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-controlling 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

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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.