

GrandVision Half Year 2016 Financial Report

GrandVision N.V.

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Table of contents

Interim Report	3
Condensed Interim Consolidated Financial Statements	7
Interim Consolidated Income Statement	7
Interim Consolidated Statement of Other Comprehensive Income	8
Interim Consolidated Balance Sheet	9
Interim Consolidated Statement of Changes in Shareholders' Equity	10
Interim Consolidated Cash Flow Statement	11
Notes to the Condensed Interim Consolidated Financial Statements	12
1 General Information	12
2 Basis of Preparation and Accounting Policies	12
3 Financial Risk Management	14
4 Seasonality of Operations	14
5 Segment Information	14
6 Acquisitions of Subsidiaries, Associates and Non-Controlling	15
7 Income Tax	16
8 Property, Plant and Equipment	17
9 Goodwill	18
10 Other Intangible Assets	19
11 Cash and Cash Equivalents	19
12 Share Capital	20
13 Retained earnings	20
14 Provisions	21
15 Contingencies	22
16 Related Parties	22
Subsequent Events	23

Interim Report

Highlights

- HY16 Revenue grew by 3.7% or 6.7% at constant exchange rates (2Q16: 4.8%; 8.4%) to €1,670 million (2Q16: €867 million)
- Comparable growth of 2.3% (2Q16: 3.6%)
- Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 5.3% or 6.5% at constant exchange rates (2Q16: 9.8%; 11.7%) to €272 million (2Q16: €150 million)
- The adjusted EBITDA margin improved by 26 bps to 16.3% (2Q16: +80 bps to 17.3%)
- Net result attributable to equity holders rose by 7.9% to €117 million
- Earnings per share grew by 8.0% to €0.46
- Total number of stores grew to 6,211 (6,110 at year-end 2015)

Key figures

in millions of EUR (unless stated otherwise)	HY16	HY15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,670	1,611	3.7%	6.7%	3.5%	3.2%
Comparable growth (%)	2.3%	5.2%				
Adjusted EBITDA	272	259	5.3%	6.5%	5.7%	0.8%
Adjusted EBITDA margin (%)	16.3%	16.1%	26bps			
Net result	127	118	7.3%			
Net result attributable to equity holders	117	109	7.9%			
Earnings per share (in €)	0.46	0.43	8.0%			
Number of stores (#)	6,211	5,871				
System wide sales	1,840	1,783	3.2%			

Consolidated Income Statement

in millions of EUR	HY16	HY15
Revenue	1,670	1,611
Cost of sales and direct related expenses	- 457	- 442
Gross profit	1,213	1,168
Selling and marketing costs	- 839	- 811
General and administrative costs	- 187	- 180
Share of result of associates	2	3
Operating result	189	180
Financial income	3	4
Financial costs	- 9	- 12
Net financial result	- 6	- 8
Result before tax	182	172
Income tax	- 56	- 54
Result for the period	127	118
Attributable to:		
Equity holders	117	109
Non-controlling interests	10	9
	127	118

Revenue

Revenue increased by 3.7% to €1,670 million in HY16 (€1,611 million in HY15) or 6.7% at constant exchange rates. Organic revenue growth of 3.5% came primarily from comparable growth of 2.3% (5.2% in HY15).

Adjusted EBITDA

Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 5.3% to €272 million in HY16 (€259 million in HY15) or 6.5% at constant exchange rates.

The adjusted EBITDA margin increased by 26 bps to 16.3% in HY16 (16.1% in HY15) with improvements in all three segments. Excluding the dilutive effect from acquisitions, the adjusted EBITDA margin would have improved by 65 bps to 16.7%.

Non-recurring items of -€6 million in HY16 (-€3 million in HY15) are mainly related to acquisition costs for recently acquired businesses and integration costs following the merger of the Italian business as well as one-off adjustments of inventory and insurance income.

A reconciliation from adjusted EBITDA to operating result for HY16 is presented in the table below:

in millions of EUR	HY16	HY15
Adjusted EBITDA	272	259
Non-recurring items	- 6	- 3
EBITDA	267	255
Depreciation and amortization of software	- 63	- 59
EBITA	204	196
Amortization and impairments	- 15	- 16
Operating result	189	180

Financial result

The financial result was -€6 million in HY16 (-€8 million in HY15). This improvement was mainly due to lower financing cost as a result of lower debt levels and interest rates, lower bank fees and an option valuation gain. This overall positive variance is more than offsetting foreign currency gains in HY15, which did not re-occur in HY16.

Income tax

Income tax increased by €2 to €56 million in HY16 (€54 million in HY15). The effective tax rate decreased to 30.5% (31.4% in HY15), mainly due to one-time tax effects in some countries.

Net result for the period

Net result for the period increased by 7.3% to €127 million in HY16 (€118 million in HY15). Net result attributable to equity holders increased by 7.9% to €117 million (€109 million in HY15).

Earnings per share

Earnings per share (basic and diluted) increased by 8.0% to €0.46 per outstanding share in HY16 (€0.43 in HY15).

G4

in millions of EUR (unless stated otherwise)	HY16	HY15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,013	997	1.6%	2.9%	2.4%	0.5%
Comparable growth (%)	1.8%	5.8%				
Adjusted EBITDA	220	208	5.5%	6.6%	5.9%	0.7%
Adjusted EBITDA margin (%)	21.7%	20.9%	82bps			
Number of stores	2,997	2,953				

Revenue in the G4 segment rose by 1.6% to €1,013 million in HY16 and by 2.9% at constant exchange rates. Organic revenue growth and comparable growth were 2.4% and 1.8%, respectively.

Adjusted EBITDA in the G4 segment increased by 5.5% to €220 million in HY16 (€208 million in HY15). The adjusted EBITDA margin increased by 82bps to 21.7% in HY16 (20.9% in HY15).

Other Europe

in millions of EUR (unless stated otherwise)	HY16	HY15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	442	436	1.3%	2.6%	1.7%	0.9%
Comparable growth (%)	0.8%	3.3%				
Adjusted EBITDA	61	60	2.0%	3.6%	2.6%	1.0%
Adjusted EBITDA margin (%)	13.9%	13.8%	9bps			
Number of stores	1,787	1,730				

Revenue in the Other Europe segment increased by 1.3% to €442 million in HY16 (€436 million in HY15), or 2.6% at constant exchange rates. Organic revenue growth was 1.7%.

Adjusted EBITDA in the Other Europe segment increased by 2.0% to €61 million in HY16 (€60 million in HY15). The adjusted EBITDA margin increased by 9 bps to 13.9% in HY16 (13.8% in HY15).

Americas & Asia

in millions of EUR (unless stated otherwise)	HY16	HY15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	215	177	21.1%	38.0%	14.6%	23.4%
Comparable growth (%)	9.2%	7.1%				
Adjusted EBITDA	9	7	36.6%	49.4%	49.2%	0.2%
Adjusted EBITDA margin (%)	4.2%	3.7%	47bps			
Number of stores	1,427	1,188				

Revenue increased by 21.1% to €215 million (€177 million in HY15), or 38.0% at constant exchange rates excluding the devaluation of several emerging market currencies. Comparable growth and organic growth reached 9.2% and 14.6%, respectively.

Adjusted EBITDA reached €9 million in HY16 (€7 million in HY15) and the adjusted EBITDA margin improved by 47 bps to 4.2% in HY16 (3.7% in HY15). Excluding acquisitions, the adjusted EBITDA margin would have improved by 146 bps.

Liquidity and debt

in millions of EUR (unless stated otherwise)	HY16	HY15	change versus prior year
Free cash flow	92	124	- 32
Capital expenditure	63	64	- 1
- Store capital expenditure	48	44	4
- Non-store capital expenditure	15	20	- 5
Acquisitions	10	4	6
Net debt	911	863	
Net debt leverage (times)	1.7	1.8	

In HY16, free cash flow (defined as cash flow from operating activities minus capital expenditure) decreased to €92 million (€124 million in HY15) as working capital levels in 2015 were impacted by the ERP system go-live in key countries, as well as the timing of tax payments.

Capital expenditure not related to acquisitions was €63 million in HY16 (€64 million in HY15). The majority of capital expenditure was directed towards store openings, maintenance and refurbishment.

Store capital expenditure increased by €4 million to €48 million in HY16 compared to HY15. Non-store capital expenditure decreased by €5 million in HY16 compared to HY15. This decrease is mainly driven by the timing of the ERP system roll-out.

Net debt decreased to €911 million at the end of June 2016 from €941 million at year-end 2015. The 12-month rolling net debt/EBITDA ratio decreased to 1.7x from 1.8x at year-end 2015.

Statement by the Management Board

In accordance with the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), section 5:25d, paragraph 2 sub c, we confirm that, to the best of our knowledge:

- the condensed interim consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 (Interim Financial Reporting) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of GrandVision N.V. and its subsidiaries; and
- the interim report for the six months ended 30 June 2016 gives a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act.

Schiphol, 5 August 2016

The Management Board

Theo Kiesselbach, CEO

Paulo de Castro, CFO

Financial Calendar 2016

27 October 2016 Third Quarter 2016 Trading Update

Condensed Interim Consolidated Financial Statements

Interim Consolidated Income Statement

in thousands of EUR	Notes	Six months ended 30 June 2016	Six months ended 30 June 2015
Revenue	5	1,669,723	1,610,780
Cost of sales and direct related expenses		- 456,793	- 442,426
Gross profit		1,212,930	1,168,354
Selling and marketing costs		- 838,521	- 810,556
General and administrative costs		- 187,482	- 180,164
Share of result of associates		1,590	2,562
Operating result		188,517	180,196
Financial income		2,748	4,120
Financial costs		- 9,100	- 12,214
Net financial result		- 6,352	- 8,094
Result before tax		182,165	172,102
Income tax	7	- 55,520	- 54,100
Result for the period		126,645	118,002
Attributable to:			
Equity holders		117,121	108,503
Non-controlling interests		9,524	9,499
		126,645	118,002
Earnings per share basic and diluted (in EUR per share)		0.46	0.43

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

Interim Consolidated Statement of Other Comprehensive Income

in thousands of EUR	Six months ended 30 June 2016	Six months ended 30 June 2015
Result for the period	126,645	118,002
Other comprehensive income:		
Items that will not be reclassified to Income Statement		
Remeasurement of post-employment benefit obligations	- 13,102	478
Income tax relating to this item	4,032	- 329
	- 9,070	149
Items that may be subsequently reclassified to Income Statement		
Currency translation differences	- 33,404	32,837
Cash flow hedges	- 2,812	1,693
Income tax	703	- 407
	- 35,513	34,123
Other comprehensive income/ loss (net of tax)	- 44,583	34,272
Total comprehensive income for the period (net of tax):	82,062	152,274
Attributable to:		
Equity holders	74,944	141,564
Non-controlling interests	7,118	10,710
	82,062	152,274

Interim Consolidated Balance Sheet

in thousands of EUR	Notes	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	8	417,720	431,312
Goodwill	9	1,012,663	1,025,213
Other intangible assets	10	437,373	454,418
Deferred income tax assets		68,760	67,186
Investments in Associates		41,383	40,438
Other non-current assets		45,363	44,680
		<u>2,023,262</u>	<u>2,063,247</u>
Current assets			
Inventories		297,342	264,014
Trade and other receivables		299,966	266,916
Current income tax receivables		9,090	5,622
Derivative financial instruments		2,475	1,201
Cash and cash equivalents	11	187,833	198,302
		<u>796,706</u>	<u>736,055</u>
Total assets		<u>2,819,968</u>	<u>2,799,302</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	12	52,987	51,815
Other reserves		- 101,900	- 59,723
Retained earnings	13	867,145	786,428
		<u>818,232</u>	<u>778,520</u>
Non-controlling interests		<u>53,124</u>	<u>53,255</u>
Total equity		<u>871,356</u>	<u>831,775</u>
Non-current liabilities			
Borrowings		769,997	775,744
Deferred income tax liabilities		139,063	142,565
Post-employment benefits		78,581	64,704
Provisions	14	10,684	11,282
Derivative financial instruments		6,106	1,039
Other non-current liabilities		16,486	16,075
		<u>1,020,917</u>	<u>1,011,409</u>
Current liabilities			
Trade and other payables		538,719	533,609
Current income tax liabilities		40,163	32,544
Borrowings		324,624	361,737
Derivative financial instruments		855	2,045
Provisions	14	23,334	26,183
		<u>927,695</u>	<u>956,118</u>
Total liabilities		<u>1,948,612</u>	<u>1,967,527</u>
Total equity and liabilities		<u>2,819,968</u>	<u>2,799,302</u>

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

Interim Consolidated Statement of Changes in Shareholders' Equity

in thousands of EUR	Notes	Attributable to the equity holders					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Other reserves	Retained earnings			
Balance at 1 January 2016		254	93,812	- 42,251	- 59,723	786,428	778,520	53,255	831,775
Result for 2016		-	-	-	-	117,121	117,121	9,524	126,645
Cash flow hedge reserve		-	-	-	- 2,121	-	- 2,121	12	- 2,109
Remeasurement of post-employment benefit obligations		-	-	-	- 9,037	-	- 9,037	- 33	- 9,070
Cumulative currency translation reserve		-	-	-	- 31,019	-	- 31,019	- 2,385	- 33,404
Total comprehensive income		-	-	-	- 42,177	117,121	74,944	7,118	82,062
Acquisitions of subsidiaries		-	-	-	-	-	-	-	-
Purchase of treasury shares	12	-	-	- 2,411	-	-	- 2,411	-	- 2,411
Issue of share capital	12	4,835	- 4,835	-	-	-	-	-	-
Long-term incentive plan	12	-	- 7,349	10,932	-	- 1,077	2,506	-	2,506
Dividends	13	-	-	-	-	- 35,327	- 35,327	- 7,249	- 42,576
Total transactions with equity holders		4,835	- 12,184	8,521	-	- 36,404	- 35,232	- 7,249	- 42,481
Balance at 30 June 2016		5,089	81,628	- 33,730	- 101,900	867,145	818,232	53,124	871,356
Balance at 1 January 2015		254	61,281	-	- 54,775	616,130	622,890	45,327	668,217
Result for 2015		-	-	-	-	108,503	108,503	9,499	118,002
Cash flow hedge reserve		-	-	-	1,286	-	1,286	-	1,286
Remeasurement of post-employment benefit obligations		-	-	-	206	-	206	- 57	149
Cumulative currency translation reserve		-	-	-	31,569	-	31,569	1,268	32,837
Total comprehensive income		-	-	-	33,061	108,503	141,564	10,710	152,274
Acquisitions of minority		-	-	-	- 151	- 2,211	- 2,362	922	- 1,440
Purchase of treasury shares	12	-	-	- 51,074	-	-	- 51,074	-	- 51,074
Change of pension plan		-	-	-	2,766	- 2,766	-	-	-
Long-term incentive plan	12	-	35,268	-	-	- 1,808	33,460	-	33,460
Dividends		-	-	-	-	-	-	- 7,612	- 7,612
Total transactions with equity holders		-	35,268	- 51,074	2,615	- 6,785	- 19,976	- 6,690	- 26,666
Balance at 30 June 2015		254	96,549	- 51,074	- 19,099	717,848	744,478	49,347	793,825

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

Interim Consolidated Cash Flow Statement

in thousands of EUR	Notes	Six months ended 30 June 2016	Six months ended 30 June 2015
Cash flows from operating activities			
Cash generated from operations		205,482	221,958
Tax paid		- 50,445	- 33,886
Net cash from operating activities		155,037	188,072
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	<u>6</u>	- 9,702	- 4,429
Purchase of property, plant and equipment	<u>8</u>	- 53,023	- 51,181
Proceeds from sales of property, plant and equipment		1,859	5,121
Purchase of intangible assets	<u>10</u>	- 10,412	- 12,594
Proceeds from sales of intangible assets		1,429	146
Other non-current receivables		- 1,104	1,408
Interest received		2,143	2,247
Net cash used in investing activities		- 68,810	- 59,282
Cash flows from financing activities			
Purchase of treasury shares		- 2,411	- 51,074
Proceeds from borrowings		50,867	178,572
Repayments of borrowings		- 54,813	- 309,014
Interest swap payments		- 1,751	- 1,367
Acquisition of non-controlling interest		-	- 1,440
Dividends paid to shareholders	<u>13</u>	- 35,327	-
Dividends paid to non-controlling interest		- 7,249	- 7,612
Interest paid		- 7,336	- 9,553
Net cash generated from/ (used in) financing activities		- 58,020	- 201,488
Increase / (decrease) in cash and cash equivalents		28,207	- 72,698
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		- 81,806	54,405
Increase / (decrease) in cash and cash equivalents		28,207	- 72,698
Exchange gains/ (losses) on cash and cash equivalents		- 978	782
Cash and cash equivalents at end of period		- 54,577	- 17,511

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

Notes to the Condensed Interim Consolidated Financial Statements

1 General Information

GrandVision N.V. ('the Company') is a public limited liability company and is incorporated and domiciled in The Netherlands. The address of its registered office is as follows: World Trade Center Schiphol Airport, Tower G, 5th floor Schiphol Boulevard 117, 1118 BG Schiphol, The Netherlands.

At 30 June 2016, 76.72% of the issued shares are owned by HAL Optical Investments B.V. and 22.15% by institutional and retail investors with the remaining shares held by GrandVision's Management Board (0.48%) and in treasury (0.65%). HAL Optical Investments B.V. is indirectly controlled by HAL Holding N.V. All HAL Holding N.V. shares are held by HAL Trust. HAL Trust is listed on the Euronext Amsterdam stock exchange.

GrandVision N.V. and its subsidiaries (together, referred to as 'the Group') comprise a number of optical retail chains operated under different retail banners. As of 30 June 2016, the Group, including its associates, operated 6,211 optical retail stores (including franchise stores) in Argentina, Austria, Bahrain, Belgium, Brazil, Bulgaria, Chile, China, Colombia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Luxembourg, Malta, Mexico, Monaco, Norway, Oman, Peru, Poland, Portugal, Russia, Qatar, Saudi Arabia, Slovakia, Spain, Sweden, Switzerland, the Netherlands, the United Arab Emirates, Turkey, the United Kingdom, United States and Uruguay. At June 30, 2016 the number of average full-time equivalents within the Group (excluding associates) was 27,991.

These condensed interim financial statements have been reviewed, not audited.

2 Basis of Preparation and Accounting Policies

2.1 Basis of Preparation

Statement of compliance

These condensed interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted within the European Union.

Currency

The financial statements are presented in Euros (€). Amounts are shown in thousands of euros unless otherwise stated. The euro is the presentation currency of the Group.

Estimates

Preparing the financial statements in accordance with IFRS means that management is required to make assessments, estimates and assumptions that influence the application of regulations and the amounts reported for assets, equity, liabilities, commitments, income and expenses. The estimates made and the related assumptions are based on historical experience and various other factors, such as relevant knowledge, which are considered to be reasonable under the given circumstances.

The condensed interim financial statements have been prepared under the historical cost convention except for financial derivatives, long-term incentive plans and post-employment benefits. The estimates and assumptions serve as the basis for assessing the value of recognized assets and liabilities whose amounts cannot currently be determined from other sources. However, actual results may differ from the estimates. Estimates and underlying assumptions are subject to constant assessment. Changes in estimates and assumptions are recognized in the period in which the estimates are revised.

Assessments and estimates, made by management under IFRS that have a significant impact on the condensed interim consolidated financial statements, carry the risk of a possible material inaccuracy. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2015. The principles of valuation and determination of results have been applied consistently by the Group companies during the periods presented in these condensed interim consolidated financial statements.

2.2 Significant Accounting Policies

The principal accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied when preparing the annual financial statements for the year ended December 31, 2015. The policies have been consistently applied to all the periods presented, unless otherwise stated. The Group has not applied any new or amended standards as per 1 January 2016.

2.3 Cash and Cash Equivalents

Cash and cash equivalents comprise bank balances, which are available on demand and are carried in the balance sheet at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

Following a decision of the IFRS Interpretation Committee in 2016, the accounting policy relating to the cash pool changed. The cash pool is reported as an asset and a liability instead of a net amount. Refer to note 11 for more details.

3 Financial Risk Management

3.1 Capital Risk Management

The Group's financial risks management objectives, risk factors and policies are consistent with those disclosed when preparing the annual financial statements for the year ended December 31, 2015.

in thousands of EUR	30 June 2016	31 December 2015
Equity attributable to equity holders	818,232	778,520
Total capital	818,232	778,520
Net debt	911,274	941,062
Adjusted EBITDA - last 12 months	525,433	511,611
Leverage ratio	1.7	1.8

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

4 Seasonality of Operations

Due to the geographical presence of our operations and accordingly different seasons within the periods, the seasonality in the individual countries varies throughout the Group. This results in minimal impact from seasonality on Revenue and EBITDA on the Group level.

5 Segment Information

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

The Group's business is organized and managed on a geographic basis and operates through three business segments: the G4, Other Europe and Americas & Asia. Since 1 January 2016, GrandVision reports the French Solaris business in the G4 segment (instead of Other Europe) and Spain in the Other Europe segment (instead of the G4), reflecting the transfer of management responsibility for the two businesses. All geographic segments are involved in the optical retail industry, and there are no other significant product lines or sources of revenue for the Company.

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 accounting policies applied in the segment information are in line with those applied for GrandVision as described in the accounting policies.

The following table presents total net revenue and adjusted EBITDA for the operating segments for the six months ended 30 June 2016 and 2015, respectively. The adjusted EBITDA is defined as EBITDA excluding other reconciling items and exceptional non-recurring items. The non-recurring items in 2016 relate to acquisition costs for recent acquired business and integration costs following the merger of the Italian business. Further costs relate to inventory obsolescence costs and correction on insurance income related to prior years. The non-recurring items in 2015 relate to legal provisions, a positive impact of the change in pension classification in the Netherlands and costs of the initial public offering in February. Other reconciling items represent corporate costs that are not allocated to a specific segment.

in thousands of EUR	G4	Other Europe	Americas & Asia	Total
Six months ended 30 June 2016				
Total net revenue	1,013,026	442,131	214,566	1,669,723
Adjusted EBITDA	219,517	61,282	8,906	289,705
Other reconciling items				- 17,306
Total adjusted EBITDA				272,399
Non-recurring items				- 5,590
Depreciation				- 54,320
Amortization and impairments				- 23,972
Operating income/loss				188,517
Non-operating items:				
Net financial result				- 6,352
Earnings before tax				182,165
Six months ended 30 June 2015				
Total net revenue	997,276	436,288	177,216	1,610,780
Adjusted EBITDA	207,980	60,072	6,522	274,574
Other reconciling items				- 15,996
Total adjusted EBITDA				258,578
Non-recurring items				- 3,427
Depreciation				- 53,434
Amortization and impairments				- 21,521
Operating income/loss				180,196
Non-operating items:				
Net financial result				- 8,094
Earnings before tax				172,102

6 Acquisitions of Subsidiaries, Associates and Non-Controlling

Store acquisitions

During 2016 the Group acquired 21 stores in the segments G4 and Other Europe. In the Americas & Asia segment the optical retail chain Optica Lux in Uruguay was acquired. These acquisitions were recognized using the acquisition method. After the initial allocation of the consideration transferred for the acquisitions of the assets, liabilities and contingent liabilities, an amount of €8,063 was identified as goodwill. The goodwill is attributable to the high profitability of the acquired business and the expected synergies following the integration of the acquired business into our existing organization. The goodwill mainly comprises the skilled employees and the locations of the acquired

stores, which cannot be recognized as separately identifiable assets. The purchase price allocations have not yet been finalized.

Adjustment to purchase price allocation

The Group updated the purchase price allocation for the acquisitions done in 2015. This resulted in a change in the value of recognized intangibles and recognition and derecognition of certain assets and liabilities and accordingly the recognized goodwill increased by €453. The purchase price allocations, including the For Eyes chain in the United States acquired in December 2015, have not yet been finalized.

in thousands of EUR	Total
Property, plant and equipment	558
Other intangible assets	1,252
Deferred income tax assets	-
Other non-current assets	73
Inventories	1,149
Trade and other receivables	213
Cash and cash equivalents	95
Deferred income tax liabilities	- 87
Current income tax liabilities	- 72
Provisions (current)	- 163
Trade and other payables	- 1,595
Current borrowings	- 142
Bank overdrafts	- 3
Fair value of acquired net assets and liabilities	<u>1,278</u>
Consideration paid in cash and cash equivalents	9,794
Consideration to be transferred	-
Total consideration transferred or to be transferred	<u>9,794</u>
Consideration paid and to be paid in cash and cash equivalents	9,794
Cash and cash equivalents and bank overdrafts at acquired subsidiary	- 92
Outflow of cash and cash equivalents	<u>9,702</u>
Consideration transferred	9,794
Fair value of acquired net assets and liabilities	- 1,278
Goodwill	<u>8,516</u>

7 Income Tax

Income tax expense is recognized based on actual income tax rates for the period ended 30 June 2016 and 2015. The effective tax rate of the six months ended 30 June 2016 is 30.5% (for the six months ended 30 June 2015 it was 31.4%). Changes in non deductible items, carryforward tax losses and tax incentives in six months ended 30 June 2016 compared to six months ended 30 June 2015 in total offset each other. Across jurisdictions of presence, the Group has accumulated not recognized tax losses amounting to €216 million, of which €167 million are offsettable for an unlimited period of time.

8 Property, Plant and Equipment

in thousands of EUR	Notes	Buildings and leasehold improvements	Machinery and equipment	Furniture and vehicles	Total
Six months ended 30 June 2016					
Carrying amount as at 1 January 2016		205,623	128,901	96,788	431,312
Acquisitions	<u>6</u>	244	74	240	558
Additions		22,554	15,112	15,357	53,023
Disposals / retirements		-956	-771	-1,037	-2,764
Impairment		-	-	-110	-110
Depreciation charge		-20,710	-19,954	-13,656	-54,320
Reclassification		764	-5,980	4,987	-229
Exchange differences		-5,469	-2,993	-1,288	-9,750
Carrying amount at 30 June 2016		202,050	114,389	101,281	417,720
Six months ended 30 June 2015					
Carrying amount as at 1 January 2015		190,218	129,240	88,269	407,727
Acquisitions		-360	74	116	-170
Additions		21,406	16,074	13,701	51,181
Disposals / retirements		-771	-861	-529	-2,161
Depreciation charge		-19,660	-20,444	-13,330	-53,434
Reclassification		-262	-181	497	54
Exchange differences		5,022	2,636	1,129	8,787
Carrying amount at 30 June 2015		195,593	126,538	89,853	411,984

9 Goodwill

in thousands of EUR	Notes	Six months ended 30 June 2016	Six months ended 30 June 2015
Carrying amount as at 1 January		1,025,213	885,855
Acquisitions	<u>6</u>	8,063	3,147
Adjustment to purchase price allocation	<u>6</u>	453	1,563
Reclassification		- 117	-
Exchange differences		- 20,949	16,863
Carrying amount as at 30 June		<u>1,012,663</u>	<u>907,428</u>
Costs		1,051,452	946,823
Accumulated impairment		- 38,789	- 39,395
Carrying amount as at 30 June		<u>1,012,663</u>	<u>907,428</u>

The impairment test on goodwill is performed in the second half year. During the reporting period there were no triggering events for impairment.

10 Other Intangible Assets

in thousands of EUR	Notes	Key money	Trademarks	Software	Customer database	Other	Total
Six months ended 30 June 2016							
Carrying amount as at 1 January 2016		208,687	143,732	55,496	37,262	9,241	454,418
Acquisitions	6	704	-	-	56	492	1,252
Additions		824	1	9,192	250	145	10,412
Disposals		- 568	-	- 742	- 56	-	- 1,366
Amortization charge		-	- 9,442	- 8,791	- 3,285	- 1,895	- 23,413
Impairment		- 559	-	-	-	-	- 559
Reclassification		-	-	403	58	65	526
Exchange differences		967	- 2,825	- 292	- 1,360	- 387	- 3,897
Carrying amount as at 30 June 2016		210,055	131,466	55,266	32,925	7,661	437,373
Six months ended 30 June 2015							
Carrying amount as at 1 January 2015		209,712	152,960	43,173	32,321	10,074	448,240
Acquisitions		263	-	1	56	880	1,200
Adjustment to purchase price allocation		-	- 4,924	-	-	472	- 4,452
Additions		107	2	12,231	129	125	12,594
Disposals		- 110	-	- 28	-	-	- 138
Amortization charge		-	- 8,085	- 5,753	- 2,752	- 1,988	- 18,578
Impairment		- 65	- 2,879	-	-	-	- 2,944
Reclassification		54	16	106	58	- 74	160
Exchange differences		- 655	3,395	143	- 732	2,856	5,007
Carrying amount as at 30 June 2015		209,306	140,485	49,873	29,080	12,345	441,089

11 Cash and Cash Equivalents

in thousands of EUR	30 June 2016	31 December 2015
Cash at bank and in hand	187,833	192,397
Short-term bank deposits and marketable securities	-	5,905
	187,833	198,302

During 2016, the accounting policy relating to the cash pool has changed from net presentation to a gross presentation and consequently, the Group is reporting assets and liabilities separately. The comparable figures on the December 31, 2015 changed and the impact is an increase of €93,649 in both the 'Cash and cash equivalents' and in 'Current Borrowings'.

At 30 June 2016 'Cash and cash equivalents' contains the gross cash pool position of €125,412 (31 December 2015: €125,286). The 'Current Borrowings' contains €124,769 (31 December 2015: €109,228) related to the cash pool.

For the purpose of the cash flow statement, cash and cash equivalents comprises of cash and bank balances (€187,833) and bank overdrafts (€242,410).

12 Share Capital

in thousands of EUR	Number of shares outstanding	Ordinary shares (in thousands of EUR)	Share premium (in thousands of EUR)	Total (in thousands of EUR)
Six months ended 30 June 2016				
At 1 January 2016	252,337,979	254	51,561	51,815
Issue of ordinary shares	-	4,835	- 4,835	-
Long-term incentive plan	546,629	-	3,583	3,583
Treasury shares	- 100,000	-	- 2,411	- 2,411
At 30 June 2016	252,784,608	5,089	47,898	52,987
Six months ended 30 June 2015				
At 1 January 2015	12,722,187	254	61,281	61,535
Issue of ordinary shares	241,721,653	-	-	-
Long-term incentive plan	439,191	-	35,268	35,268
Treasury shares	- 2,547,000	-	- 51,074	- 51,074
At 30 June 2015	252,336,031	254	45,475	45,729

13 Retained earnings

in thousands of EUR	Six months ended 30 June 2016	Six months ended 30 June 2015
Balance at 1 January	786,428	616,130
Acquisitions of subsidiaries and minority	-	- 2,211
Result for the year	117,121	108,503
Dividends paid	- 35,327	-
Change of pension plan	-	- 2,766
Long-term incentive plan	- 1,077	- 1,808
Balance at 30 June	867,145	717,848

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

14 Provisions

in thousands of EUR	Notes	Legal and regulatory	Warranty	Long-term incentive plans	Other employee-related	Other	Total
Six months ended 30 June 2016							
At January 1, 2016		21,673	8,632	876	4,294	1,990	37,465
Acquisitions	6	-	-	-	-	163	163
Additions		1,104	1,611	-	722	350	3,787
Reversals		- 1,380	- 447	-	- 480	- 257	- 2,564
Utilized during the year		- 2,035	- 1,067	- 720	- 717	- 363	- 4,902
Reclassification		-	11	-	-	- 11	-
Exchange differences		79	- 9	- 3	- 2	4	69
At 30 June 2016		19,441	8,731	153	3,817	1,876	34,018
Non-current		1,913	5,161	-	3,045	565	10,684
Current		17,528	3,570	153	772	1,311	23,334
At 30 June 2016		19,441	8,731	153	3,817	1,876	34,018
Six months ended 30 June 2015							
At January 1, 2015		4,650	7,613	37,276	4,354	2,677	56,570
Additions		16,503	1,686	2,585	788	1,002	22,564
Reversals		- 379	- 491	- 28,278	- 268	- 462	- 29,878
Utilized during the year		- 67	- 1,164	- 9,884	- 810	- 298	- 12,223
Exchange differences		- 55	35	- 61	- 25	- 31	- 137
At 30 June 2015		20,652	7,679	1,638	4,039	2,888	36,896
Non-current		13,666	5,259	0	2,683	817	22,425
Current		6,986	2,420	1,638	1,356	2,071	14,471
At 30 June 2015		20,652	7,679	1,638	4,039	2,888	36,896

Legal and regulatory

The provision mainly relates to investigations of French Competition Authority.

In June 2009, the French Competition Authority ("FCA") began investigations into certain optical suppliers and optical retailers active in the branded sunglasses and branded frames sector in France, including the Group. The authorities are investigating whether these parties have entered into vertical restraints in relation to the distribution of branded sunglasses and branded frames. This investigation is ongoing. In May 2015, the Company received a statement of objections ('notification de griefs') from the FCA, which contains the FCA's preliminary position on alleged anti-competitive practices and does not prejudice its final decision. If the FCA concludes that there was a violation, it will impose a fine, which may be contested in court. GrandVision has examined the FCA's preliminary findings reported in the statement of objections and an adequate provision has been booked by the Group determined by an assessment of the probability and amount of potential liability. The Company received an official report ("Rapport") from the FCA on 22 July 2016. The Rapport reconfirms the accusation and confirms GrandVision's assumptions of the probability and amount of the potential liability. The Company has 2 months to reply to this Rapport although GransVision is applying for an extension as the Rapport was delivered during the holiday period.

15 Contingencies

The Group is currently in dispute with a lens manufacturer, Zeiss, who participated in, but did not win, the lens tender organized by the Group in 2012. Consequently Zeiss' existing lens-supply contract expired on the contractual expiration date of 31 October 2013. Zeiss subsequently claimed that GrandVision's termination of the agreement was unlawful. Zeiss formally sued GrandVision France before the Paris Commercial Court on 10 April 10 2014, claiming damages of approximately €57 million on the ground of unlawful termination of the lens purchase agreement. A number of hearings took place in 2015 and the Paris Commercial Court declared itself not competent to hear this matter in its January 25, 2016 decision. Zeiss appealed this decision and the French Court of Appeal confirmed the decision of the Paris Commercial Court in its June 17 decision. Zeiss has 2 months to appeal this decision before the French Supreme Court. As GrandVision is confident in their legal position in this dispute, no provision is recognized in the consolidated financial statements.

There are no significant changes in the other contingent liabilities at the end of June 30, 2016 compared to December 31, 2015 as included in annual report 2015.

16 Related Parties

During the first six months of 2016 GrandVision had the following transactions with related parties: acquired goods from Safilo (an associate of HAL) for an amount of €45,974 (31 December 2015: €77,183). Trade receivables include a receivable for marketing activities of €6,112 from Safilo (31 December 2015: €9,020), receivable from Intersafe Holding (a subsidiary of HAL) of €95 (31 December 2015: €81) and receivable from AudioNova International BV of €0 (31 December 2015: €44). Trade payables include a liability to Safilo of €22,572 (31 December 2015: €15,477) and a payable to HAL Investments and HAL subsidiaries of €1,885 (31 December 2015: €2,460).

Subsequent Events

There are no subsequent events to report.

