depreciation and impairment		-361,510	-395,300	-281,231	-1,038,041
Carrying amount		255,137	152,339	106,586	514,062
Movements in 2019					
Acquisitions	4	3,142	2,895	3,283	9,320
Additions		62,335	51,158	26,816	140,309
Disposals / retirements		- 4,513	- 2,834	- 1,695	- 9,042
Depreciation charge	7	- 52,899	- 43,072	- 30,633	- 126,604
Impairment	7	- 1,172	- 312	- 296	- 1,780
Reclassification		- 1,848	- 431	1,958	- 321
Exchange differences		3,627	2,599	520	6,746
At 31 December 2019		**263,809**	**162,342**	**106,539**	**532,690**
Cost		678,912	593,997	408,163	1,681,072
Accumulated depreciation and impairment		- 415,103	- 431,655	- 301,624	- 1,148,382
Carrying amount		263,809	162,342	106,539	532,690

At 1 January 2019, leased assets are recognized as a part of right-of-use assets as a result of IFRS 16 Leases Implementation. Please refer to note 12 for more details. At 31 December 2018, leased assets where the Group is a lessee under a financial lease are included under "Machinery and equipment" and "Furniture and vehicles".

12. Leases

Accounting policy

Accounting policy applied until 31 December 2018

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 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.

Operating Lease commitments

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.

At 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

in thousands of EUR	31 December 2018
Not later than 1 year	353,152
Later than 1 year and not later than 5 years	825,704
Later than 5 years	241,085
	1,419,941

Accounting policy applied from 1 January 2019

Definition of a lease

The lease contracts relate mainly to the lease of the Group's own stores and leases for stores that are subleased to the Group's franchisees. Lease contracts also include leases for offices, warehouses, vehicles and equipment.

At the inception date of the contract, GrandVision assesses if it has the right to obtain substantially all of the economic benefits from use of the leased asset throughout the period of use in exchange for consideration; and if it can direct how the leased asset is used.

The following contracts are not considered to be a lease and shall be expensed to the consolidated Income Statement when incurred:

- The contracts with rent payments, which are based on variables such as revenue, volume or traffic levels.
- When a lessor has a substantive substitution right, for example the landlord can benefit by moving the store/corner or office during the lease contract, with only limited costs or efforts of the landlord, while GrandVision cannot prevent the landlord from moving the store.

Lessee Accounting

At the lease commencement date GrandVision recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus key money paid when entering the lease and any other incremental costs of obtaining the lease.

Subsequently the cost of a right-of-use asset is depreciated using the straight-line basis to reduce the right-of-use asset's carrying value to its residual value over the shorter of its estimated useful life and the lease term (see also paragraph “Significant accounting estimates and judgments”). Right-of-use assets are adjusted for remeasurements of lease liabilities. Right-of-use assets are subject to regular impairment assessment and for annual impairment test purposes included in the carrying amount of relevant CGU, which represents a country or group of countries.

The residual value of right-of-use asset is assumed to be zero, except for initial costs Droit au Bail in France as these costs relate to the right to lease, which can be sold at the end of the lease term. These costs are treated as a separate component. The residual value is reviewed on a regular basis. The fair value is calculated by external valuators taking into account cost per square meter and latest similar transactions for the main shopping malls, which are publicly available. Changes in residual value are recognized in consolidated Income Statement.

The lease liability is initially measured at the present value of outstanding lease payments during the lease term, discounted using the incremental borrowing rate (see also paragraph “Significant accounting estimates and judgments”). The Group has elected to include both lease and non-lease components (e.g. fixed service costs) to the amount of lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method and is remeasured when there is a change in future lease payments arising, for example, from renegotiations of the lease contract, a change in an index, or if GrandVision changes its assessment of whether it will exercise extension or termination options (see also paragraph “Significant accounting estimates and judgments”). A corresponding adjustment is made to the carrying amount of the right-of-use asset, and excess over the carrying amount of the asset, if any, being recognised in the consolidated Income statement within occupancy costs.

At the end of the lease term or at early termination of the lease, the cost of the right-of-use asset, accumulated depreciation, and outstanding lease liability, are written-down with the difference, if any, recorded in the consolidated Income statement within other occupancy costs.

Short-term and low-value leases

The Group has elected that the lease payments associated with lease contracts with a term of 12 months or less and leases of low-value assets (individual value of below €5,000, when new, such as computer equipment or mobile phones) are recognized on a straight-line basis over the lease term.

Lessor accounting

The Group subleases some of its right-of-use assets to franchisees or third parties. When substantially all the risks and rewards transfer to the lessee, the sublease is classified as finance lease, otherwise the sub-lease is an operating lease.

When the sublease is classified as finance lease, the right-of-use asset in the head lease is de-recognized and a lease receivable is recognized. The lease receivable is initially measured at the present value of future lease receipts, which include both lease and non-lease components. Any difference on initial recognition of finance sublease is recorded in the consolidated Income statement within occupancy costs. Subsequently, the interest income and interest expense are accrued on the lease receivable and lease liability respectively applying the effective interest method. Rental income from operating subleases is recognised in the consolidated Income statement within other revenue.

Significant Accounting Estimates and Judgments

Lease term

The lease term comprises the non-cancellable period of a lease contract, plus periods covered by a reasonably certain renewal option and periods covered by a termination option, which are not reasonably certain to be exercised. GrandVision assesses whether it is reasonably certain to exercise renewal and termination options at lease commencement date and subsequently, if there is a change in circumstances. When determining the lease term only the options within control of GrandVision are considered.

When assessing renewal and termination options related to real estate leases, a distinction is made between new and existing locations, as well as between the stores based on their performance.

The lease term for a new store is the longest of the non-cancellable period with a minimum of 3 years. In addition, the Group considers the other circumstances, including recent leasehold improvements, local legislation, chain strategy, etc. and then decides if a different period is more appropriate.

Towards the end of the lease term the probability of exercising renewal or termination options is reconsidered based on business strategy, performance of the store and other considerations. In general, options are considered to be reasonably certain at the moment when the landlord is notified about the extension or termination. In case the contract has automatic renewal options, the remaining lease term is equal to the shortest possible extension of the lease, but is not less than 5 years for high performing stores or not less than 3 years for other stores.

The Group is reasonably certain not to exercise a termination option if the term with possible termination would become less than 5 years for high performing stores or less than 3 years for other stores.

The periods of 5 years for high performing stores and 3 years for new and other stores is determined considering Group practice and experience, developments in (optical) retail markets, real estate rental markets, regulations, economic environment and technology. These estimates are reassessed periodically.

Discount rate

The Group uses incremental borrowing rates (IBR's) as a discount rate, since the interest rate implicit in the lease contract generally cannot be readily determined for most of the leases in lease portfolio of the Group. The IBR is the rate that a lessee would pay to attract required funding to purchase the asset over a similar term, with a similar security and in a similar economic environment. In determining the IBR, the comparable uncontrolled price method was selected. The IBR is determined as the sum of a reference rate, credit risk premium and sovereign risk premium. The sovereign risk premium is based on the Credit Default Swaps' market.

The calculation of IBR takes into account the currency of the lease contract, the lease term, type of leased assets, the country of the lessee and the credit rating of the lessee. The credit rating of the lessee is determined based on financial assessment, in which a scoring approach is applied to key financial ratios of the lessee.

The IBR's are determined on a country by country basis with a distinction between the currency of the lease contract, as well as lease term. A single IBR is applied to a portfolio of leases, which are similar in nature and in lease term within a country.

The movements in the right-of -use assets are as follows:

in thousands of EUR	Notes	Buildings	Other	Total
At 1 January 2019				
Cost		1,385,118	8,430	1,393,548
Accumulated depreciation and impairment		-	-	-
Carrying amount		1,385,118	8,430	1,393,548
Movements				
Acquisitions	4	23,212	66	23,278
Additions		119,372	4,506	123,878
Reassessment/modification		251,054	97	251,151
Disposal		-846	-2	- 848
Depreciation charge		-349,818	-4,936	- 354,754
Impairment		-5,695	-	- 5,695
Exchange differences		12,366	30	12,396
At 31 December 2019		**1,434,763**	**8,191**	**1,442,954**
Cost		1,778,412	12,117	1,790,529
Accumulated depreciation and impairment		- 343,649	- 3,926	- 347,575
Carrying amount		1,434,763	8,191	1,442,954

The balance at 1 January 2019 represents initial recognition of right-of-use following adoption of IFRS 16, including amounts reclassified from other current and non-current assets and liabilities and related to key money and rental incentives. The residual value of right-of-use assets at end of December 2019 is €126,498.

In 2019, acquisitions relate mainly to McOptic in Switzerland.

The movements in the lease liabilities and financial lease receivables are as follows:

in thousands of EUR	Notes	Lease liabilities	Financial lease receivables
Non-current		461	-
Current		411	-
At 31 December 2018		**872**	**-**
Adjustment on initial application of IFRS 16:			
Non-current		1,001,045	47,636
Current		361,608	17,257
At 1 January 2019		**1,363,525**	**64,893**
Acquisitions	4	20,506	-
Additions		127,304	9,911
Reassessment/modification		254,716	5,421
Payments/Receipts		- 400,492	- 16,717
Accrued interest		30,265	650
Exchange differences		14,747	12
At 31 December 2019		**1,410,571**	**64,170**
Non-current		1,037,293	48,090
Current		373,278	16,080
At 31 December 2019		**1,410,571**	**64,170**

The maturity of the lease liabilities is as follows:

in thousands of EUR	31 December 2019	31 December 2018
Within 1 year	373,278	411
1 - 2 years	310,831	230
2 - 5 years	536,867	231
After 5 years	189,595	-
Total	1,410,571	872

The future receipts from subleases are as follows:

in thousands of EUR	Notes	31 December 2019		31 December 2018
		Finance subleases	Operating subleases	Total subleases
Within 1 year		16,243	910	16,954
1 - 2 years		13,982	709	14,798
2 - 3 years		11,719	570	12,819
3 - 4 years		9,314	492	10,000
4 - 5 years		6,163	295	7,224
After 5 years		7,602	447	11,120
Total undiscounted receipts		65,023	3,423	72,915
Unearned finance income		- 853	n.a	n.a
Finance lease receivables	16	64,170	n.a	n.a

13. Goodwill

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 based on 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. Value-in-use is calculated using the discounted cash flow method based on the asset's continuing use and applying a pre-tax discount rate derived from the average cost of capital. If a CGU does not pass the value in use test, the recoverable amount will be calculated with fair value less costs of disposal method. Fair value less costs of disposal model is based on the CGU's highest and best use from a market participant's perspective as far as they can be reasonably ascertained, taking financial plans as approved by management as a base (level 3). These estimates include potential business expansion and reorganizations, if applicable. This model is based on a post-tax calculation, using a post-tax discount rate. Fair value less costs of disposal model can be based on the discounted cash flows method or sales multiple.

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. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Significant Accounting Estimates and Judgments

The Group performs its annual goodwill impairment test in the fourth quarter.

For mature markets the Group calculates fair value less costs of disposal using the discounted cash flows method. For emerging markets a sales multiple is used to determine fair value less cost of disposal. The Group applies a multiple to the average sales of the last three years. The sales multiple is based on recent market transactions and peers of the Group, considering 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 are adjusted to reflect these developments.

The discounted cash flow method requires management to apply judgements around revenue growth, profit assumptions and the discount rate.

The key assumptions applied in the goodwill impairment test during the reporting period are further described below.

Movements in goodwill are as follow:

in thousands of EUR	Notes	2019	2018
At 31 December		1,052,282	1,065,467
Adjustment on initial application of IFRS 16		32,626	-
At 1 January		**1,084,908**	**1,065,467**
Acquisitions	4	99,802	4,458
Adjustment to purchase price allocation		-	2,317
Impairment		- 51,138	- 19,331
Reclassification		-	- 243
Exchange differences		12,456	- 386
At 31 December		**1,146,028**	**1,052,282**
Costs		1,293,756	1,148,234
Accumulated impairment		- 147,728	- 95,952
Carrying amount		1,146,028	1,052,282

Amount of €32,626 relates to *Fonds de Commerce* in France, reclassified from the key money, which were a part of Intangible assets until 1 January 2019, when this amount was recognized as part of Goodwill, since it cannot be included to cost of right-of-use assets.

In 2019, increase in Goodwill is mainly related to acquisitions of Charlie Temple, which operates in the G4 segment, Optica 2000 and McOptic, which operate in the Other Europe segment. Refer to note 4 for more details.

In 2019, the impairment charge relates to an impairment of goodwill in the CGU United States, which operates in the Americas & Asia segment. In 2018, the impairment charge relates to an impairment of goodwill in the CGU Italy, which operates in the Other Europe segment.

The table below shows goodwill per segment:

in thousands of EUR	31 December 2019	31 December 2018
G4	496,610	426,672
Other Europe	534,974	463,331
Americas & Asia	114,444	162,279
	1,146,028	1,052,282

Goodwill impairment charge

During the reporting period there were triggering events for impairment in the CGU United States, which operates in the Americas & Asia segment, following the delayed profitability of the US business. In June 2019 the Group completed its goodwill impairment test for the CGU United States and as a result the carrying amount of the CGU United States has been reduced to its recoverable amount of €63,157 (USD 70,951) through recognition of an impairment loss against goodwill of €51,138 (USD 57,326). In the second half of 2019 the agreement between the Group and Walgreen was signed, allowing the Group to open stores in the Walgreens pharmacy chain in the United States under the store-in-store concept.

The recoverable amount of the CGU United States is its fair value less costs of disposal, determined using the discounted cash flow method.

The key assumptions applied are described below:

- The discounted cash flow projections cover a period of eight years in which only in the first 4 years expansion is included. The longer horizon is used for the expected new store openings to become mature. Estimation techniques were based on the CGU United States' highest and best use from a market participant's perspective as far as they could have reasonably been ascertained, taking the five-year financial plan as approved by management as a base (level 3). The growth rate beyond 5-year period is 2% in line with the expected growth in the United States eyewear industry.

- At the end of the eight-year projected cash flow period, a terminal value was estimated in order to reflect the value of the CGU in the future years. The terminal values were calculated as a perpetuity at the growth rate of 2% based on the long-term inflation expectation in the United States.

- The discount rate of 8.47% used is a post-tax rate. It excludes cost of leasing and reflects the country-specific risks relating to the optical retail industry.

- The revenue growth rate is based on historical performance, as well as management assessment of the development of this rate in the upcoming years. Average revenue growth rate is 10.9%.

Sensitivity

For the discounted cash flow method, the most sensitive key assumptions are revenue growth and discount rate.

For the discounted cash flow method used for the CGU United States, a 1 p.p decrease in the revenue growth of existing stores in the next five years and a 1 p.p increase in the discount rate would result in an additional impairment of €27,550 (USD 30,883) and €18,318 (USD 20,535), respectively. A 1 p.p increase in revenue growth of existing stores in next five years and 1p.p decrease in the discount rate would have resulted in a decrease in impairment of €28,522 (USD 31,973) and €25,607 (USD 28,706), respectively.

Annual goodwill impairment test

Key assumptions used to determine the recoverable amount (value-in-use):

2019	Revenue growth rate (average)	EBITA percentage (average)	Discount rate (pre-tax)	Sales multiple
G4	3.2% - 5.6%	5.9% - 17.5%	6.44% - 7.50%	n.a
Other Europe	1.3% - 6.1%	7.6% - 24.7%	6.12% - 8.92%	n.a
Americas & Asia	4.3% - 13.6%	4.9% - 17.4%	11.79% - 22.31%	1 – 1.2

2018	Revenue growth rate (average)	EBITA percentage (average)	Discount rate (pre-tax)	Sales multiple
G4	3.5% - 5.8%	5.8% - 18.5%	9.13% - 11.74%	n.a
Other Europe	3.3% - 13.5%	3.6% - 21.7%	8.31% - 14.37%	n.a
Americas & Asia	3.2% - 21.0%	6.1% - 12.3%	11.14% - 25.16%	1 – 1.2

The assumptions above 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 EBITA and growth rates are based on the historical performance as well as management 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.

Following implementation of IFRS 16 as of 2019, value-in-use test is based on discounted cash flows, which exclude lease payments and lease receipts, as they are treated as cash flows from financial activities. In addition, since the leases are treated as a financing item, the capital cost of lease liabilities is reflected in the discount rate. Right-of-use assets are included in the carrying amount of a relevant CGU.

In 2019, the Group considered and incorporated the impact on the assumptions resulting from Brexit in its goodwill impairment test.

G4 segment

In the G4 in 2019 the higher end of the average revenue growth rate range mainly relates to the CGU of the 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 EBITA range relates to the CGU of the United Kingdom & Ireland. The higher end of the pre-tax discount rate range relates to the CGU of France while the lower end relates to the CGU of the Netherlands & Belgium. The CGUs of Germany & Austria and the United Kingdom & Ireland are at the midpoint of the pre-tax discount rate range.

The carrying value of goodwill allocated to the CGU of France of €211,175 (2018: €179,174) is considered significant in relation to the Group's total carrying value of goodwill. The key assumptions for CGU of France 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 7.50% (2018: 10.67%). 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 2019, the higher end of the average revenue growth rate range mainly relates to the CGU of Spain and the lower end to the CGU of Finland & Estonia. The higher end of the EBITA percentage range relates to the CGU of Hungary, Czech Republic & Slovakia and the lower end to the CGUs of Italy and Greece & Cyprus. The higher end of the pre-tax discount rate range relates to the CGU of Italy 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 2019, the higher end of the average revenue growth rate range mainly relates to the CGU of Turkey and the lower end relates to the CGU of Argentina. The higher end of the average EBITA percentage range relates to the CGU of the Turkey and Mexico and the lower end relates to the CGU of Colombia. The higher end of the pre-tax discount rate range related to the CGU of Turkey, while the lower end related to the CGU of Chile & Uruguay. The remaining CGUs within the Americas & Asia segment have average revenue growth rates, EBITA percentages and pre-tax discount rates around the midpoint of the respective ranges.

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 not result in an impairment (2018: limited impairment).

14. Other Intangible Assets

Accounting Policy
Other intangible assets contain customer databases, trademarks, software and others.

Key money

Accounting policy applied until 31 December 2018

Key money represents expenditure associated with acquiring existing operating lease agreements for stores in countries where there is an active market for key money (e.g. regularly published transaction prices) and are included in Other intangible assets. Key money is not amortized but annually tested for impairment.

Accounting policy applied from 1 January 2019

As a result of IFRS 16 Leases implementation, key money is recognized as a part of right-of-use assets and goodwill. For more details refer to note 12 and 13, respectively.

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 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 based on the costs incurred to acquire and to bring to use the specific software. Software is amortized when the product is put in operation, using the straight-line method, based on an estimated useful life in range of 3-5 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 a concession agreement, rights to open new optical stores, reacquired rights, franchise contracts.

The concession agreement is an identifiable intangible asset that the acquirer recognizes separately from goodwill. It relates mainly to the rights to operate optical stores in the El Corte Ingles department stores in the next 21-29 years.

These rights 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 the duration of the concession agreement.

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.

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 includes 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.

Movements in Other Intangible Assets are as follows:

in thousands of EUR	Notes	Key money	Customer databases	Trademarks	Software	Other	Total
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		4,024	-	-	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
Adjustment on initial application of IFRS 16		- 212,944	-	-	-	-	- 212,944
Adjusted at 1 January 2019		**-**	**128,581**	**104,143**	**103,281**	**14,318**	**350,323**
Cost		-	173,057	291,547	261,011	44,575	770,190
Accumulated amortization and impairment		-	- 44,476	- 187,404	- 157,730	- 30,257	- 419,867
Carrying amount		-	128,581	104,143	103,281	14,318	350,323
Movements in 2019							
Acquisitions	4	-	14,589	21,111	624	54,847	91,171
Additions		-	487	-	56,905	27	57,419
Disposals		-	-	-	- 533	- 104	- 637
Amortization charge	7	-	- 18,340	- 11,042	- 33,485	- 8,074	- 70,941
Impairment	7	-	-	-	- 21,193	-	- 21,193
Reclassification		-	- 5	- 20	355	- 9	321
Exchange differences		-	5,014	2,493	1,106	45	8,658
At 31 December 2019		**-**	**130,326**	**116,685**	**107,060**	**61,050**	**415,121**
Cost		-	194,806	317,408	312,721	100,353	925,288
Accumulated amortization and impairment		-	- 64,480	- 200,723	- 205,661	- 39,303	- 510,167
Carrying amount		-	130,326	116,685	107,060	61,050	415,121

Customer databases and trademarks

In 2019, the increase related mainly to the acquisitions of McOptic and Óptica2000 (in Other Europe segment). Refer to note 4 for more details.

Software

In 2019 and 2018, the additions mainly related to the development of the omnichannel capabilities and other investments in IT. In 2019, software was impaired mainly at the corporate level following changes in the strategy related to the implementation of global e-commerce platforms and ERP system.

Other

At 31 December 2019 €43,846 recognized in other intangible assets related to the concession agreement, recognized following acquisition of Óptica2000 during 2019 in Spain (see note 4) and €5,796 (2018: €8,389) related to the Group's right to open additional optical stores in the Tesco.

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 gains/losses on qualifying cash flow hedges transferred from equity at the moment of inventories purchases.

The composition of the inventories is as follows:

in thousands of EUR	31 December 2019	31 December 2018
Finished goods	378,482	348,141
Provision for obsolete inventory	- 22,223	- 17,639
	356,259	330,502

An amount of €15,881 (2018: €10,960) 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

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 be equal to 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.

Financial assets at fair value through profit or loss

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 provision.

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 December 2019		31 December 2018	
		Current	Non-current	Current	Non-current
Trade receivables		165,044	-	153,738	-
Less: provision for impairment of trade receivables		- 15,861	-	-13,433	-
Trade receivables – net		149,183	-	140,305	
Finance lease receivables	12	16,080	48,090	-	-
Receivables related to consumer insurances		40,976	-	47,678	-
Taxes and social security		30,089	-	30,752	-
Supplier and other receivables		34,458	8,630	33,355	11,348
Rental deposits		1,081	25,415	577	24,340
Receivables from related parties	33.1	4,165	-	1,710	-
Loans to management	33.2	-	-	-	1,562
Less: provision for impairment of other receivables		- 414	-	-444	-
Other financial assets measured at amortized cost - net		126,435	82,135	113,628	37,250
Financial assets measured at amortized cost - total		275,618	82,135	253,933	37,250
Financial assets at fair value through profit or loss		-	1,410	-	1,406
		275,618	83,544	253,933	38,656

The carrying value less provision for impairment approximates the fair value of the assets.

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss provision for trade receivables is determined as follows:

in thousands of EUR	31 December 2019			31 December 2018		
	Expected loss rate (%)	Gross Amount	Provision	Expected loss rate (%)	Gross Amount	Provision
Not past due	0%	130,716	59	1%	120,449	1,325
Past due up to 3 months	10%	15,681	1,587	12%	12,324	1,419
Past due between 3 and 6 months	23%	4,247	990	21%	7,311	1,531
Past due between 6 and 9 months	79%	3,596	2,854	58%	4,682	2,707
Past due after 9 months	96%	10,804	10,371	72%	8,972	6,451
	10%	165,044	15,861	9%	153,738	13,433

Other financial assets measured at amortized cost

Other financial assets measured at amortized cost generally arise from transactions outside the trade activities of the Group and relate mainly to rental deposits, lease receivables, 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 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.

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
	2019		2018	
At 1 January	**13,433**	**444**	**11,247**	**255**
Additions to provision for expected credit losses	7,228	-	6,013	190
Receivables written off during the year as uncollectible	- 3,375	-	-2,967	-
Unused amounts reversed	- 1,612	- 28	-1,157	-
Exchange differences	187	- 2	297	- 1
At 31 December	**15,861**	**414**	**13,433**	**444**

The carrying amounts of the Group's trade receivables, including provision, by currency :

in thousands of EUR	31 December 2019	31 December 2018
Euro (EUR)	70,846	66,543
British Pound Sterling (GBP)	15,101	12,769
Swedish Krona (SEK)	11,583	5,275
Danish Krone (DKK)	10,003	8,303
Turkish Lira (TRY)	8,852	7,463
Chilean Peso (CLP)	7,413	8,314
Norwegian Krone (NOK)	6,783	7,046
Brazilian Real (BRL)	4,415	6,047
United States Dollar (USD)	3,460	6,166
Other	10,727	12,379
Total	149,183	140,305

17. Other Current and Non-Current Assets

Accounting Policy

Accounting policy applied until 31 December 2018

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.

Rent prepayments is rent paid in advance of the rental period. The amount that has not yet been used as of the balance sheet date is reported on the balance sheet.

Accounting policy applied from 1 January 2019

Key money paid and rent prepayments made before commencement of lease are recognized as a part of right-of-use assets. Rent prepayments made during the lease term are recognized as a reduction of lease liabilities. For more details refer to note 12 .

Other current and non-current assets can be specified as follows:

in thousands of EUR	31 December 2019	31 December 2018	
	Current	Current	Non-current
Key money	-	3,439	10,451
Rent prepayments	2,100	19,278	-
Other prepayments and current assets	30,505	27,083	-
Total	32,605	49,800	10,451

At 1 January 2019, total amount of €26,400 is reclassified from other current and non-current assets following implementation of IFRS 16, because it relates to rent prepayments and key money.

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 2019	31 December 2018
Cash at bank and in hand	145,343	121,932
Short-term bank deposits and marketable securities	17,556	16,325
	162,899	138,257

Cash and cash equivalents by currency:

in thousands of EUR	31 December 2019	31 December 2018
Euro (EUR)	55,349	58,339
United States Dollar (USD)	17,372	9,050
British Pound Sterling (GBP)	12,704	8,305
Swiss Franc (CHF)	12,588	5,255
Turkish Lira (TRY)	12,379	9,705
Chilean Peso (CLP)	10,104	7,985
Mexican Peso (MXN)	9,986	4,903
Brazilian Real (BRL)	6,260	5,215
Norwegian Krone (NOK)	4,876	2,928
Other	21,281	26,572
	162,899	138,257

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

in thousands of EUR	Notes	31 December 2019	31 December 2018
Cash and bank balances		162,899	138,257
Bank overdrafts	23	- 28,658	- 66,638
		134,241	71,619

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

19. Share Capital, Share Premium and Treasury Shares

Accounting Policy
Ordinary shares are classified as equity attributable to the equity holders. Costs directly attributable to the issuance of new shares are deducted from the proceeds and recognized in equity. Amount received above the nominal is recorded as a share premium.

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 the shareholders' equity.

The movements in the number of shares outstanding and share capital can be specified as follows:

	Number of shares outstanding at par value of EUR 0.02	Share capital (in thousands of EUR)	Share premium (in thousands of EUR)	Treasury shares (in thousands of EUR)	Total (in thousands of EUR)
At 1 January 2018	**253,583,420**	**5,089**	**72,176**	**- 17,753**	**59,512**
Share-based payments	184,228	-	- 2,721	3,685	964
At 31 December 2018	**253,767,648**	**5,089**	**69,455**	**- 14,068**	**60,476**
At 1 January 2019	**253,767,648**	**5,089**	**69,455**	**- 14,068**	**60,476**
Purchase of treasury shares	- 195,000	-	-	- 3,814	- 3,814
Share-based payments	82,330	-	3,125	1,647	4,772
At 31 December 2019	**253,654,978**	**5,089**	**72,580**	**- 16,235**	**61,434**

The authorised share capital consists of 254,443,840 ordinary shares at a par value of €0.02 each.

In 2019, the share-based payment plan movements within share premium of €4,772 relate to the periodic expenses and settlements of the share-based payment plans (2018: €964).

During 2019 GrandVision purchased 195,000 shares to be held in treasury related to the share-based payment plans for a total amount of €3,814. GrandVision transferred 82,330 shares to the eligible LTIP-participants in relation to the share-based payment plans following the vesting in 2019 (2018: 184,228 shares). The number of shares held in treasury at 31 December 2019 were 788,862 (2018: 676,192 shares).

20. Other Reserves

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. Transfer from the cash flow hedge reserve to the carrying value of inventory at initial recognition, is presented separately from consolidated Other Comprehensive Income.

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 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**
At 1 January 2019	**- 2,567**	**- 9,355**	**- 145,126**	**- 157,048**
Other comprehensive income	- 3,269	- 17,266	13,857	- 6,678
Hedge results transferred to the carrying value of inventory purchased during the year	- 3,896	-	-	- 3,896
At 31 December 2019	**- 9,732**	**- 26,621**	**- 131,269**	**- 167,622**

The movement in Remeasurement of post-employment benefits obligations during 2019 is mainly following from a decrease in discount rates in Switzerland.

The movement in the cash flow hedge reserve per risk category can be specified as follows:

	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**
At 1 January 2019	**- 4,013**	**1,504**	**- 2,509**	**- 2,567**	**58**
Changes in fair value	- 8,931	1,504	- 7,427	- 7,415	- 12
Reclassified to profit or loss	3,170	3	3,173	3,165	8
Income tax	1,472	- 451	1,021	1,012	9
Exchange differences	-	- 29	- 29	- 31	2
Other comprehensive income	- 4,289	1,027	- 3,262	- 3,269	7
Amount transferred to the cost of inventory	-	- 5,503	- 5,503	- 5,289	- 214
Income tax	-	1,428	1,428	1,393	35
	-	- 4,075	- 4,075	- 3,896	- 179
At December 2019	**- 8,302**	**- 1,544**	**- 9,846**	**- 9,732**	**- 114**

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	2,019	2,018
At 31 December	1,259,026	1,128,524
Adjustment on initial application of IFRS 16	- 70,083	-
Adjusted at 1 January	**1,188,943**	**1,128,524**
Result for the year	178,483	216,278
Dividends paid	- 83,743	- 81,147
Acquisition of non-controlling interest	- 386	- 4,539
Share-based payments	43	- 90
At 31 December	**1,283,340**	**1,259,026**

For 2019, it is proposed to the General Meeting to distribute a total dividend of €88,779 or EUR 0.35 per share. If the proposal is approved by the General Meeting, the dividend will be payable as from 4 May 2020.

For 2018, a total dividend of EUR 0.33 per share was paid out in the first half year of 2019 for a total of €83,743.

22. Non-Controlling Interest

Accounting Policy
The transactions with non-controlling interests are accounted for as equity transactions. 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 stipulates 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	2019	2018
At 31 December	90,011	81,480
Adjustment on initial application of IFRS 16	- 1,627	-
Adjusted at 1 January	**88,384**	**81,480**
Result for the year	16,888	21,018
Dividends paid	- 16,681	- 16,021
Acquisition of non-controlling interest	- 33	2,704
Remeasurement of post-employment benefit obligation	- 2,955	758
Cash flow hedge reserve	7	59
Hedge results transferred to the carrying value of inventory purchased during the year	- 179	- 262
Currency translation differences	1,678	275
At 31 December	**87,109**	**90,011**

Acquisition of non-controlling interest in 2019 and 2018 mainly related to the purchase of the non-controlling interest in the United Kingdom.

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

in thousands of EUR	31 December 2019	31 December 2018
Summarized Balance Sheet:		
Non-current assets	181,891	97,734
Current assets	117,615	111,064
Equity	152,261	142,946
Non-current liabilities	69,332	4,828
Current liabilities	77,913	61,024

The accumulated non-controlling interest for the Synoptik Group amounts to €55,895 (2018: €52,475).

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

in thousands of EUR	31 December 2019	31 December 2018
Summarized Balance Sheet:		
Non-current assets	310,592	120,332
Current assets	36,632	24,922
Equity	46,211	66,736
Non-current liabilities	244,554	44,325
Current liabilities	56,459	34,193

The accumulated non-controlling interest in Switzerland amounts to €9,778 (2018: €14,157).

The financial information for operations in Mexico (non-controlling interest of 30%) is as follows:

in thousands of EUR	31 December 2019	31 December 2018
Summarized Balance Sheet:		
Non-current assets	98,210	65,067
Current assets	64,954	51,814
Equity	45,341	45,784
Non-current liabilities	62,931	39,752
Current liabilities	54,892	31,345

The accumulated non-controlling interest in Mexico amounts to €13,856 (2018: €13,891).

Following IFRS 16 implementation there was an increase in assets and liabilities of the above operations.

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.

Borrowings of the Group are as follows:

in thousands of EUR	31 December 2019	31 December 2018
Non-current		
Bank and other borrowings	385,817	362,492
	385,817	362,492
Current		
Bank overdrafts	28,658	66,638
Commercial paper	453,000	418,000
Bank and other borrowings	35,672	30,213
	517,330	514,851
Total borrowings	**903,147**	**877,343**

Bank facilities

In July 2019, the Group has successfully refinanced the Revolving Credit Facility of €1.2 billion with a group of their close relationship banks. The new facility has a maturity till July 2024 and can be extended two times by one year at the end of the first and second anniversary (5 + 1 + 1). The new Facility has the same size and similar terms to the previous facility that would have matured in 2021. In addition, a sustainability feature has been added to the facility, whereby the margins are linked to the Group's sustainability performance. 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 €375 million.

At the end of 2019 the Group also had multiple bank guarantee facilities for a total amount of €58.1 million (2018: €67.6 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 2019, the amounts outstanding under the commercial paper program totalled €453 million (2018: €418 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	Commercial paper	Other borrowings	Interest derivatives	Total
At 1 January 2018	**433,923**	**398,800**	**3,918**	**3,220**	**839,861**
Changes from financing cash flows					
Proceeds from borrowings	186,397	19,200	-	-	205,597
Repayments of borrowings	- 232,374	-	- 357	-	- 232,731
Interest swap payments	-	-	-	- 2,752	- 2,752
Interest	- 2,642	1,010	-	-	- 1,632
Other movements					-
Acquisitions	426	-	-	-	426
Amortization/interest accrual	2,703	- 1,010	266	2,752	4,711
Exchange differences	298	-	147	-	445
Other comprehensive income (before tax)	-	-	-	2,213	2,213
At December 2018	**388,731**	**418,000**	**3,974**	**5,433**	**816,138**
Non-current	359,137	-	3,355	2,605	365,097
Current	29,594	418,000	619	2,828	451,041
At December 2018	388,731	418,000	3,974	5,433	**816,138**
At 1 January 2019	**388,731**	**418,000**	**3,974**	**5,433**	**816,138**
Changes from financing cash flows					-
Proceeds from borrowings	167,899	35,000	297	-	203,196
Repayments of borrowings	- 141,152	-	- 19	-	- 141,171
Interest swap payments		-	-	- 3,126	- 3,126
Interest	- 1,921	952	-	-	- 969
Other movements					-
Acquisitions	345	-	-	-	345
Amortization/interest accrual	2,612	- 952	277	3,170	5,107
Exchange differences	208	-	238	-	446
Other comprehensive income (before tax)	-	-	-	5,761	5,761
At December 2019	**416,722**	**453,000**	**4,767**	**11,238**	**885,727**
Non-current	381,987	-	3,830	7,935	393,752
Current	34,735	453,000	937	3,303	491,975
At December 2019	416,722	453,000	4,767	11,238	**885,727**

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 cash pool facility.

Movements in lease liabilities are disclosed in note 12.

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 2019				
Borrowings	64,330	3,477	382,340	450,147
Commercial paper	453,000	-	-	453,000
	517,330	3,477	382,340	903,147
At 31 December 2018				
Borrowings	96,851	247	362,245	459,343
Commercial paper	418,000	-	-	418,000
	514,851	247	362,245	877,343

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 31 December 2019 were 0.70% (2018: 0.70%)

Interest rates on variable-rate borrowings are mainly EURIBOR-based, increased by a certain margin. The margin is determined based on the leverage ratio (note 3.1.3) and can be further adjusted based on the yearly sustainability performance of the Group.

The Group has the following undrawn borrowing facilities:

in thousands of EUR	31 December 2019	31 December 2018
- Expiring within one year	369,683	380,442
- Expiring beyond one year	815,000	840,000
	1,184,683	1,220,442

24. Derivatives

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 finance income and finance 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 the consolidated Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated Income Statement. Amounts accumulated in the consolidated 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), the gains and losses previously deferred in the consolidated Other Comprehensive Income are transferred from equity and included in the initial measurement of the cost of the asset 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 the consolidated 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, within the cost of the asset. When a projected transaction is no longer expected to occur, the cumulative gain or loss that was reported in the consolidated 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 finance costs or finance 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 December 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Interest rate derivatives – cash flow hedges	-	7,935	-	2,605
	-	7,935	-	2,605
Current				
Interest rate derivatives – cash flow hedges	-	3,303	-	2,828
Currency derivatives – cash flow hedges	1,581	2,803	3,459	1,316
	1,581	6,106	3,459	4,144
Total derivatives	**1,581**	**14,041**	**3,459**	**6,749**

In both 2019 and 2018, the derivatives met the requirements for hedge accounting in full. There has not been any ineffectiveness on the hedges in 2019 and 2018.

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 €475 million (2018: €400 million) which includes €375 million (2018: €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 2019	31 December 2018
Carrying amount (liabilities)	- 11,238	- 5,433
Notional amount	475,000	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	- 5,805	- 2,213
Change in value of hedged item used to determine hedge effectiveness	5,805	2,213
Weighted average hedged rate for the year	0.59%	0.66%

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. In relation to the Brexit event in 2016, in 2019 the Group continued to hedge its British Pound Sterling transactional exposures to the higher end of this range. Foreign currency forwards are aimed at reducing the exposure to adverse currency change by hedging the spot component.

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 2019	31 December 2018
Carrying amount (assets)	1,581	3,459
Carrying amount (liabilities)	- 2,803	- 1,316
Notional amount of outstanding foreign exchange contracts:		
-United States Dollar (USD)/Euro (EUR)	84,215	80,208
-British Pound Sterling (GBP)/ Euro (EUR)	22,986	33,060
-Norwegian Krone (NOK)/Danish Krone (DKK)	2,377	2,903
-Swedish Krona (SEK)/Danish Krone (DKK)	4,497	5,765
-Other/Euro (EUR)	88,405	52,025
-Other /United States Dollar (USD)	6,305	14,285
Maturity Date	January 2020 - December 2020	January 2019 - December 2019

The weighted average hedge rates for the 2019 and 2018 years can be specified as follows:

	2019	2018
-United States Dollar (USD)/Euro (EUR)	1.1479	1.1941
-British Pound Sterling (GBP)/ Euro (EUR)	0.8937	0.8929
-Norwegian Krone (NOK)/Danish Krone (DKK)	1.3579	1.3049
-Swedish Krona (SEK)/Danish Krone (DKK)	1.4365	1.3892

25. Post-Employment Benefits

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 2019	31 December 2018
Present value of benefit obligation	134,165	74,540
Fair value of plan assets	- 79,531	- 48,829
Net position	54,634	25,711
Present value of unfunded obligation	81,478	70,488
Provision in the Balance Sheet	136,112	96,199

The increase in 2019 related mainly to the post employment benefit plan for employees of McOptic in Switzerland, which was acquired in July 2019 and a decrease in discount rate also mainly in Switzerland.

The most recent actuarial valuations were performed in December 2019.

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

- A pension arrangement, in addition to the state pension provided in Germany, for employees already employed with Apollo prior to 1994 (2019: €60.5 million; 2018: €53.2 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 (2019: €4.3 million; 2018: €4.5 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 (2019: €16.4 million; 2018: €12.6 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 Swiss pension plan of €48.8 million (2018: €22.5 million). The assets of the plan at 31 December 2019 are €76.4 million (2018: €46.0 million) and the obligations of the plan at 31 December 2019 are €125.2 million (2018: €68.5 million). The pension arrangements (occupational pension plans) of Swiss activities 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 and McOptic are 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 and McOptic have 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 102.6% as at 31 December 2018 (110.8% as at 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	2019	2018
Current service costs		5,919	5,819
Interest expense		1,818	1,612
Plan amendments/curtailments/settlements		- 1,720	15
Other		342	178
Total defined benefit costs	7	6,359	7,624

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 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
Reclassification	-	178	178
Exchange effect	3,314	- 2,350	964
At 31 December 2018	**145,028**	**- 48,829**	**96,199**
At 1 January 2019	**145,028**	**- 48,829**	**96,199**
Acquisitions	32,880	- 21,906	10,974
Current service costs	5,919	-	5,919
Interest expense/ (income)	2,436	- 618	1,818
Employee contributions	2,487	- 2,487	-
Employer contributions	-	- 3,005	- 3,005
Experience adjustments	120	-	120
Change in financial assumptions	25,816	-	25,816
Change in demographic assumptions	1,926	-	1,926
Plan amendments and curtailments	- 1,750	30	- 1,720
Return on plan assets, excluding amounts in interest	-	- 1,762	- 1,762
Benefits paid	- 3,362	1,322	- 2,040
Reclassification	-	266	266
Exchange effect	4,143	- 2,542	1,601
At 31 December 2019	**215,643**	**- 79,531**	**136,112**

Assumptions

The principal actuarial assumptions used were as follows on a weighted average basis:

	2019	2018
Discount rate	0.7%	1.7%
Expected return on plan assets	0.1%	1.0%
Future salary increases	1.6%	2.1%
Future inflation	1.4%	1.4%

In 2019, the expected return on plan assets relates mainly to the post Swiss employment benefit plan (2018: the expected return on plan assets relates mainly to the post employment benefit plan of 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%	-17%
Change in discount rate of -1.00%	23%
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	2019	2018
Insurance contracts	78,285	47,447
Debt instruments	1,058	1,038
Equities	188	344
Total	79,531	48,829

The plan assets for the Swiss pension plan 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	2019	2018
Less than 1 year	7,325	4,829
Between 1 and 2 years	8,157	5,590
Between 2 and 5 years	17,776	14,856
Over 5 years	238,945	191,014
Total	272,203	216,289

The expected contributions in 2020 to the defined benefit plans amount to €3,005.

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.

Equity plan

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

The equity plans are no longer granted since the listing of the Company’s shares. In 2019 the last outstanding shares have been settled and became unrestricted.

Long-term incentive plan (LTIP) – cash settled

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.

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.

Long-term incentive plan (LTIP) – equity settled

LTIP awards can consist 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 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.

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.

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 incentive plan		Equity plan
	Liability	Equity	Equity
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**
At 1 January 2019	**786**	**5,536**	**2,529**
Charges to Income Statement	- 609	5,636	-
Settlements/ Vesting	-	- 2,913	- 2,529
Exchange differences	17	- 10	-
At 31 December 2019	**194**	**8,249**	**0**

The number of participants of the share-based payment plans per year-end 2019 is 160 (2018: 163).

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 grant date	Black-Scholes-Merton option model	Share price at grant date

Equity plan

The table below shows the movements in the number of shares of the equity plan:

	Employees
At 1 January 2018	**459,750**
Settled	- 314,340
At 31 December 2018	**145,410**
At 1 January 2019	**145,410**
Settled	- 145,410
At 31 December 2019	**-**

Long-term incentive plan (LTIP)

The plan includes a clause governing the consequences of a change of control event: If a fundamental change takes place in the management and structure of GrandVision, due to a merger, acquisition, sale or similar transaction, the awards shall vest on a pro rata basis for the period from the commencement of the LTIP until the date that the transaction is completed definitely. Following the announced acquisition of GrandVision shares by EssilorLuxottica the company applied this clause to the non-vested LTIP, resulting in additional expenses in 2019 of €1,379.

The table below shows the movements in the long-term incentive plan (equity settled) for (former) key management and employees:

	Management Board	Management Board (former members)	Employees	Total LTIP awards
At 1 January 2018	**-**	**250,739**	**1,013,964**	**1,264,703**
Granted	120,538	85,985	553,051	759,574
Settled	-	- 169,138	- 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**
	-	-		
At 1 January 2019	**120,538**	**144,461**	**1,166,965**	**1,431,964**
Granted	60,421	-	395,779	456,200
Settled	-	- 7,935	- 112,354	- 120,289
Forfeited	-	- 136,526	- 211,046	- 347,572
At 31 December 2019	**180,959**	**-**	**1,239,344**	**1,420,303**

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 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**
At 1 January 2019	**696,356**	**735,608**	**24.05**	**242.43**
Granted	456,200	-	-	-
Settled	- 120,289	-	-	-
Forfeited	- 115,651	- 231,921	24.45	247.09
At 31 December 2019	**916,616**	**503,687**	**23.87**	**247.09**

In 2019 no option awards have been exercised. The weighted average share price used for the exercise of the option awards during 2018 was € 19,42. Of those option awards outstanding at 31 December 2019, none were exercisable (2018: none).

As at 31 December 2019 the weighted average remaining contractual life for outstanding option awards was 2.4 years (2018: 3.4 years). No option awards are granted from 2019 onwards.

As a result of LTIP plans being settled, 270,507 shares were delivered to participants or became unrestricted in 2019 (2018: 286,321).

Fair value measurement

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	96,116	155,709	192,171
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	0.37	1.37	2.37	3.37
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.

In 2019 no new option awards have been granted at corporate level. The weighted average fair value of the option awards granted at corporate level in 2018 at grant date is €3.32. The weighted average fair value of the option awards granted at subsidiary level in 2018 at grant date is €333.73.

The weighted average fair value of the share awards granted in 2019 at grant date is €19.30 (2018: €20.80).

The 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 6,000 with an expected remaining option life of 2.36 years, share price and exercise price of €275,06 and €247,09 respectively, as well as assumptions on certain future performance conditions. The share price and exercise prices represent those of the underlying subsidiary.

The table below shows the terms and conditions of outstanding share-based awards:

Outstanding share-based awards	Award	Status per 31 December 2019	Vesting year	Holding period end	Performance conditions
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
GrandVision NV - LTIP 2019	Shares	Conditional	2022	2024	0-150% on Rev/EPS 2019-2021

The option awards under GrandVision NV - LTIP 2018 and GrandVision NV - LTIP 2017 are not conditional on meeting performance targets.

27. Provisions

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.

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.

Accounting policy applied until 31 December 2018

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.

Accounting policy applied from 1 January 2019

Restructuring provisions comprise costs related to returning a store or office to its original state.

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.

Movements in provisions are as follows:

in thousands of EUR	Legal and regulatory	Warranty	Employee-related	Share based payments	Other	Total
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
At 31 December 2018	**18,514**	**3,727**	**8,932**	**786**	**1,885**	**33,844**
Adjustment on initial application of IFRS 16					- 175	- 175
Adjusted at 1 January 2019	**18,514**	**3,727**	**8,932**	**786**	**1,710**	**33,669**
Movements in 2019						
Addition to provision	2,142	3,140	8,715	149	3,555	17,701
Reversal of provision	- 490	- 162	- 1,241	- 758	- 379	- 3,030
Utilized during the year	- 375	- 2,630	- 2,180	-	- 655	- 5,840
Exchange differences	- 135	8	- 163	17	-	- 273
At 31 December 2019	**19,656**	**4,083**	**14,063**	**194**	**4,231**	**42,227**
Non-current	11,257	355	5,974	194	413	18,193
Current	8,399	3,728	8,089	-	3,818	24,034
At 31 December 2019	19,656	4,083	14,063	194	4,231	42,227

Legal and regulatory

This matter was initiated by a dawn raid undertaken by the French Competition Authority (Autorite de la Concurrence or ADLC) of the GV France offices on June 24, 2009. Solaris was not part of the dawn raid. The ADLC also raided suppliers (e.g. Luxottica, Safilo) and other distributors (e.g. Afflelou, Centrale des Opticiens, Alliance Optique, Optic 2000, Krys). The ADLC was looking for information on resale price maintenance. In Sept/Oct 2011 a number of GV employees were heard and some documents were provided to the ADLC. After a long silence, we received a questionnaire from the ADLC in this matter on May 9, 2014 and provided our answers on September 29, 2014, in accordance with the deadline imposed by the ADLC. On May 27, 2015 we were formally served with a Notice of Objections from the ADLC, formally accusing us, and all other defendants, of resale price maintenance in France during 2004-2009. The Notice of Objections is a confidential document and does not contain a fine. We submitted an initial response to this Notice of Objections on July 27, 2015 with the assistance of Linklaters France. On July 22, 2016 we received the official Rapport, which is the next procedural step, from the ADLC. The Rapport did not contain any surprises and confirmed our assumptions with respect to the calculation of the fine. We submitted our official response to this Rapport on October 26, 2016. An Audience (confidential hearing) was held by the ADLC on December 15, 2016 allowing the defendants to defend their legal position. On February 24, 2017, the College of the ADLC sent the matter back to the case handlers. After a long period of inaction, on April 19, 2019 an additional Notice of Objections was received by a number of defendants, not including GrandVision. The next step will be another Audience before the ADLC.

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 2019 and 2018 mainly relate to VAT and other tax risks in Germany and Austria.

Employee-related
The additions in 2019 relate mainly to jubilee benefits to employees upon completion of a certain number of years of service, employee expenses related to the announced acquisition of GrandVision shares by EssilorLuxottica and severance costs of certain employees as a part of restructuring activities.

Other
Increase in other provisions relate mainly to restructuring of activities in China.

Share-based payment plans
Refer to note 26.

28. Other Non-Current Liabilities

Accounting Policy
Accounting policy applied until 31 December 2018

Rental incentives relate to the straight-lining effect of operating lease payments over the lease term.

Accounting policy applied from 1 January 2019

For the accounting policy related to contingent consideration assumed in business combination refer to note 4.

Other Non-Current Liabilities can be specified as follows:

in thousands of EUR	31 December 2019	31 December 2018
Contingent and deferred consideration	10,884	-
Rental incentives	-	5,939
Other	10,753	355
	21,637	6,294

In 2019, increase in non-current contingent consideration mainly relates to Group's obligation to increase its shareholding in Charlie Temple in terms of purchase agreement and to deferred consideration relating to outstanding payment for acquisition in Germany. Please refer to note 4 for more details.

In 2019, increase in other non-current liabilities mainly relates to unfavourable supplier contract following acquisition of McOptic.

As result of IFRS 16 Leases implementation rental incentives of €5.939 were reclassified from other non-current liabilities to right-of-use assets.

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 2019	31 December 2018
Trade payables		207,979	181,234
Accrued expenses		104,588	97,351
Employee related payables		116,087	100,886
Other taxes and social security		74,765	65,687
Payables to related parties	33.1	9,242	8,526
Contingent and deferred consideration		1,943	19,676
Other payables		55,024	69,618
		569,628	542,978

At 1 January 2019 the adjustment on initial application of IFRS 16 related to reclassification of accruals for rent increases is recognized in amount of €3,751.

In 2019, the decrease in contingent consideration mainly relates to the amount of €19,540 (CHF 21,714) paid in July 2019 related to the increase of the Group's shareholding in Visilab S.A. from 70% to 79%.

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	2019	2018
Result before tax		274,548	318,968
Adjusted for:			
Depreciation and impairments	11, 12	488,833	124,195
Amortization and impairments	13, 14	143,272	101,611
Share-based payments expense	7	5,027	3,770
Result from sale of property, plant and equipment		1,076	- 360
Result from sale of intangibles		- 1,049	253
Net financial result	8	49,421	18,356
Share of result of Associates and Joint Ventures		671	702
Result on reassessment/modification of leases		114	-
Result on initial recognition of finance subleases		- 274	
Reassessment of the contingent consideration		-	- 1,660
Changes in working capital:			
- Inventories		- 11,710	14,284
- Trade and other receivables		5,507	18,244
- Trade and other payables and contract liabilities		44,089	- 16,738
Changes in provisions		1,338	3,686
Cash generated from operations		1,000,863	585,311

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

In 2019, increase in cash generated from operations is due to different presentation of cash flows from operating, financing and investing activities as result of IFRS 16 implementation.

31. 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. One of such proceedings is that 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 €30 million. The matter remains pending while formalities have not been further processed by authorities during 2019.

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	2019	2018
Audit fees	3,924	4,205
Tax advisory fees	71	88
Other non-audit fees	59	188
	4,054	4,481

33. Related Parties

33.1. Transactions and positions with Related Parties

During 2019 GrandVision acquired goods from Safilo (a group company of HAL Holding N.V.) for an amount of €55,215 (2018: €52,371).

Other positions with Related Parties are as follows:

in thousands of EUR	Notes	2019	2018
Other receivables:			
Safilo		4,165	1,595
Other HAL subsidiaries		-	115
	16	4,165	1,710
Trade and other payables:			
Safilo		7,097	6,436
HAL Investments B.V.		1,886	1,886
Other HAL subsidiaries		259	204
	29	9,242	8,526

33.2. Loans to/ from Related Parties

The Group had loans granted to senior managers of the Group and its subsidiaries as part of various share-based payment plans. These loans were fully repaid in 2019. Interest income of €25 was accrued in 2019 (2018: €61).

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

The Group has received loans from non-controlling interests holders of €3,830 (2018: €3,356), with interest rates ranging between 3.00% and 10.2%.

33.3. Remuneration

Management Board

Key management includes the Management Board, which consists of the CEO (S. Borchert) and CFO (W. Eelman).

The remuneration for (former) key management:

in thousands of EUR	2019	2018
Salary and other short-term benefits	1,470	1,611
Post-employment benefits	70	169
Short-term variable remuneration	788	486
Share-based payments	201	7
Other short-term benefits	551	1,500
Termination benefits	-	244
	3,081	4,017

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.

Supervisory Board Remuneration

The total remuneration paid or payable to the Supervisory Board amounted to €346 (2018: €355), which 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, EBITA and adjusted EBITDA, adjusted EBITA (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. EBIT(D)A.

in thousands of EUR	2019	2018
Adjusted EBITDA	**990,038**	**576,423**
Depreciation and amortization Software	- 514,843	- 150,177
Adjusted EBITA	**475,195**	**426,246**
Non-recurring items	- 62,632	- 19,847
EBITDA	**927,406**	**556,576**
EBITA	**412,563**	**406,399**
Amortization & impairments	- 88,594	- 69,075
Operating result	**323,969**	**337,324**
Adjusted earnings per share, basic (in EUR per share)	0.91	0.91
Adjusted earnings per share, diluted (in EUR per share)	0.90	0.91

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

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

Company	2019	2018	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
GV CZ 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
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	100%	90.31%	Peru
Vision Express SP Sp.z.o.o.	100%	100%	Poland
GrandOptical Portugal S.A.	100%	100%	Portugal
GrandVision Portugal, Unipessoal Lda.	100%	100%	Portugal
GrandVision Supply Chain (Portugal) S.A.	100%	100%	Portugal
Solaris Portugal S.A.	100%	100%	Portugal
Lensmaster OOO	100%	100%	Russia
GrandOptical Slovakia s.r.o.	100%	100%	Slovakia
GrandVision Spain Grupo Optico S.A.U.	100%	100%	Spain
Solaris Gafas de Sol SL	100%	100%	Spain
Óptica 2000 SL	100%	0%	Spain
Synoptik Sweden AB	63.29%	63.29%	Sweden

Company	2019	2018	Country of incorporation
Visilab S.A.	79%	70%	Switzerland
Visilab Magasins S.A.	79%	70%	Switzerland
Kochoptik GmbH	79%	70%	Switzerland
Mc Optik (Schweiz) AG	79%	70%	Switzerland
Brilmij Groep B.V.	100%	100%	Netherlands
GrandVision Finance B.V.	100%	100%	Netherlands
GrandVision IT Services B.V.	100%	100%	Netherlands
GrandVision Retail Holding B.V.	100%	100%	Netherlands
GrandVision Supply Chain B.V.	100%	100%	Netherlands
Optical Retail Group B.V.	100%	100%	Netherlands
Charlie Temple International B.V.	67%	0%	Netherlands
Charlie Temple Europe B.V.	67%	0%	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

* joint venture

** Apollo-Optik Holding GmbH & Co. KG (Schwabach), GrandVisionTechCentre Deutschland GmbH (Schwabach) and Robin Look GmbH (Berlin) are included in the consolidated financial statements of GrandVision N.V. and takes advantage of the exemption provisions of Section 264 b HGB (German Commercial code) and Section 264 Abs. 3 Nr. 5 HGB (German Commercial code) for financial year 2019. 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	2019	2018
Net income	2	6,047	6,792
General and administrative costs	3	- 6,291	- 6,792
Operating result		- 244	-
Net financial result	4	-742	- 773
Result before tax		-986	- 773
Income tax		1,029	403
Result from subsidiaries after income tax		178,440	216,648
Result for the year		178,483	216,278

GrandVision has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognized in retained earnings. The accompanying notes are an integral part of these parent financial statements.

Balance Sheet (Before Appropriation of Result)

in thousands of EUR	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Right-of-use assets	5	4,405	-
Financial fixed assets	6	1,265,520	1,169,299
Deferred income tax assets		1,122	54
		1,271,047	1,169,353
Current assets			
Trade and other receivables		60,963	49,461
Cash and cash equivalents		567	66
		61,530	49,527
Total assets		**1,332,577**	**1,218,880**
EQUITY AND LIABILITIES			
Equity			
Share capital	7	5,089	5,089
Share premium	7	59,405	56,280
Treasury shares	7	- 16,235	- 14,068
Legal reserves	7, 8	- 121,759	- 102,717
Retained earnings	7	1,072,169	1,001,592
Result for the year	7	178,483	216,278
		1,177,152	1,162,454
Non-current liabilities			
Lease liabilities		4,110	-
Deferred income tax liabilities		978	-
		5,088	-
Current liabilities			
Lease liabilities		773	-
Other liabilities		149,564	56,426
		150,337	56,426
Total equity and liabilities		**1,332,577**	**1,218,880**

GrandVision has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognized in retained earnings. The accompanying notes are an integral part of these parent 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	2019	2018
Salaries & wages	3,185	4,851
Share-based payments	418	278
Social security	- 33	227
Pension costs	86	-1,098
Other employee-related costs	289	371
Professional fees	1,593	1,405
Other costs	67	758
Depreciation	686	0
	6,291	6,792

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 €1,327(2018: €693).

5. Leases

For the accounting principles for Lease liabilities and Right-of-use assets, refer to note 12 to the consolidated financial statements for more details.

Lease contract relates to several floors in office building.

The movements in the Right-of-use Assets are as follows:

in thousands of EUR	Notes	Right -of- use assets
At 1 January 2019		
Cost		5,802
Accumulated depreciation and impairment		-
Carrying amount		5,802
Movements		
Additions		374
Reassessments/modifications		- 1,085
Depreciation charge		- 686
At 31 December 2019		**4,405**
Cost		5,091
Accumulated depreciation and impairment		- 686
Carrying amount		4,405

The movements in the Lease liabilities are as follows:

in thousands of EUR	Lease liabilities
At 31 December 2018	-
Adjustment on initial application of IFRS 16	6,313
At 1 January 2019	6,313
Additions	355
Reassessments/modifications	- 1,085
Payments	- 762
Accrued interest	62
At 31 December 2019	**4,883**
Non-current	4,110
Current	773
At 31 December 2019	4,883

6. Financial Fixed Assets

The movements in financial fixed assets are as follows:

in thousands of EUR	Investment in consolidated subsidiaries	Loans and receivables	Total
At 1 January 2019	1,167,739	1,562	1,169,301
Movements in 2018			-
Adjustment opening balance IFRS 16	- 69,700	-	- 69,700
Additions	-	25	25
Dividends	-	-	-
Repayment	-	- 1,587	- 1,587
Acquisition non-controlling interest	- 385	-	- 385
Exchange differences	14,226	-	14,226
Other Comprehensive Income	- 24,800	-	- 24,800
Net result for current year	178,440	-	178,440
At 31 December 2019	**1,265,520**	**0**	**1,265,520**

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

Company	2019	2018
GrandVision Group Holding B.V., The Netherlands	100%	100%
Central Vision II B.V., the Netherlands	100%	100%
GrandVision France SAS, France	100%	100%

7. Shareholders' Equity

The shareholders' equity in the parent company financial statements equals the shareholders' equity presented in the consolidated financial statements, except that legal reserves and undistributed result are presented separately.

in thousands of EUR	Share capital	Share premium	Treasury shares	Legal reserve	Retained earnings	Result for the year	Total
At 1 January 2019	**5,089**	**56,280**	**- 14,068**	**- 102,717**	**1,001,592**	**216,278**	**1,162,454**
Appropriation of the result	-	-	-	-	216,278	- 216,278	-
Result for 2019	-	-	-	-	-	178,483	178,483
Adjustment opening balance IFRS 16	-	-	-	-	- 70,083	-	- 70,083
Dividends paid	-	-	-	-	- 83,743	-	- 83,743
Purchase of treasury shares		-	- 3,814	-	-	-	- 3,814
Other direct equity movements	-	-	-	- 19,042	8,082	-	- 10,960
Share-based payments	-	3,125	1,647	-	43	-	4,815
Total movements	-	3,125	- 2,167	- 19,042	70,577	- 37,795	14,698
At 31 December 2019	**5,089**	**59,405**	**- 16,235**	**- 121,759**	**1,072,169**	**178,483**	**1,177,152**

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.

8. Legal Reserve

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

in thousands of EUR	31 December 2019	31 December 2018
Reserves - subsidiaries	- 121,759	- 104,279
Loans to shareholders (LTIP)	-	1,562
	- 121,759	- 102,717

9. Appropriation of Result

In accordance with the resolution of the General Meeting of Shareholders held on 26 April 2019, the result for 2018 has been appropriated in conformity with the proposed appropriation of result stated in GrandVision's 2018 Annual Report.

For 2019, it is proposed to the General Meeting to distribute a total dividend of €88,779 or € 0.35 per share. If the proposal is approved by the General Meeting, the dividend will be payable as from 4 May 2020. The net result for 2019 amounts to €178,483 and €89,704 will be added to the retained earnings reserve.

For 2018, a total dividend of EUR 0.33 per share was paid out in the first half year of 2019 for a total of €83,743.

10. Borrowings

The borrowings relate to the bank overdraft.

11. Employees

The average number of employees of the Company in full-time equivalents during 2019 was 4.4 (2018: 9.3). Of these employees, none were employed outside the Netherlands (2018: 3.5).

12. Contingencies

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

List of subsidiaries	
Brilmij Groep B.V.	GrandVision 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.
	Vision Ventures BV

The Company forms an income tax group with all the entities above, except for GrandVision Baltics B.V. 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, 25 February 2020

Management Board
S. Borchert, CEO
W. Eelman, CFO

Supervisory Board
C.J. van der Graaf (Chairman)
M.F. Groot (Vice-Chairman)
P. Bolliger
J.A. Cole
R. Meijerman

Other information

The appropriation of results
Pursuant to Article 10.1.4. of the Articles of Association of GrandVision N.V., the Management Board, subject to the prior approval of the Supervisory Board, may resolve to reserve the profits or a part of the profits. The remaining profits are at the free disposal of the General Meeting.

Subsequent events

There are no subsequent events to report.


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CHAPTER

Other information

Independent auditor's report

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

Report on the financial statements 2019

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 2019, 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 2019 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 2019 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 2019;
- the following statements for 2019: the Consolidated Income Statement and the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement; and
- the Notes to the Consolidated Financial Statements, 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 2019;
- the Income Statement for the year then ended; and
- the Notes to the Parent Company Financial Statements, 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.

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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 supervision act), the ‘Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten’ (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA – Dutch Code of Ethics).

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, IFRS 16 Leases and uncertain tax 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 accounting for the acquisitions of Charlie Temple, Óptica2000 and McOptic.
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 as well as valuations and actuarial experts in our team.

The outline of our audit approach was as follows:

Materiality
- Overall materiality: €17.2 million.

Audit scope
- We conducted audit work at 28 locations in 25 countries.
- Site visits were conducted by the group audit team to 6 locations: Apollo (Germany), Vision Express (the United Kingdom), GrandVision Benelux (the Netherlands), GrandVision France, Visilab (Switzerland), Óptica2000 (Spain), Topsa (Peru) and GrandVision Mexico (Mexico).
- Audit coverage: 94% of consolidated revenue, 91% of consolidated total assets and 92% of consolidated profit before tax.

Key audit matters
- Assessment of goodwill valuation
- Accounting for (uncertain) tax positions
- Accounting for the acquisitions of Charlie Temple, Óptica2000 and McOptic
- Recognition of a right-of-use asset and a lease liability as part of first-year adoption of the lease standard (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	€17.2 million (2018: €15.9 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 5% of adjusted profit before tax.
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 Group. We adjusted profit before tax to exclude the effect of specific non-recurring items from our benchmark. Adjusted profit before tax excludes the effect of two significant non-recurring items including, being impairment of goodwill in CGU United States (€51.1 million) and impairment of software (€21.2 million).
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 €8.0 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 (2018: €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, in aggregate, obtained sufficient coverage of the consolidated financial statements for us 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 four 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, 24 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:

Consolidated revenue	94%
Consolidated total assets	91%
Consolidated profit before tax	92%

None of the remaining components represented more than 2% 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 34 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 audit 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 in-scope 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, together referred to as segment 'G4', given the relative size of the locations. For each of these locations, we reviewed the selected working papers of the component auditors. In addition, on a rotational basis, the group engagement team visited local management and component auditors of other components. In 2019, the components we visited were Visilab (Switzerland), Óptica2000 (Spain), Topsa (Peru) and GrandVision Mexico.

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, accounting for the long term incentive plan, the tax position and the discount rates and disclosure of IFRS 16.

By performing the procedures above at a component level, 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 that we have discussed. In this section, we describe the key audit matters and include 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 make on the results of our procedures should be read in this context.

Key audit matter	***Our audit work and observations***
Assessment of goodwill valuation *Refer to notes 2.8 and 13 of the financial statements for the management board's accounting policies and underlying assumptions.* The goodwill on the balance sheet of GrandVision N.V. amounts to €1,146 million as at 31 December 2019. Of this, €497 million relates to the countries in 'the G4' segment, €535 million to 'Other Europe' and €114 million to 'Americas and Asia'. The measurement of the recoverable amount of groups of CGUs in this segment is based on the highest of the value in use (VIU) or the fair value less cost of disposal (FVLCOD). Each of those groups of CGUs represents the Group's investment in a country or group of countries. This is the lowest level at which the goodwill is monitored for management purposes. 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, managements' forecast is that the revenue growth rate for most countries exceeds the revenue growth rates as used in 'the G4' and 'Other Europe' segments.	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 2019, 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.

Key audit matter	Our audit work and observations
For some CGUs the FVLCOD is based on the sales multiple for which the key assumption is the sales multiple. In 2019, an impairment of €51.1 million on goodwill was recognised, relating to the United States which is part of the segment 'Americas & Asia'. 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.	We compared the growth rates to the management board's proven track record of improving performance by leveraging 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 'United States' within the segment 'Americas & Asia', the management board prepared a FVLCOD by using the discounted cash flow method. Together with our valuation experts we assessed the key assumptions made in relation to revenue growth rates and anticipated profit improvements. Furthermore, with assistance of our valuation experts, we evaluated the methodology applied in management's calculation of the discount rate. We compared the discount rate used by management to our independently calculated discount rate and found it to be within an 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 to be sufficiently supported by available evidence. In addition, we have evaluated the adequacy of the related disclosures.
Accounting for (uncertain) tax positions *Refer to note 2.7.1, 2.8, 10, 27 and 31 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 tax matters. The accounting for (uncertain) tax positions comprise significant judgement by the management board mainly in the area of measurement and whether to disclose these (uncertain) positions. When appropriate, management uses experts to evaluate the (uncertain) tax positions. Given the high level of management judgement, we considered this area to be important for our audit. In our audit, three items had our focus, being a tax audit by the German Tax authorities (note 30), a potential liquidation loss claimed in the Netherlands relating to the discontinuation of business in China and a Mutual Agreement Procedure started between Spain and France in relation to the allocation and acceptance of historical tax losses incurred in Spain. (note 10).	We gained an understanding of the process management followed to assess the impact of the tax positions. We assessed the tax positions on an individual basis by evaluating corroborating evidence, expert opinions, accounting position papers prepared by the Company as well as correspondence with the local tax authorities. In addition, we had several interviews with GrandVision to verify our understanding and conclusions reached. We especially focused on the current facts and circumstances for the tax positions, the arguments of the different authorities and the status of pending legal proceedings, if applicable. In addition, with subject matter specialists in our engagement audit team, we evaluated the tax 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 outcomes of comparable tax cases (if any) and/or the knowledge available at our component team on the expected outcome of local (uncertain) tax positions. Based on the above, we evaluated the reasonableness of management's assessment for the accounting of the (uncertain) tax 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 reviewed the related disclosures and conclude them to be adequate.
Accounting for the acquisitions of Charlie Temple, Óptica2000 and McOptic *Refer to note 2.8 and 4 of the financial statements for the management board's disclosures of the related accounting policies, judgements and estimates.*	We tested the (initial) purchase price accounting of the acquisitions of Charlie Temple, Óptica2000 and McOptic by performing the following procedures:

Key audit matter	Our audit work and observations
In January 2019, the Group acquired 67% of Charlie Temple. As part of the agreement, the involved parties agreed that the shareholding of GrandVision N.V. will increase to 100% by 2023. Furthermore, the Group acquired Óptica2000 and McOptic in February and July 2019, respectively. For each of these acquisitions, management has performed the (initial) purchase price allocations. Acquisition accounting for the respective transactions comprises significant judgement of the Management Board mainly in relation to the valuation of customer databases, trademarks and the contingent consideration (in relation to Charlie Temple). Given the high level of management judgement, we considered this area to be important for our audit.	We performed an assessment of the purchase agreements and the process that management has undertaken to determine the allocation of the purchase price and contingent consideration (with respect to Charlie Temple). Also, we verified that management applies a consistent and generally accepted valuation method for their fair value assessment. We further evaluated the process and oversight performed by the Group's finance team on harmonising the accounting policies. We evaluated the qualifications, competency and objectivity of the valuation experts engaged by the company. Furthermore, with the assistance of our valuation experts, we assessed the identification and valuation of the (in)tangible assets and liabilities assumed against available market data, in particular for the customer databases and trademarks. This includes assessing key valuation assumptions used (such as discount rates and attrition rates). Specifically, for Charlie Temple, we assessed the accounting for the contingent consideration relating to the remaining non-controlling interest, which the Company has the option to acquire up to 2023. Based on our procedures, we considered managements allocation of the purchase price (and for Charlie Temple also the contingent consideration) and identification of the (in)tangible assets and liabilities to be appropriate. Also, we considered management's key assumptions used in the valuation to be within a reasonable range of our own expectations. In addition, we found the related disclosures to be adequate.
Recognition of a right-of-use asset and a lease liability as part of the first-year adoption of the lease standard (IFRS 16) *Refer to note 2.7.1, 2.8 and 12 for the management board's disclosures, judgement and estimates* IFRS 16, Leases became effective for annual reporting periods beginning on or after January 1, 2019. The Company applied the modified retrospective approach. The application of this new standard as disclosed in note 12 gave 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 as well as , management's judgement required in estimating matters such as discount rates (incremental borrowing rates) and lease terms.	Our procedures included evaluating the design effectiveness of management's controls around the completeness and accuracy of the contractual lease agreements recognized in the lease accounting system. The transition to IFRS 16 including (e.g.) the accounting position papers and related judgments were audited by us in prior year. We evaluated management's assumptions used in determining the discount rates and lease terms. We involved our valuation experts to assist us in evaluating the discount rates applied. On a sample basis, we have agreed key inputs into the lease system to supporting documentation such as lease agreements. Additionally, on a sample basis, we tested the movements of right-of-use assets and lease liabilities during the year. We also recalculated the right-of-use asset and lease liability calculated by management's system for each material type lease contract. We challenged management assumptions, specifically on the assessment of renewal options and that they provided adequate disclosure of the assumptions made. We assessed the disclosure on IFRS 16 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 'A message from our CEO', 'Business and strategy', 'Our progress in 2019', 'Corporate governance', 'Shareholder information' and 'Other 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 the shareholders representing a total period of uninterrupted engagement appointment of 5 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 31 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 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not an 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, 25 February 2020
PricewaterhouseCoopers Accountants N.V.

S. Laurie de Hernandez RA

Appendix to our auditor’s report on the financial statements 2019 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 audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board’s use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the 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 GrandVision CSR

We believe in integrating CSR into our daily processes. Together with our local retail brands, we make a difference by ensuring that our ESG priorities are tangible, visible and manageable.

Structure and responsibilities
The Management Board has the overall responsibility for CSR strategy. It determines our company's strategy, sets targets and monitors our CSR performance.

The CEO takes overall responsibility for GrandVision's CSR and is advised by the Head of CSR, who is supported by a CSR steering committee. The Head of CSR advises the Management Board on strategy developments, monitors the integration of CSR into management processes and oversees the company's ESG targets and overall performance. The committee is chaired by GrandVision's CEO and includes the CFO, CHRO, COO and Vice President of CX&D. It maintains an external perspective and regularly reviews input from value chain partners and other stakeholders.

About this report

The aim of this Annual Report is to inform our stakeholders about our financial and non-financial developments during the calendar year 2019. It also presents our performance in relation to material topics. These are topics that are determined in conjunction with our stakeholders. Material topics provide the boundary of our non-financial reporting. The process for defining materiality, the content of this integrated Annual Report and a full list of material topics are described in the materiality determination.

Scope of non-financial information
The purpose of this Annual Report is to inform our stakeholders of our positive and negative impacts on economic, social and environmental developments. In the report, we disclose our impact in connection with our main strategic objectives and targets.

The scope of the non-financial 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. It covers the 2019 fiscal year, which ran from 1 January to 31 December, 2019.

The scope of our ESG performance includes all entities for which GrandVision holds management responsibility. Unless stated otherwise, the scope of our ESG data encompasses all GrandVision's activities. This also means subcontractors are not included.

Reporting criteria non-financial information

This integrated Annual Report was published on 6 March, 2020.

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' section in this report. General information about GRI can found at 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 and stakeholder communication' section.

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' section of this report. 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, with which we comply.

No assurance on non-financial data is given in 2019. It remains our goal to further integrate our Annual Report in the near future.

Our emission scopes

Split by scopes	Business operations		
Scope 1	Store network (gas)	13.07	kilotons CO_2
	RFH (gas)	0.76	kilotons CO_2
Scope 2	Store network (electricity)	48.25	kilotons CO_2
	RFH (electricity)	2.65	kilotons CO_2
Scope 3	Air travel	1.31	kilotons CO_2
	Rail travel	0.01	kilotons CO_2
	Employee commuting	0.15	kilotons CO_2
	Inbound transport	2.71	kilotons CO_2
	Outbound transport	0.17	kilotons CO_2
Total	**Total**	**69.07**	**kilotons CO_2**

We report on our carbon emissions in line with the GHG Protocol Corporate Standard, which classifies a company's GHG emissions into three 'scopes.'

- Scope 1: Direct emissions from owned or controlled sources
- Scope 2: Indirect emissions from the generation of purchased energy
- Scope 3: All indirect emissions that occur in the value chain, including both upstream and downstream emissions

Non-financial and diversity information

Requirements EU Directive	Subtopic	Chapter/section reference
A brief description of the business model	Business environment	Business and strategy: The environment in which we operate, p. 13
	Organization and structure	Governance and compliance: Structure and responsibilities, p. 78-79
	Our market	Business and strategy: The environment in which we operate, p. 13 Our progress in 2019: Our financial performance, 4.4 Segment performance, p. 68-73
	Strategy and objectives	Business and strategy: Our business strategy, p. 17-18
	Long-term market drivers	Business and strategy: The environment in which we operate, p. 13
Relevant social and personnel topics	A description of the policies pursued	Our progress in 2019: Our people, p. 25-29
	The outcome of these policies	Our progress in 2019: Our people, p. 25-29 Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement, p. 34-35
	Principle risks in own operations and within the value chain	Corporate Governance: Risk Management, p. 90-94
	How risks are managed	Corporate Governance: Risk Management, p. 90-94
	Non-financial key performance indicators	Our progress in 2019: Our people, p. 25-29 Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement, p. 34-35 Other information: Connectivity table, p. 199
Relevant environmental topics	A description of the policies pursued	Our progress in 2019: Our Product Value Chain, 2.4 Manufacturing and dedicated production lines, p. 40-41 Our progress in 2019: Our Product Value Chain, 2.5 Effective transportation, p. 44-45 Our progress in 2019: Our presence, 3.1 Our many customer touchpoints, p. 37
	The outcome of these policies	Our progress in 2019: Our Product Value Chain, 2.4 Manufacturing and dedicated production lines, p. 40-41 Our progress in 2019: Our Product Value Chain, 2.5 Effective transportation, p.44-45 Our progress in 2019: Our presence, 3.1 Our many customer touchpoints, p. 37
	Principle risks in own operations and within the value chain	Corporate Governance: Risk Management, p. 90-94
	How risks are managed	Corporate Governance: Risk Management, p. 90-94
	Non-financial key performance indicators	Our progress in 2019: Our Product Value Chain, 2.4 Manufacturing and dedicated production lines, p. 40-41 Our progress in 2019: Our Product Value Chain, 2.5 Effective transportation, p. 44-45 Our progress in 2019: Our presence, 3.1 Our many customer touchpoints, p. 37 Our progress in 2019: Our Product Value Chain, Our CO_2 impact, at-a-glance, p. 46 Other information: Connectivity table, p. 199
Relevant human rights topics	A description of the policies pursued	Our progress in 2019: Our people, 1.3 Our inclusive, diverse and ethical work environment, p. 27-29 Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement, p. 34-35
	The outcome of these policies	Our progress in 2019: Our people, 1.3 Our inclusive, diverse and ethical work environment, p. 27-29 Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement, p. 34-35
	Principle risks in own operations and within the value chain	Corporate Governance: Risk Management, p. 90-94
	How risks are managed	Corporate Governance: Risk Management, p. 90-94
	Non-financial key performance indicators	Our progress in 2019: Our people, 1.3 Our inclusive, diverse and ethical work environment, p. 27-29 Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement, p. 34-35 Other information: Connectivity table, p. 199
Addressing anti-corruption and bribery	A description of the policies pursued	Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement, p. 34-35 Our progress in 2019: Our presence, 3.4 We are a responsible corporate citizen, p. 54-58
	The outcome of these policies	Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement, p. 34-35 Our progress in 2019: Our presence, 3.4 We are a responsible corporate citizen, p. 54-58
	Principle risks in own operations and within the value chain	Corporate Governance: Risk Management, p. 90-94
	How risks are managed	Corporate Governance: Risk Management, p. 90-94
	Non-financial key performance indicators	Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement, p. 34-35 Our progress in 2019: Our presence, 3.4 We are a responsible corporate citizen, p. 54-58 Other information: Connectivity table, p. 199
Addressing board diversity	A description of the policies pursued	Our progress in 2019: Our people, 1.3 Our inclusive, diverse and ethical work environment, p. 27-29 Corporate Governance: Our Supervisory Board's report, p. 76-77
	Diversity objectives	Our progress in 2019: Our people, 1.3 Our inclusive, diverse and ethical work environment, p. 27-29 Corporate Governance: Our Supervisory Board's report, p. 76-77
	Implementation of policy	Our progress in 2019: Our people, 1.3 Our inclusive, diverse and ethical work environment, p. 27-29 Corporate Governance: Our Supervisory Board's report, p. 76-77
	Results of the diversity policy	Our progress in 2019: Our people, 1.3 Our inclusive, diverse and ethical work environment, p. 27-29 Corporate Governance: Our Supervisory Board's report, p. 76-77

Materiality and stakeholder communication

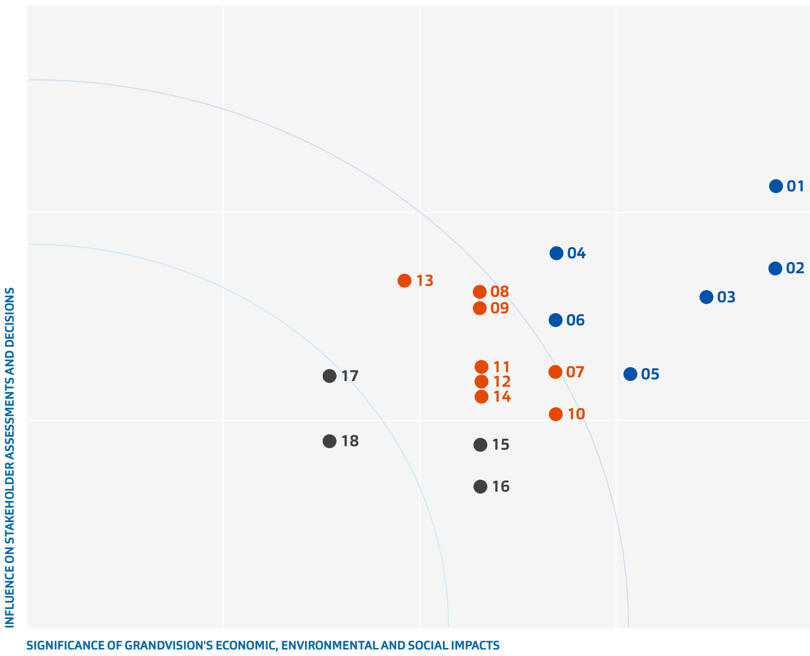
In this report, we present our performance in relation to our goal to integrate ESG considerations into our business model and strategy. This goal, and therefore the content of this report, are based on both an internal value chain analysis and on ongoing communication with relevant stakeholders. Our 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, we created a materiality analysis in late 2018. This presents the most relevant topics that GrandVision has an impact on to our stakeholders. The assessment was approved by the Management Board and consisted of three steps.

Step 1. Determine relevant topics

GrandVision biannually 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 Head of CSR validated the updated shortlist and where relevant, topics were further defined and missing topics were added.

Step 2. Determine 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, we carried out several consultations. To prioritize the topics from the stakeholders' perspectives, a stakeholder consultation was performed in 2018 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.



01. Customer satisfaction
02. Business ethics
03. Product quality and innovation
04. Accessibility of high-quality eye care
05. Business model innovation
06. Employee engagement and well-being
07. Economic performance
08. Data privacy and protection
09. Human rights protection and labour practices across the value chain
10. Diversity and equal opportunity
11. Talent attraction and development
12. CSR in Corporate Governance
13. Legal and regulatory compliance
14. Tax strategy
15. Social impact of products and services
16. Community involvement
17. Environmental protection across the value chain
18. Stakeholder management

The combination of the horizontal axis, which represents the impact that GrandVision can make on the topic, and the vertical axis, which represents priorities from stakeholders' perspectives, helps us 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 our value chain by monitoring our performance in relation to our 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 our social responsibility.

Overview of high material topics

Topic	Definition	Scope	KPI	Results 2019	Target
Customer satisfaction	Continuously taking into account and improving GrandVision's services to achieve a high level of customer satisfaction.	Customers	NPS	65	n/a
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	87%	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	In line with target	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	7,406 (+4.4%)	≥1% average by 2023
Business model innovation	Staying up-to-date with ongoing industry developments due to mega trends and innovations (digitization, omnichannel, etc.).	Customers	E-commerce share of total sales	In line with target	10% by 2023
Employee engagement and well-being	Guaranteeing a safe and healthy work environment where GrandVision's employees feel engaged and are empowered to deliver their best performance.	GrandVision organization	eNPS	*Measured and addressed locally	n/a

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 integrated 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 the future, we will continue to engage with our stakeholders to gain further insights into the materiality of topics and prioritize these in greater detail.

Data collection process

The ESG data set found in this report has been partially collected through a standardized Excel reporting format. It was sourced from information management systems at GrandVision business lines and local divisions. ESG data on HR, Legal and the store network was collected using our FP&A data management system. Once collected, it was consolidated and subject to a trend analysis. In case trends deviated significantly, information was 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 GrandVision 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 ESG KPIs are presented in this report. Significant changes in definitions and measurement methods compared to previous reporting periods are explained where relevant. In 2019, no changes regarding our material topics or topic boundaries were made. However, we have further integrated our CSR ambition with our business strategic priorities to form an integrated CSR strategy.

Reporting benchmarks

Rating agency	2016	2017	2018	2019
Carbon Disclosure Project (CDP)	N/A	Rank: n/a Score: C-	Rank: 30/89 (in NL) Score: C	Rank: 25/77 (in NL) Score: B
Transparency Benchmark (Dutch Ministry of Economic Affairs)	Rank: 161/500 Points: 76/200	Rank: 84/500 Score: 147/200	n/a	Rank: 52/487 Score: 59.2/100
Tax Transparency Benchmark (Association of Investors for Sustainable Development, or VBDO)	Rank: 41/68 Points: 11/39	Rank: 35/76 Score: 14/37	Rank: 17-21/76 Score: 17/35	Rank: 21-25 Score: 20/35
Sustainalytics	N/A	Rank: n/a Score: 60/80	Rank: 6/139 Score: 74/80	Rank: 6/131 Score: 75/100
FTSE4Good	N/A	N/A	Rank: 83% Score: 3.8/5	Rank: 72% Score: 3.4/5

Every year, our sustainability performance is benchmarked by various rating agencies. We believe benchmarking is a good way to improve sector-wide performance and therefore actively participate in the Carbon Disclosure Project (CDP), the Dutch Transparency Benchmark, the VBDO Tax Transparency benchmark, Sustainalytics and FTSE4Good.

The table above is an overview of benchmarks we have participated in over recent years along with our scores, rankings and progress. In July 2019, we refinanced our Revolving Credit Facility and we added a sustainability feature to it, whereby the margins are linked to our sustainability ranking by Sustainalytics.

Connectivity table

The following table shows an overview of how our strategic priorities and activities link with global challenges, as well as the UN Sustainable Development Goals and their sub-targets. Where applicable, we have set measurable, long-term targets and we visualize our performance compared to these targets.

Strategic business and ESG priority	SDG	Relevant SDG subtargets	Our contributions	KPIs and targets (if applicable)	Results 2019	Target/ progress
We build the organization of the future. We attract, retain and develop talent. We stand for an inclusive and diverse workforce and offer fair employment opportunities.	8 DECENT WORK AND ECONOMIC GROWTH	8.2. Increase economic productivity through diversification, technological upgrading and innovation.	We create high-quality, permanent and fairly paid employment opportunities within our organization and throughout our supply chain.	# of employees (in FTEs)	34,143	N/A
		8.6. Reduce the proportion of youth not in employment, education or training.	We provide access to professional training for eye care professionals including apprenticeship programs.	# of operating companies that offer apprentice programs	18	N/A
		8.8. Protect labor rights and promote safe and secure working environments for all workers.	We integrate international anti-corruption, social and environmental business standards into our own standards, as well as our suppliers' purchasing processes. Employees and suppliers sign our Code of Conduct or Supplier Code of Conduct each year.	% of employees signing the annual Code of Conduct training	73%	Lagging
				% of strategic non-OECD-based suppliers signed our Supplier Code of Conduct or equivalent	100%	Achieved
				% of strategic non-OECD-based suppliers audited	84%	On Track
				% of strategic OECD-based suppliers that signed Supplier Code of Conduct	100%	Achieved
Boost end-to-end value chain and create leading digital value proposition while improving efficiencies and minimizing environmental impacts from manufacturing, waste management and delivery of products.	7 AFFORDABLE AND CLEAN ENERGY	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.	We reduce the carbon footprint of our production and transportation processes, as well as our store network.	'% emission reduction of scope 1 + 2 emissions (base year 2018) Target: 30% reduction by 2025	8.6%	Lagging
		7.3 By 2030, double the global rate of improvement in energy efficiency.		'% reduction of CO_2 emissions per processed spectacle (base year 2016) Target: 20% reduction by 2025	4%	Lagging
				'% reduction of CO_2 emissions per transported spectacle (base year 2016) Target: 30% reduction by 2025	-37%	Achieved
				% of stores fully equipped with LED lighting Target: 100% by 2025	53%	On track
			We reduce waste by making more efficient use of energy and materials, and used spectacles are collected and redistributed in less developed regions.	% of production centralized in RFHs Target: 85% by 2025	70.2%	On track
	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.5. Reduce waste generation through prevention, reduction, recycling and reuse.		'% of water consumption reduction per processed spectacle (base year 2015) Target: 15% reduction by 2019	-18%	Achieved
Strenghten market share and increase access to high-quality affordable eye care, awareness of good eye health and/or free eye care.	3 GOOD HEALTH AND WELL-BEING	3.8. Achieve universal health coverage, including access to quality essential health-care services, medicines and vaccines for all.	We directly improve access to high-quality eye care by being present in 40+ countries, with 7,406 stores and 39K+ employees, including highly-qualified eye care specialists.	% growth in numbers of stores Target: ≥1% growth every year	4.4%	Achieved
		3.C. Increase health financing and the recruitment, development, training and retention of the health workforce in developing countries.	We enable the recruitment and development of eye care specialists, among others in developing countries.	# training hours per FTE	17.28	N/A
		3.6. By 2020, halve the number of global deaths and injuries from road traffic accidents.	We raise awareness for good vision in traffic via driver safety programs and improve the accessibility to high-quality and affordable eye care.	# of operating companies that participate in our global eye health awareness activities	12	N/A

GRI Content index

GRI 102: General disclosures 2019

Organizational profile

Indicator	Indicator	References
102-1	Name of the organization	Report front cover
102-2	Activities, brands, products and services	Business and strategy: Our business model, p. 15
102-3	Location of the organization's headquarters	Contact information and colophon, p. 206
102-4	Number of countries operating	Business and strategy: The environment in which we operate, p. 13 Our progress in 2019: Our financial performance, 4.4 Segment performance, p. 68-73
102-5	Nature of ownership and legal form	Corporate Governance: Our corporate governance, explained, p. 75
102-6	Markets served	Our progress in 2019: Our financial performance, 4.4 Segment performance, p. 68-73
102-7	Scale of the reporting organization	2019 at-a-glance (before Table of Contents)
102-8	Information on employees and other workers	GrandVision by the numbers (before Table of Contents) Our progress in 2019: Our people, p. 25-29 Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement, p. 34-35
102-9	Supply chain	Our progress in 2019: Our Product Value Chain, p. 31-46
102-10	Significant changes to the organization and its supply chain	A message from our CEO, p. 8-10
102-11	Precautionary Principle or approach	Risk management: Enterprise Risk Management, p. 91-93
102-12	External initiatives	Business and strategy: Aligning our impact with the UN SDGs, p. 19-20 Our progress in 2019: Our people, 1.3 Our inclusive, diverse and ethical work environment (ILO, UDHR), p. 27-29 Our progress in 2019: Our Product Value Chain, 2.2 Strategic sourcing and procurement (SA8000), p. 34-35 Other information: Connectivity table (UN SDGs), p. 199
102-13	Memberships of associations	N/A

Strategy

Indicator	Indicator	References
102-14	Statement from senior decision maker	A message from our CEO, p. 8-10

Ethics and integrity

Indicator	Indicator	References
102-16	Values, principles, standards and norms of behavior	Our progress in 2019: Our presence, 3.4 We are a responsible corporate citizen, p. 54-58 Other information: Organization of GrandVision CSR, p. 193

Governance

Indicator	Indicator	References
102-18	Governance structure	Corporate Governance: Governance and compliance, p. 78-80 Other information: Organization of GrandVision CSR, p. 193

Stakeholder engagement

Indicator	Indicator	References
102-40	List of stakeholder groups	Other information: Materiality and stakeholder communication, p. 196-197
102-41	Collective bargaining agreements	Our progress in 2019: Our people, 1.3 Our inclusive, diverse and ethical work environment, p. 27-29
102-42	Identifying and selecting stakeholders	Other information: Materiality and stakeholder communication, p. 196-197
102-43	Approach to stakeholder engagement	Other information: Materiality and stakeholder communication, p. 196-197
102-44	Key topics and concerns raised	Other information: Materiality and stakeholder communication, p. 196-197

Reporting

Indicator	Indicator	References
102-45	Entities included in the consolidated financial statements	Financial statements: 12. Contingencies, p. 180
102-46	Defining report content and topic boundaries	Other information: About this report, p. 193
102-47	List of material topics	Other information: Materiality and stakeholder communication, p 196-197
102-48	Restatements of information	Other information: About this report, p. 193
102-49	Changes in reporting	Other information: About this report, p. 193
102-50	Reporting period	Reporting period is 1 January - 31 December, 2019
102-51	Date of most recent report	Our most recent Annual Report was published on 8 March, 2019
102-52	Reporting cycle	Other information: About this report, p. 193
102-53	Contact point for questions regarding the report	Contact information and colophon, p. 206
102-54	Claims of reporting in accordance with the GRI Standards	Other information: About this report, p. 193
102-55	GRI Content Index	Other information: GRI Content Index, p. 200
102-56	External assurance	Other information: About this report, p. 193

GRI 103: Management disclosures 2019

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	Our progress in 2019: Our people, p. 25-29 Other information: Transparency appendix, Overview of material topics, p. 197	
	103-2 The management approach and its components	Our progress in 2019: Our people, p. 25-29 Other information: Transparency appendix, p. 193-195	A target on global employee engagement is missing because we do not yet have a globally harmonized indicator for employee engagement. We measure employee NPS on a country-by-country basis. While we work towards a global NPS, we have not set a target on training hours.
	103-3 Evaluation of the management approach	Our progress in 2019: Our presence, 3.4 We are a responsible corporate citizen, p. 54-58	
404-1 (2016)	Average hours of training per year per employee	Our progress in 2019: Our people, 1.2 How we develop and nurture talent, p. 26-27 Other information: Connectivity table, p. 199	We are working on implementing a consistent employee engagement approach across all our countries, however, we still do not consolidate the results into a single global NPS score. Yet, each local organization, including GrandVision Headquarters, measures employee NPS, and acts to improve outcomes. (See chapter: Our People, 1.4. We listen and act) To measure our efforts related to employee engagement, we report through GRI 404-1, although a breakdown of training hours by gender is not available.

Business ethics

Indicator	Indicator	References	Omissions
103 Management Approach (2016)	103-1 Explanation of the material topics and their boundaries	Our progress in 2019: Our presence, 3.4 We are a responsible corporate citizen, p. 54-58 Corporate Governance: Our Corporate Governance, explained, p. 75 Other information: Transparency appendix, Overview of material topics, p. 197	
	103-2 The management approach and its components	Our progress in 2019: Our presence, 3.4 We are a responsible corporate citizen, p. 54-58 Corporate Governance: Risk Management, p. 90-94	
	103-3 Evaluation of the management approach	Corporate Governance: Risk Management, p. 90-94	
419-1 (2016)	Non-compliance with laws and regulations in the social and economic area	There were no significant fines paid by GrandVision in 2019	

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: Our business model, p. 15 Other information: Transparency appendix, Overview of material topics, p. 197
	103-2 The management approach and its components	Business and strategy: Our business model, p. 15 Our progress in 2019: Our presence, 3.2 Accelerate omnichannel and digitally empower customer experiences, p. 47-49 Other information: Transparency appendix, p. 193-195
	103-3 Evaluation of the management approach	Business and strategy: Our business model, p. 15 Our progress in 2019: Our presence, 3.2 Accelerate omnichannel and digitally empower customer experiences, p. 47-49 Corporate Governance: Risk Management, p. 90-94
Own indicator	E-commerce share of total sales	Business and strategy: Our business model, p. 15 Other information: Materiality and stakeholder communication, p. 196-197

Product quality and innovation

Indicator	Indicator	References
103 Management Approach (2016)	103-1 Explanation of the material topics and their boundaries	Business and strategy: Our business model, p. 15 Our progress in 2019: Our Product Value Chain, 2.3 Ensuring safe and high-quality products, p. 36 Other information: Transparency appendix, Overview of material topics, p. 197
	103-2 The management approach and its components	Business and strategy: Our business model, p. 15 Our progress in 2019: Our Product Value Chain, 2.3 Ensuring safe and high-quality products, p. 36 Corporate Governance: Governance and compliance, p. 78-80
	103-3 Evaluation of the management approach	Business and strategy: How we create long-term value for our stakeholders, p. 19-21 Our progress in 2019: Our Product Value Chain, 2.3 Ensuring safe and high-quality products, p. 36 Corporate Governance: Risk Management (Compliance risks), p. 90-94
Own indicator	Meet requirements of Regulation EU 2017/745	Our progress in 2019: Our Product Value Chain, 2.3 Ensuring safe and high-quality products, p. 36 Other information: Materiality and stakeholder communication, p. 196-197

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: How we create long-term value for our stakeholders, p. 19-21 Our progress in 2019: Our presence, 3.1. Our many customer touchpoints, p. 47 Other information: Transparency appendix, Overview of material topics, p. 197
	103-2 The management approach and its components	Business and strategy: Our business model, p. 15 Corporate Governance: Governance and compliance, p. 78-80 Our progress in 2019: Our presence, 3.1. Our many customer touchpoints, p. 47
	103-3 Evaluation of the management approach	Our progress in 2019: Our presence, 3.1. Our many customer touchpoints, p. 47 Corporate Governance: Risk Management, p. 90-94
Own indicator	Store network	Our progress in 2019: Our presence, 3.1. Our many customer touchpoints, p. 47 Other information: Materiality and stakeholder communication, p. 196-197

Customer satisfaction

Indicator	Indicator	References
103 Management Approach (2016)	103-1 Explanation of the material topics and their boundaries	Business and strategy: Our business model, p. 15 Other information: Transparency appendix, Overview of material topics, p. 197
	103-2 The management approach and its components	Business and strategy: Our business model, p. 15 Corporate Governance: Risk Management, p. 90-94 Other information: Transparency appendix, p. 193-195
	103-3 Evaluation of the management approach	Business and strategy: Our business model, p. 15 Corporate Governance: Risk Management, p. 90-94 Other information: Transparency appendix, p. 193-195
Own indicator	Customer NPS	Business and strategy: Our business model, p. 15 Other information: Materiality and stakeholder communication, p. 196-197

Definitions Table

Definitions

C	
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 RFHs.
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 an RFH. It is calculated by the total amount of energy used by all RFHs 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.
ESG	Environmental, social and governance
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
K	
KPI	Key performance indicator
L	
LED	Light-emitting diodes are an energy efficient light source.
M	
Materiality	The degree to which an issue is important for GrandVision and its stakeholders.
N	
NGO	Non-Governmental Organization
O	
OECD	Organization for Economic Co-operation and Development
R	
Regional Fulfilment Hub (RFH)	One of the 17 centralized locations at which GrandVision processes spectacles (cutting and edging, etc.).

S	
SDG	Sustainable Development Goal
Spectacles	Prescription glasses, sunglasses with prescription lenses and reading glasses.

T	
Training hours	The total number of hours spent on training the total workforce in the reporting year.
Transportation	The transportation process from production facilities to local warehouses.
Transportation inbound	The transportation process from production facilities to our RFHs.
Transportation outbound	The transportation process from our RFHs to our store network.
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 an RFH. It is calculated by the total amount of water used by all RFHs divided by the total number of processed spectacles in the reporting year.

Contact information and colophon

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