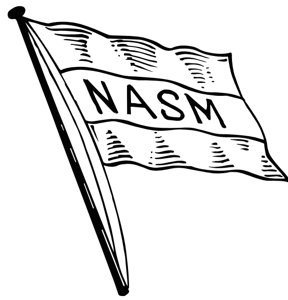
HAL Trust



Annual Report 2013

The history of HAL dates back to April 18, 1873, when the Nederlandsch-Amerikaansche Stoomvaart-Maatschappij (N.A.S.M.) was founded in Rotterdam, the Netherlands. The Company continued its activities under various names and is now operating as HAL Holding N.V., a Curaçao company. All the shares of HAL Holding N.V. are held by HAL Trust and form the Trust's entire assets. HAL Trust was formed on October 19, 1977, by a Trust Deed which was last amended on May 18, 2011. The shares of the Trust are listed and traded on NYSE Euronext in Amsterdam.

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Corporate Administration

HAL Holding N.V.

Board of Supervisory Directors:
S.E. Eisma, *Chairman*
T. Hagen
L.J. Hijmans van den Bergh
M.P.M. de Raad

Executive Board:
M. van der Vorm, *Chairman*
M.F. Groot

Chief Financial Officer:
A.A. van ’t Hof

Highlights and Financial Calendar

In euro	**2013**	2012
Income (in millions)		
Revenues	**4,114.7**	4,048.9
Income from marketable securities and deposits	**15.5**	5.8
Share of profit/(loss) of associates	**310.6**	266.8
Income from other financial assets	**36.1**	13.3
Income from real estate activities	**12.2**	38.6
Net income	**472.8**	409.3
Statement of Financial Position		
Total assets (in millions)	**7,123.8**	6,894.2
Equity attributable to the owners of the parent (in millions)	**4,640.7**	4,153.3
Equity attributable to the owners of the parent (as a percentage of total assets)	**65.1**	60.2
Number of Shares (in thousands)	**71,553***	69,387*
Average number of shares outstanding (in thousands)	**70,545***	68,402*
Per Share		
Net income	**6.70**	5.80
Shareholders' Equity	**64.86**	59.86
Net asset value at market value of quoted associates	**102.38****	104.35**
Closing price Shares HAL Trust	**103.50**	96.95
Volume weighted average December share price HAL Trust	**101.41**	97.37
Dividend per share	**4.10*****	3.90
Exchange rates - December 31		
U.S. dollar per euro	**1.38**	1.32

Financial calendar

Shareholders' meeting HAL Trust and interim statement	May 16, 2014
Ex-dividend date	May 20, 2014
Dividend record date	May 22, 2014
Election period cash/stock (stock being default)	May 23 – June 12, 2014 (15:00 hrs)
Determination and publication dividend conversion ratio	June 12, 2014 (after close of trading)
Delivery of shares and payment of cash dividend	June 19, 2014
Publication of 2014 half year results	August 28, 2014
Interim statement	November 18, 2014
Publication of preliminary net asset value	January 22, 2015
Publication of 2014 annual results	March 31, 2015
Shareholders' meeting HAL Trust and interim statement	May 18, 2015

* Net of treasury shares

** Based on the market value of the quoted associates and the liquid portfolio and on the book value of the non-quoted companies

*** Proposed

Report of the Trust Committee

HAL Trust

HAL Trust was formed in 1977 and holds all the outstanding shares of HAL Holding N.V.

For further details of the organization see page 82.

In accordance with the instructions issued on May 16, 2013, the Trust distributed a dividend of € 3.90 per share on June 19, 2013. This dividend was payable in shares HAL Trust unless a shareholder expressly requested for payment in cash.

Accordingly, a cash dividend was paid on 15,123,428 shares for a total of € 59 million and 2,156,328 HAL Trust shares were issued as stock dividend.

On December 31, 2013, 71,619,234 HAL Trust shares were in issue (2012: 69,462,906).

On December 31, 2013, HAL Holding N.V. owned 66,289 HAL Trust shares (2012: 76,015).

The Trust Committee
HAL Trust Committee Ltd.

March 27, 2014

Report of the Board of Supervisory Directors of HAL Holding N.V.

The Board of Supervisory Directors ("the Board") supervises the Executive Board and provides advice to the general meeting of shareholders. In performing its task, the Board is guided by the interest of HAL Holding N.V. and its business.

On May 27, 2013 Mr. L.J. Hijmans van den Bergh was elected to the Supervisory Board. He succeeded Mr. P.J. Kalff who retired from the Supervisory Board as he had reached the statutory age limit. Also on May 27, 2013, the general meeting of shareholders reappointed Mr. M.P.M. de Raad as a member of the Board. On August 28, 2013 Mr. A.H. Land resigned from the Board for personal reasons. We are most grateful for Mr. Land's support and valuable contributions to the Company. At the end of 2013 the Board consisted of four members. Their names, nationality and other relevant information are mentioned on page 86.

The Board met during five regularly scheduled meetings which, with one exception, were attended by all Supervisory Directors.

The Executive Board provided the Board both written and verbal information. Based on this information, the status of the Company was discussed and evaluated. Among others, the following specific subjects were addressed during the meetings: the strategy, the budget, the development of the results, cash flow and liquidity, the quarterly, semi-annual and annual reports, the implications of IFRS 10 (see below), the remuneration policy, potential investments, the dividend policy, the risks associated with the Company and the design and implementation of the systems of internal control. With regard to the last mentioned topic, the Board was provided with the results of the risk management review in relation to the financial reporting of the Company, which was conducted during 2013. The results of this review were discussed with the Executive Board. For further information relating to this subject, we refer to the relevant paragraph in the report of the Executive Board on page 17.

The application of IFRS 10 will require the Company to consolidate the financial statements of Koninklijke Vopak N.V. and Safilo Group S.p.A. in its financial statements, effective January 1, 2014. The impact of this accounting standard was extensively discussed. The consolidation of Vopak and Safilo is not expected to have a significant effect on either the net asset value (based on the market value of the quoted associates) or the net income of the Company as from January 1, 2014. However, because consolidating Vopak and Safilo will significantly affect the financial statements of the Company, it is the intention of the Executive Board to also provide supplemental financial information where, consistent with the past, Vopak and Safilo are accounted for on an unconsolidated basis using the equity method. In this respect we also refer to the section relating to the consolidation of Vopak and Safilo in the paragraph administrative organization, risk management and financial reporting in the report of the Executive Board on page 17.

The Board has determined the variable compensation of the Executive Board. Further information with respect to the compensation of the Executive Board is included on page 68.

The remuneration per Board member for 2013, as determined by the General Meeting of Shareholders, amounted to € 80,000.

The Board had discussions with the external auditor during three meetings. Subjects for discussion were the financial statements, the report on the first half of 2013, impairment testing, the implications of IFRS 10 and the systems of administrative and internal controls, for financial reporting purposes.

The Board also met in the absence of the Executive Board to discuss, among other matters, the functioning and composition of the Board as well as the functioning of the Executive Board. All members of the Board, with one exception, were present during the Shareholders' meeting of HAL Trust on May 16, 2013 in Rotterdam.

The Board did not form any committees. Between Board meetings, the Chairman of the Board maintained more intensive contacts with the Chairman of the Executive Board. Individual members of the Board provided, between the meetings of the Board, their views on specific matters relevant to the Company.

The financial statements for 2013 were prepared by the Executive Board and discussed by the Board in the presence of the external auditor during a meeting on March 27, 2014.

After reviewing the unqualified opinion provided by PricewaterhouseCoopers Ltd., and the findings of the external auditor as summarized in a Report to the Board and the Executive Board, the financial statements were signed by all members of the Board. The Board approved the amounts reserved as proposed by the Executive Board.

The Board recommends that the Shareholders of HAL Trust instruct the Trustee to vote at the Annual Meeting of HAL Holding N.V., to be held on May 27, 2014, for the approval of the financial statements for 2013 as per the documents submitted and the proposed distribution of profits.

It should be noted that neither the Dutch Corporate Governance Code is applicable to HAL Holding N.V. because HAL Holding N.V. is not a Dutch company, nor are other Corporate Governance Codes applicable to HAL Holding N.V. Pages 83 through 85 of this report provide a description of HAL Holding N.V.'s corporate governance structure.

In accordance with the rotation schedule, Mr. L.J. Hijmans van den Bergh will resign this year. He is available for a new term. We propose that the Shareholders instruct the Trustee to vote at the Annual Meeting of HAL Holding N.V., to be held on May 27, 2014, for the re-election of Mr. Hijmans van den Bergh.

We also propose to the Shareholders to instruct the Trustee to vote at the Annual Meeting of HAL Holding N.V., to be held on May 27, 2014, to elect Mr. G.J. Wijers to the Supervisory Board in order to fill the vacancy caused by the resignation of Mr. A.H. Land. Information on Mr. Wijers is included on page 86.

On behalf of the Board of Supervisory Directors,
S.E. Eisma, *Chairman*

March 27, 2014

Report of the Executive Board HAL Holding N.V.

Introduction

Net income of HAL Holding N.V. for 2013 amounted to € 473 million (€ 6.70 per share) compared with € 409 million (€ 5.80 per share) for 2012.

The net asset value based on the market value of the quoted associates and the liquid portfolio and on the book value of the unquoted companies, increased by € 143 million in 2013 compared with an increase of € 1,329 million in 2012. After taking into account the cash portion of the 2012 dividend (€ 59 million) and the sale of treasury shares (€ 1 million), the net asset value on December 31, 2013 amounted to € 7,326 million (€ 102.38 per share) compared with € 7,241 million (€ 104.35 per share) on December 31, 2012. The net asset value as of December 31, 2012 was restated from € 7,255 million to € 7,241 million due to the application of IAS 19R, which resulted in a decrease of € 14 million.

The net asset value does not include the positive difference between estimated value and book value of the unquoted companies. This difference is calculated annually and, based on the principles and assumptions set out on pages 72 and 73 of this report, amounted to € 703 million (€ 9.82 per share) on December 31, 2013, compared to € 621 million (€ 8.95 per share) on December 31, 2012. On a comparable basis, estimated value increased by 6.5% (2012: 7.25%).

Dividend

The dividend policy is, barring unforeseen circumstances and provided sufficient liquid assets, to base the dividend on 4% of the volume weighted average share price of HAL Trust during December of the year prior to the year in which the dividend will be paid. Accordingly, the proposed dividend per share over 2013 amounts to € 4.10 (2012: € 3.90), payable in shares unless a shareholder expressly requests payment in cash.

Prospects

During the period from December 31, 2013 through March 21, 2014, the value of the ownership interests in quoted associates and the liquid portfolio decreased by € 325 million (€ 4.54 per share).

In view of the fact that a significant part of the Company's net income is determined by the results of the quoted associates and potential capital gains and losses, we do not express an expectation as to the net income for 2014.

Strategy

The Company's strategy is focused on acquiring and holding significant shareholdings in companies, with the objective of increasing long-term shareholders' value. When selecting investment candidates the Company emphasizes, in addition to investment and return criteria, the potential of playing an active role as a shareholder and/or board member. Given the emphasis on the longer term, the Company does not have a pre-determined investment horizon.

HAL also owns real estate. The real estate activities are concentrated in the greater Seattle metropolitan area with an emphasis on the development and rental of multi-family properties and office buildings.

Risks

There are a number of risks associated with this strategy and with its implementation. Financial risks are further described in the financial statements on pages 43 through 47.

Besides risks which are specific to individual companies (these risks are not managed by HAL Holding N.V., see page 17), important risk factors are summarized below.

Concentration risk
Concentration risk exists with respect to both the unquoted companies and the quoted associates.

Unquoted companies

Revenues for 2013 amounted to € 4,115 million. Optical retail activities represented 62% of this amount.
At the end of 2013 the book value of the investments in unquoted companies amounted to € 1,814 million (2012: € 1,812 million).
An estimate of value of these assets, based

on the principles and assumptions set out on pages 72 and 73 of this annual report, amounted to € 2,517 million (2012: € 2,433 million). Estimates of value can fluctuate significantly from year to year. In addition, values realized may be materially different from these estimates. The optical retail activities represented 68% (2012: 63%) of estimated value of the unquoted companies. Accordingly, there is concentration risk with respect to the optical retail industry. A decrease in revenues of the optical retail activities, for example due to an economic recession, may have a significant impact on the profitability of HAL.
A 10% decrease in these revenues could, everything else being equal, negatively affect the profit before tax by more than € 100 million.

Quoted associates

At the end of 2013 the stock market value of HAL's interests in quoted associates amounted to € 5.1 billion (2012: € 5.2 billion). This included Koninklijke Vopak N.V. (€ 2,628 million, 2012: € 3,297 million), Koninklijke Boskalis Westminster N.V. (€ 1,583 million, 2012: € 1,236 million), SBM Offshore N.V. (€ 416 million, 2012: € 264 million), and Safilo Group S.p.A. (€ 443 million, 2012: € 174 million). Changes in stock prices of these companies may have a significant effect on the net asset value of HAL.

Market value risk
In addition to the interests in quoted associates described above, at the end of 2013 HAL owned equities which are part of the liquid portfolio, for an amount of € 82 million (2012: € 89 million). The value of these assets can be subject to significant fluctuations as a result of the volatility of the stock markets. In 2013 share price developments of the quoted associates and the equities in the liquid portfolio had a positive effect, including dividends received, of € 40 million on the net asset value (2012: € 1,170 million). The change in market value (based on stock exchange prices) of the quoted associates where HAL's interest exceeds 20%, does not have an impact on the valuation in the financial statements as these assets are accounted for using the equity method.

Interest rate risk
Investments in fixed income instruments are exposed to fluctuations in interest rates. In view of the short duration of the Company's liquid assets, the interest rate risk is limited.
In addition, the risk of an increase in interest rates exists with respect to the Company's consolidated debt position. This debt position is, at the end of 2013, exclusively at the level of the consolidated subsidiaries. The potential impact is detailed in the financial statements on page 46. Of the € 1,211 million bank debt outstanding at the end of 2013 (2012: € 1,368 million), 70% (2012: 66%) was at fixed rates for an average period of 2.3 years (2012: 3.4 years).

Currency risk
The most important currency risk relates to currency translation risk as a result of the translation of (net) balance sheet positions from a foreign currency to the Euro. At the end of 2013 the unhedged exposure to currency translation risk, excluding the translation risk of associates and excluding the USD exposure with respect to the ordinary shares in SBM Offshore N.V., was € 917 million (2012: € 953 million). The largest currency exposure related to the U.S. dollar and amounted to € 190 million (2012: € 209 million). The potential impact is further detailed on page 45 of the financial statements.

Currency risk also exists with respect to the translation of the results of foreign currency operations. Changes in exchange rates compared with 2012 had a negative effect on revenues of € 45 million. The effect on operating income and net income was not significant.

Credit risk
HAL is subject to credit risk with respect to financial instruments and liquid assets. This is the risk that a counterparty is unable to comply with its contractual obligations. The Company generally only enters into transactions with counterparties that have a strong credit rating (S&P long term credit rating varying from A-1 to A-1+). At the end of 2013 the liquid assets (excluding equities) amounted to € 471 million (2012: € 311 million) of which € 219 million (2012: € 82 million) was part of the 'corporate' liquid portfolio. HAL also has counterparty risk as a result of derivative financial instruments (page 43).

Liquidity risk
Liquidity risk relates to situations where a company is unable to comply with its financial obligations. The financial liabilities mainly relate to the consolidated subsidiaries. The liquidity risk of the consolidated subsidiaries is detailed on page 44 of the financial statements. HAL Holding N.V had, at the end of 2013, committed revolving bank facilities of € 515 million with an average of 3.4 years remaining until maturity.

Acquisition risk
In the process of acquisitions, the Company makes hypotheses, assumptions and judgements about possible future events. Actual developments may turn out to be significantly different. In addition, errors of judgement in due diligence and contract negotiations, as well as non compliance with laws and regulations in the context of acquisitions, could result in (opportunity) losses and/or reputational damage for the Company.

Financial reporting risk
Although HAL's ownership interest in Koninklijke Vopak N.V. and Safilo Group S.p.A. is below 50%, IFRS requires these associates to be consolidated in the consolidated financial statements as of January 1, 2014 as HAL, in accordance with the provisions of IFRS 10, is deemed to have control over these two entities. The financial statements of both Vopak and Safilo are material to the financial statements of HAL. Vopak has agreed with HAL on certain procedures for the exchange of information which will allow HAL to comply with its consolidation requirement. A similar agreement is expected to be reached with Safilo. If however, for whatever reason, either Vopak or Safilo will not, or is not able to, provide HAL with this information, HAL may not be able to comply with its (statutory) obligations to prepare consolidated financial statements on a timely basis. In this respect we also refer to page 17.

Other
In addition to the above mentioned risk factors, it should be noted that the profitability and the net asset value of the Company are susceptible to economic downturns. Demand for the products and services of the subsidiaries and minority owned affiliates and/or their profitability may decline as a direct result of an economic recession, inflation, changes in the prices of raw materials, consumer confidence, interest rates or governmental (including fiscal) policies, legislation as well as geopolitical developments.

Acquisitions and divestitures

In January, HAL participated for its proportionate 33.9% share (€ 108.4 million) in a € 320 million capital increase of Koninklijke Boskalis Westminster N.V.

In March, the Company sold its 31.6% ownership interest including the preference shares in Dockwise Ltd. to Koninklijke Boskalis Westminster N.V. for a total consideration of € 273.7 million resulting in a capital gain of € 22 million.

In April, HAL participated for € 29.4 million in a rights issue of SBM Offshore N.V. which was underwritten by HAL. As a result of this rights issue HAL's interest in SBM Offshore N.V. increased from 13.3% to 13.5%.

In May, the € 68 million Senior 9⅝% Notes issued by Safilo Group S.p.A. were redeemed at par, resulting in a capital gain of € 26 million.

In 2013, GrandVision B.V. acquired optical retail companies and stores, primarily in the United Kingdom. The 2013 revenue of these acquisitions (on a full year basis) amounted to € 23 million.

Optical retail subsidiaries

At the end of 2013 HAL's optical retail subsidiaries were GrandVision B.V., Atasun Optik and Shanghai Red Star Optical Co.
At the end of 2013 the optical retail companies were active in 41 countries and operated 5,046 optical stores (2012: 4,920), including 1,132 franchise stores (2012: 1,104). At the end of 2013 the companies employed 23,175 people (in this report this represents FTE's). The total 2013 system wide sales (defined as sales including sales of franchise stores) amounted to € 2,980 million.

Revenues from the optical retail companies, as reported in the financial statements, amounted to € 2,531 million (2012: € 2,414 million), a 4.8% increase. Excluding the effects of acquisitions

(€ 87 million) and changes in currency exchange rates (negative € 36 million), revenues from the optical retail companies increased by € 66 million (2.7%). The 2013 same store sales (defined as the sales at constant currency exchange rates of those stores, excluding franchise stores, which were both on January 1, 2012 and on December 31, 2013 part of the store network), increased by 1.6% compared with a 2012 increase of 0.7%. Revenues increased also due to the opening of new stores in 2012 and 2013. The 2013 operating income (earnings before interest, exceptional and non-recurring items, taxes and amortization of intangible assets, but including amortization of software), of the optical retail companies amounted to € 271 million (2012: € 251 million). Operating income was negatively affected by losses in Spain, Greece and the emerging markets totalling € 24 million (2012: € 30 million).

GrandVision B.V. (98.7%), based at Amsterdam Airport Schiphol (the Netherlands), owns and operates optical retail chains in 39 countries. At the end of 2013 the Company operated 4,904 stores (2012: 4,787), of which 1,099 under franchise agreements (2012: 1,071). In addition, GrandVision has a 30% ownership interest in the Swiss optical retailer Visilab S.A. At the end of 2013, GrandVision employed 22,354 people. Revenues for 2013 amounted to € 2,479 million (2012: € 2,370 million), representing an increase of 4.6%. Excluding the effects of acquisitions (€ 87 million) and changes in currency exchange rates (negative € 32 million), revenues increased by € 54 million (2.3%). The 2013 same store sales increased by 1.4% (2012: 0.5%). Operating income amounted to € 274 million (2012: € 253 million).
HAL has had an ownership interest in GrandVision since 1996.

Atasun Optik (95%) is an Istanbul (Turkey) based optical retail company. At the end of 2013 the company operated 84 stores (2012: 68). Atasun employed 586 people at the end of 2013. Revenues for 2013 amounted to TRY 102 million (€ 40 million) compared with TRY 79 million (€ 34 million) for 2012, representing a 29% increase in local currency. Same store sales increased by 8.4% (2012: 15.9%). Operating income for 2013 decreased.
HAL has had an ownership interest in Atasun since 2007.

Shanghai Red Star Optical Co. Ltd (78%) operates an optical retail chain in Shanghai (China). At the end of 2013 the company operated 58 stores (2012: 65) of which 33 (2012: 33) under franchise contracts. Red Star employed 235 people at the end of 2013. Revenues for 2013 amounted to RMB 96 million (€ 12 million) compared with RMB 82 million (€ 10 million) for 2012, representing a 17% increase in local currency. Same store sales increased by 13.5% (2012: 3.3%). The operating income for 2013 improved, but was still negative.
HAL has had an ownership interest in Red Star since 2006.

Other unquoted subsidiaries

Broadview Holding B.V. (97.4%) is located in 's-Hertogenbosch (the Netherlands) and owns Trespa International B.V. and Arpa Industriale S.p.A. In 2012 Broadview acquired the shares of Intersafe Trust from HAL. Trespa is located in Weert (the Netherlands) and produces High-Pressure Laminate (HPL) products, mainly for exterior applications. Arpa also produces HPL-products, mainly for interior applications, and is located in Bra (Italy). Intersafe is a distributor of personal protection equipment such as safety clothing, shoes and gloves for factory workers and is located in Dordrecht (the Netherlands). Groeneveld Elcea B.V. and De Vlamboog B.V. were also part of the Intersafe Trust group of companies. Groeneveld Elcea produces and distributes hearing protection equipment. De Vlamboog is a distributor of products for the welding industry. At the end of 2013 Broadview employed 1,449 people. Revenues amounted to € 371 million (2012: € 379 million), a decrease of 2%. The operating income amounted to € 30 million (2012: € 30 million).
HAL has had an ownership interest in Broadview since 1996.

AudioNova International B.V. (96.3%) is a Rotterdam (the Netherlands) based retail company that sells hearing aids via its European subsidiaries. At the end of 2013 the company employed 2,786 people and operated 1,272 stores (2012: 1,221) in twelve European countries. Revenues for 2013 amounted to € 307 million (2012: € 344 million), a decrease of 11%. Excluding acquisitions and changes in currency exchange rates, revenues decreased by € 40 million (12%). The same store sales

decreased by 14.7% (2012: increase of 2.7%). Operating income amounted to € 9 million (2012: € 40 million). The decrease in revenues and profitability is primarily due to changes in the reimbursement schemes in the Netherlands and Denmark. The decrease in 2013 was amplified by a significant increase in sales in December 2012 when consumers purchased hearing aids in anticipation of the (unfavourable) changes in reimbursement schemes effective January 1, 2013. HAL's ownership interest in AudioNova increased in 2013 due to the purchase of shares from management.
HAL has had an ownership interest in AudioNova since 2001.

PontMeyer N.V. (68%) located in Zaandam (the Netherlands), is one of the country's leading suppliers of timber products and building materials used for new construction, renovations and maintenance. The company has 49 outlets throughout the Netherlands and 675 employees at the end of 2013. Revenues for 2013 amounted to € 264 million (2012: € 278 million), a decrease of 5%. This was due to a continuing decrease in demand for timber products as a result of low activity in the Dutch construction industry. The operating income amounted to € 2 million (2012: € 0.2 million).
HAL has had an ownership interest in PontMeyer since 1999.

Koninklijke Ahrend N.V. (92.6%) is based in Amsterdam (the Netherlands) and employed 1,104 people at the end of 2013. The company is active in the office furniture industry in the Benelux, Central and Eastern Europe, Germany, the United Kingdom, Spain, Russia, the United States and the United Arab Emirates. Revenues for 2013 amounted to € 190 million (2012: € 194 million), a decrease of 2%. The operating income was at the same level as in 2012 (negative € 2 million).
HAL has had an ownership interest in Ahrend since 2001.

Anthony Veder Group N.V. (62.9%) is a Rotterdam (the Netherlands) based shipping company which, at the end of 2013 had 662 employees and operated 27 gas tankers (2012: 25), of which 18 (2012: 16) were (partially) owned. In addition, at the end of 2013, two ethylene/LPG tankers were under construction.

Anthony Veder provides the commercial and technical management of four gas tankers (book value € 89 million) which are the property of companies in which HAL owns 99.9% of the shares. Anthony Veder has the option to acquire these shares in 2015. Revenues for 2013 amounted to $ 171 million (€ 124 million) compared to $146 million (€ 111 million) for the year before, an increase of 17% in USD which is due to a higher number of ships. Operating income amounted to $ 14 million (€ 10 million) compared to $ 8 million (€ 6 million) for 2012. HAL's ownership interest in Anthony Veder decreased in 2013 due to the sale of shares to management.
HAL has had an ownership interest in Anthony Veder since 1991.

Orthopedie Investments Europe B.V. (100%) manufactures and sells orthopaedic devices and is located in Haarlem (the Netherlands). The company is active in the Netherlands (Livit B.V.) and Germany (Auxilium GmbH). Livit operates a network of 32 specialised care centres and a large number of fitting locations throughout the country. Auxilium, based in Essen (Germany), is the holding company of a number of German companies (including Luttermann GmbH) active in the manufacturing and sale of medical aids. At the end of 2013, Livit and Auxilium had, in aggregate, 1,098 employees. Revenues for 2013 amounted to € 117 million (2012: € 101 million), an increase of 16%. This increase is primarily due to the consolidation of Auxilium in 2012. On a comparable basis revenues decreased by 4%, due to lower sales in the Netherlands. The operating income, on a comparable basis, also decreased.
HAL has had an ownership interest in the company since 2007.

FD Mediagroep B.V. (100%) is located in Amsterdam (the Netherlands) and publishes the Dutch financial newspaper "Het Financieele Dagblad". FD Mediagroep also operates the radio station "BNR Nieuwsradio" and internet sites (fd.nl, BNR.nl and fondsnieuws.nl). In 2012 the company acquired Company.info and a 50% interest in Redactiepartners.
Company.info owns an on-line data base with information on Dutch companies. Redactiepartners supports companies with their internal and external communications. The company employed 267 people at the end of 2013. Revenues of FD Mediagroep for 2013 amounted to € 60 million (2012: € 59 million), an increase of 2%. Excluding the effect of the

2012 acquisitions revenues decreased by € 4 million (7%). Operating income also decreased. HAL's ownership interest in FD Mediagroep increased in 2013 due to the purchase of shares from management.
HAL has had an ownership interest in FD Mediagroep since 1997.

Mercurius Groep Holding B.V. (100%) is the parent company of an international group of communication companies based in Westzaan (the Netherlands) and, at the end of 2013, employed 384 people. The company has two operating subsidiaries: Mercurius Media Groep and Imprima. Mercurius provides, under the brand name Floramedia, horticultural communication products and services to growers, garden centers and retailers. The company uses a library which contains more than 210,000 images of plants, seeds and trees. Imprima is active in financial communication and provides access to virtual data rooms as well as services relating to the production of prospectuses for capital market transactions. Revenues of Mercurius Groep for 2013 amounted to € 58 million (2012: € 74 million), a decrease of € 16 million (22%). This decrease was for € 7 million the result of the sale of the printing activities in 2012 and the discontinuation in 2013 of the sale of announcement cards (under the brand name Belarto) in France and in Spain. The remainder of the decrease was due to lower revenues at both Mercurius Media Groep and Imprima. The operating income was at the same level as the year before.
HAL has had an ownership interest in Mercurius since 1999.

InVesting B.V. (67.9%), located in Hilversum (the Netherlands), is a company with a focus on the purchase of bad debt portfolios for its own account, and credit management. In 2013 the Company acquired Focum, a Dutch company that provides data-based services for marketing and credit management purposes. At the end of 2013 InVesting employed 429 people. Revenues for 2013 amounted to € 53 million (2012: € 58 million), a decrease of € 5 million (9%). Adjusted for deconsolidations in 2012 and the acquisition of Focum, revenues decreased by € 2 million (3%). This decrease is primarily the result of lower revenues from the collection activities. The operating income was at the same level as the year before.
HAL has had an ownership interest in InVesting since 2006.

Sports Timing Holding B.V. (95%), located in Haarlem (the Netherlands), operates under the MYLAPS brand and is active in the development and production of identification and timing equipment for sports events. The company employed 114 people at the end of 2013. Revenues for 2013 amounted to € 24 million (2012: € 24 million). Operating income for 2013 was on the same level as the year before.
HAL has had an ownership interest in the company since 1998.

Flight Simulation Company B.V. (70%) is based at Amsterdam Airport Schiphol (the Netherlands) and provides training for pilots using full flight simulators. At the end of 2013 the company operated 11 simulators and employed 43 people. Revenues for 2013 amounted to € 15 million (2012: € 14 million). Operating income also increased.
HAL has had an ownership interest in Flight Simulation Company since 2006.

Unquoted non-controlling interests

Gispen Group B.V. (49%), located in Culemborg (the Netherlands), produces and sells office furniture. The company has operations in the Netherlands, Belgium and China. Revenues for 2013 amounted to € 57 million (2012: € 70 million).
HAL has had an ownership interest in Gispen since 2010.

N.V. Nationale Borg-Maatschappij (46.7%) is an Amsterdam (the Netherlands) based insurance company that specializes in bank guarantees, the reinsurance of bank guarantees and credit insurance. The company operates in the Netherlands, Curaçao and Belgium and has an A-/stable rating from Standard & Poor's (June 2013). Total net premium revenue for 2013 amounted to € 79 million (2012: € 76 million). Net income for 2013 amounted to € 9 million (2012: € 10 million).
HAL has had an ownership interest in Nationale Borg-Maatschappij since 2007.

Atlas Services Group Holding B.V. (45%), located in Hoofddorp (the Netherlands), specializes in supplying professional staff to the energy and maritime industries worldwide.

Revenues for 2013 amounted to € 180 million (2012: € 164 million). This increase was primarily due to acquisitions in 2012 and 2013. On a comparable basis, revenues decreased by 7%. Operating income for 2013 amounted to € 9 million (2012: € 8 million).
HAL has had an ownership interest in Atlas since 2011.

Private equity partnerships
At the end of 2013 HAL had investments in six private equity partnerships. These partnerships are managed by Navis Capital Partners Ltd. ("Navis"), in which HAL has a 25% ownership interest. The total book value of the investments amounted to € 57 million (2012: € 63 million). At the end of 2013 the partnerships managed by Navis had approximately € 1.8 billion invested in a portfolio of companies, located in South-East Asia, China, India and Australia.
HAL has had an ownership interest in Navis since 1999.

Publicly traded associates

HAL has ownership interests in the following quoted associates:

Koninklijke Vopak N.V. (48.2%) is the world's largest independent liquid bulk tank storage provider by capacity, specializing in the storage and handling of oil products, liquid chemicals, and gases. The company operates 77 terminals with a combined storage capacity of more than 30 million cubic meters in 29 countries. At the end of 2013 the company had 4,010 employees. The company is listed on NYSE Euronext in Amsterdam and had a market value at the end of 2013 of approximately € 5.4 billion. On December 31, 2013, HAL owned 48.2% of the common shares and 13.6% of the preferred shares. Revenues for 2013 amounted to € 1,295 million (2012: € 1,314 million). Net income for holders of ordinary shares amounted to € 312.7 million (2012: € 324.9 million).
HAL has had an ownership interest in Vopak since 1999.

For additional information on Vopak please refer to the company's annual report and its website www.vopak.com.

Safilo Group S.p.A. (41.9%) is a Padua (Italy) based manufacturer and distributor of optical frames and sunglasses. The company is listed on the Milan stock exchange and had a market value of approximately € 1.1 billion at the end of 2013. Safilo had 8,053 employees at the end of 2013. Revenues for 2013 amounted to € 1,122 million (2012: € 1,175 million). Net income amounted to € 15.5 million (2012: € 25.9 million).
HAL has had an ownership interest in Safilo since 2005.

For additional information on Safilo please refer to the company's annual report and its website www.safilo.com.

Koninklijke Boskalis Westminster N.V. (34.3%) is a leading global maritime services company operating in the dredging, offshore energy and inland infra sectors. Boskalis is also active in towage and salvage. The company has more than 11,000 employees (including its share in partner companies) and operates in over 75 countries across six continents. The fleet of Boskalis consists of over 1,100 vessels and equipment. The company is listed on NYSE Euronext in Amsterdam and had a market value at the end of 2013 of approximately € 4.6 billion. Revenues for 2013 amounted to € 3,539 million (2012: € 3,081 million). Net income for 2013 amounted to € 366 million (2012: € 249 million). At the end of 2013 the order book of the company amounted to € 4,005 million compared to € 4,106 million at the end of 2012.
HAL has had an ownership interest in Boskalis since 1989.

For additional information on Boskalis please refer to the company's annual report and its website www.boskalis.com.

SBM Offshore N.V. (13.5%) provides floating production solutions to the offshore energy industry. Its main activities are the design, supply, installation, operation and the life extension of Floating Production, Storage and Offloading (FPSO) vessels. The company employs more than 9,600 people. SBM Offshore is listed on NYSE Euronext in Amsterdam and, at the end of 2013, had a market value of approximately € 3.1 billion. Revenues for 2013 amounted to $ 4,803 million (€ 3,483 million) compared with $ 3,639 million (€ 2,757 million) for 2012. Net income for 2013 amounted to $ 111 million (€ 81 million) compared to a loss of $ 79 million (€ 60 million) for 2012. At the end of 2013 the order book of the company amounted to $ 19.7 billion (€ 14.3 billion)

compared to $ 14.5 billion (€ 11 billion) at the end of 2012.
HAL has had an ownership interest in SBM Offshore since 2012.

For additional information on SBM Offshore please refer to the company's annual report and its website www.sbmoffshore.com.

Real estate

At year end 2013 the Company's real estate assets consisted of an office property in the Seattle area with a total of 407,000 square feet of rentable space and one development parcel. Their book value at the end of 2013 amounted to € 32 million. In 2013 three development parcels, totalling 126,000 square feet of land, were sold, resulting in a total pre-tax capital gain of € 9 million.
With respect to estimated value of the real estate portfolio, reference is made to page 48 of the financial statements.

Liquid portfolio

The corporate liquid portfolio increased in 2013 by € 130 million to € 301 million. This increase was primarily due to the proceeds from the sale of HAL's ownership interest in Dockwise Ltd. (€ 274 million), principal repayments on shareholder loans (€ 75 million), the redemption of Senior Notes issued by Safilo Group S.p.A. (€ 68 million) and dividend from Koninklijke Vopak N.V. (€ 55 million). The corporate liquid portfolio decreased due to investments in quoted associates (€ 138 million), repayment of corporate debt (€ 141 million) and the payment of the cash portion of the 2012 dividend (€ 59 million). On December 31, 2013, the liquid portfolio consisted for 73% (2012: 48%) of cash balances amounting to € 219 million (2012: € 82 million), and for 27% (2012: 52%) of equities, for an amount of € 82 million (2012: € 89 million). The cash balances provided a return of 0.1% (2012: 0.3%). The duration of this portfolio at the end of 2013 was less than one month. The equity portfolio provided a return of 18% (2012: 8%).

Results

Revenues for 2013 amounted to € 4,115 million (2012: € 4,049 million), an increase of € 66 million (1.6%). Excluding the effect of acquisitions, deconsolidations and changes in currency exchange rates, revenues increased by € 6 million (0.2%). Revenues from the optical retail companies amounted to € 2,531 million (2012: € 2,414 million), an increase of € 117 million (4.8%). Excluding the effects of acquisitions (€ 87 million) and changes in currency exchange rates (negative € 36 million), revenues from the optical retail companies increased by € 66 million (2.7%). Revenues for 2013 from the other unquoted subsidiaries amounted to € 1,584 million (2012: € 1,635 million), a decrease of € 51 million (3.1%). Excluding the effect of acquisitions/deconsolidations (€ 18 million) and changes in currency exchange rates (negative € 9 million), revenues from the other unquoted subsidiaries decreased by € 60 million (3.7%). This decrease was primarily a result of lower sales at AudioNova International and PontMeyer. Operating income from the other unquoted subsidiaries amounted to € 77 million (2012: € 101 million). This decrease was primarily a result of lower operating income of AudioNova International.

Income from marketable securities and deposits increased by € 10 million to € 16 million primarily due to higher capital gains on the sale of equities.

Income from associates increased by € 44 million to € 311 million due to higher earnings from Koninklijke Boskalis Westminster N.V. and a capital gain of € 22 million on the sale of the 31.6% ownership interest in Dockwise Ltd.

Income from other financial assets increased by € 23 million to € 36 million, primarily due to a capital gain of € 26 million on the redemption at par of the € 68 million Senior 9⅝% Notes issued by Safilo Group S.p.A.

Income from real estate activities decreased by € 26 million to € 12 million due to lower capital gains.

The results for 2013 include exceptional and non recurring costs of € 17 million (2012: € 27

million). These relate mainly to restructuring costs.

Administrative organization, risk management systems and financial reporting

The administrative procedures, the risk management and internal control systems associated with the Company's strategy and its implementation, the financial reporting and compliance are all designed to provide a reasonable degree of assurance that significant risk factors are identified, their development is monitored and, where appropriate, action is taken on a timely basis. (See also the paragraph Risks on page 9.) The Board of Supervisory Directors is regularly informed about these matters.

The companies in which HAL has interests differ in industry, size, culture, geographical diversity and stage of development. Each company is subject to specific risks relating to strategy, operations, finance and (fiscal) legislation. HAL has therefore chosen not to institute a centralized management approach and not to develop a central risk management system. Each investee company has its own financial structure and is responsible for evaluating and managing its own risks. The companies generally have a supervisory board of which the majority of members are not affiliated with HAL. This corporate governance structure allows the operating companies to fully concentrate on developments which are relevant to them and to assess which risks to accept and which risks to avoid. Accordingly, in addition to risks associated with HAL's strategy and its implementation as described above, there are specific risk factors associated with each individual investee company. It is the responsibility of each investee company to evaluate these risks. These risks are therefore not managed by HAL.

HAL has a management reporting system to monitor its performance as well as that of its unquoted consolidated companies on a monthly basis. This system comprises a set of tools including portfolio analysis, budgeting and the reporting of actual as well as projected results, balance sheet and cash flow information and operational performance indices. In addition, management of the individual consolidated companies provide internal letters of representation with respect to the half-year and year-end financial statements.

HAL's objective is, in the context of the inherent limitations of the decentralized management approach described above, that its internal and external financial reporting is complete, accurate, valid and timely. Financial reporting risk can be defined as any event that impedes HAL to achieve its financial reporting objectives. Although HAL is aware that no risk management and internal control system can provide absolute assurance that its objectives will be achieved or that errors, losses, fraud or the violation of laws and regulations, human errors and mistakes will be prevented, the Company aims to further improve its risk management and internal control systems. In this context the risk management and internal control systems with respect to financial reporting were again reviewed during 2013. For the most important financial processes (financial reporting and consolidation, information technology, treasury, taxation and entity level controls), risks were identified as well as the control measures designed to mitigate these risks. These controls were also tested in order to conclude on their operating effectiveness during the year. Several improvements to the risk management systems were implemented during 2013. The risk management review did not cover the key financial processes of HAL's investee companies for the reasons described above. The risk management and internal control systems, as well as plans for further improvements, were discussed with the Board of Supervisory Directors.

Although HAL's ownership interest in Koninklijke Vopak N.V. and Safilo Group S.p.A. is below 50%, IFRS requires these associates to be consolidated in the consolidated financial statements as of January 1, 2014 as HAL is deemed to have control, as defined in IFRS 10, over these two entities. Vopak and Safilo are both publicly traded companies. Whereas HAL has board representation and, accordingly, may be considered to have significant influence over these associates, in the past neither operational nor strategic control was exercised. Moreover, Vopak and Safilo are, for example, not part of the above mentioned management reporting system which monitors the performance of the consolidated companies on a monthly basis. In

addition, in view of its minority interest, the Company has no formal instruction rights with respect to Vopak and Safilo. HAL will therefore continue to include the results of Vopak and Safilo in the segment “quoted minority interests”. The Company has entered into a Memorandum of Understanding with Vopak with respect to confidentiality, the process of exchanging information and visitation rights to the audit committee meetings of Vopak for an independent financial expert on behalf of HAL. A similar Memorandum is expected to be signed with Safilo. This should allow HAL, as from 2014, to comply with IFRS and prepare consolidated financial statements which include the (audited) financial statements of Vopak and Safilo. However, HAL does not have access to the financial books and records, contracts and related information of Vopak and Safilo in order to independently verify that these financial statements are complete, valid and accurate. The Chairman and the other member of the Executive Board of the Company are members of, respectively, the Supervisory Board of Koninklijke Vopak N.V. and the Board of Safilo Group S.p.A. The information they obtain in this capacity can not be used for the preparation of the consolidated financial statements of the Company in order to preserve confidentiality and to allow Vopak and Safilo to operate independently from the Company. Accordingly, the risk management and internal control systems of HAL with respect to financial reporting risks are not designed and are not able to provide assurance that the information relating to quoted associates in the Company’s consolidated financial statements does not contain material errors due to the inherent limitations described above. The assessment that the Company’s financial statements do not contain material errors attributable to the financial statements of Vopak and/or Safilo, will be based on the external audit of these companies and the involvement of the independent financial expert referred to above. Vopak and Safilo both have included a description of their risks and risk management system in their respective annual reports. These risks are neither monitored nor managed by HAL.

In view of the fact that consolidating Vopak and Safilo will significantly affect the financial statements of the Company, it is the current intention to also provide, as from 2014, supplemental financial information where, consistent with the past, Vopak and Safilo are accounted for on an unconsolidated basis using the equity method.

Accordingly, based on the above and taking into account the inherent limitations referred to above, we are of the opinion that the risk management and internal control systems with respect to financial reporting of HAL Holding N.V. provide reasonable assurance that the financial reporting does not contain material inaccuracies and that these systems operated properly during 2013 and we declare that, to the best of our knowledge:
1º. the financial statements give a true and fair view of the assets, liabilities, financial position and profit for the year of the consolidated entities taken as a whole;
2º. the report of the Executive Board gives a true and fair view of the situation as of the statement of financial position date and the developments during the year of the entities included in the financial statements taken as a whole, and
3º. that this report includes a description of the principal risks HAL Holding N.V. is facing.

Executive Board HAL Holding N.V.

M. van der Vorm (*Chairman*)
M.F. Groot

March 27, 2014

Financial Statements
HAL Trust

Consolidated Statement of Financial Position

As of December 31

In millions of euro	*Notes*	**2013**	2012*	January 1, 2012*
Assets				
Non-current assets:				
Property, plant and equipment	1	**969.0**	908.1	828.7
Investment properties	2	**32.2**	40.5	79.9
Intangible assets	3	**1,862.0**	1,939.4	1,862.5
Investments in associates	5	**2,146.0**	1,841.0	1,725.9
Other financial assets	6	**520.2**	375.5	225.2
Pension benefits	14	**75.7**	65.0	53.0
Deferred tax assets	17	**76.1**	56.8	50.2
Total non-current assets		**5,681.2**	5,226.3	4,825.4
Current assets:				
Other current assets	10	**193.1**	239.0	209.2
Other financial assets	6	**-**	69.6	-
Inventories	9	**356.8**	353.9	355.4
Receivables	8	**339.7**	374.6	399.3
Marketable securities and deposits	7	**81.8**	88.9	97.2
Cash and cash equivalents		**471.2**	311.2	644.7
Total current assets		**1,442.6**	1,437.2	1,705.8
Assets held for sale	11	**-**	230.7	-
Total assets		**7,123.8**	6,894.2	6,531.2
Equity and liabilities				
Share capital	12	**1.4**	1.4	1.3
Other reserves		**91.7**	66.3	91.4
Retained earnings		**4,547.6**	4,085.6	3,820.2
Equity attributable to the owners of parent		**4,640.7**	4,153.3	3,912.9
Non-controlling interest		**49.5**	53.4	51.6
Total equity		**4,690.2**	4,206.7	3,964.5
Non-current liabilities:				
Deferred tax liabilities	17	**136.3**	151.0	139.8
Pension benefits	14	**72.6**	73.9	60.0
Provisions	13	**36.4**	32.6	22.1
Long-term debt and other financial liabilities	16	**1,076.7**	1,132.5	1,150.8
Total non-current liabilities		**1,322.0**	1,390.0	1,372.7
Current liabilities:				
Provisions	13	**27.5**	33.8	31.2
Accrued expenses	15	**519.6**	531.6	490.7
Income tax payable		**34.0**	40.2	31.7
Accounts payable		**238.0**	261.1	290.5
Short-term debt and other financial liabilities	16	**292.5**	430.8	349.9
Total current liabilities		**1,111.6**	1,297.5	1,194.0
Total equity and liabilities		**7,123.8**	6,894.2	6,531.2

* Restated for IAS 19R – see page 27

The notes on pages 48 to 73 form an integral part of the consolidated financial statements.

Consolidated Statement of Income

For the year ended December 31

In millions of euro	*Notes*	**2013**	2012*
Revenues	18	**4,114.7**	4,048.9
Income from marketable securities and deposits	19	**15.5**	5.8
Share of profit/(loss) of associates	20	**310.6**	266.8
Income from other financial assets	21	**36.1**	13.3
Income from real estate activities	22	**12.2**	38.6
Total income		**4,489.1**	4,373.4
Usage of raw materials, consumables and other inventory		**1,320.9**	1,304.8
Employee expenses	23	**1,301.9**	1,258.4
Depreciation of property, plant, equipment and investment properties	1, 2	**161.8**	155.2
Amortization and impairments of intangible assets	3	**109.1**	70.3
Other operating expenses	24	**1,027.2**	1,039.6
Total expenses		**3,920.9**	3,828.3
Operating profit		**568.2**	545.1
Financial expense		**(60.6)**	(62.4)
Other financial income	25	**11.4**	12.3
Profit before income tax		**519.0**	495.0
Income tax expense	26	**(46.2)**	(86.5)
Net profit		**472.8**	408.5
Attributable to:			
Owners of parent		**472.8**	409.3
Non-controlling interest		**-**	(0.8)
		472.8	408.5
Average number of outstanding Shares *(in thousands)*	27	**70,545**	68,402
Earnings per Share for profit attributable to the owners of parent during the year *(in euro's per share)*			
- basic and diluted		**6.70**	5.80
Dividend per Share (in euro)		**4.10* ***	3.90

* Restated – see pages 27 and 63
** Proposed

The notes on pages 48 to 73 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31

In millions of euro	**2013**	2012*
Net profit	**472.8**	408.5
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Actuarial result on post employment benefit obligations including net of tax share of associates	**48.7**	(95.0)
Income tax	**(3.6)**	1.9
	45.1	(93.1)
Items that may be reclassified to profit and loss		
Change in fair value of available-for-sale financial assets	**98.0**	36.6
Effective portion of hedging instruments including net of tax share of associates	**30.8**	(40.9)
Income tax	**(2.2)**	2.3
Translation of foreign subsidiaries including net of tax share of other comprehensive income of associates	**(102.9)**	(23.1)
	23.7	(25.1)
Other comprehensive income for the year, net of tax	**68.8**	(118.2)
Total comprehensive income for the year, net of tax	**541.6**	290.3
Total comprehensive income attributable to:		
- Owners of parent	**544.3**	291.2
- Non-controlling interest	**(2.7)**	(0.9)
	541.6	290.3

Taxes recognized in other comprehensive income are disclosed in note 26.

* Restated for IAS 19R – see page 27

The notes on pages 48 to 73 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

In millions of euro	Attributable to owners of parent					
	Share capital	Retained earnings	Other reserves	Total	Non-controlling interest	**Total equity***
Balance on January 1, 2012	1.3	3,877.2	91.4	3,969.9	51.6	**4,021.5**
Restatement as a result of the implementation of IAS 19R (net of tax)	-	(57.0)	-	(57.0)	-	**(57.0)**
Restated balance on January 1, 2012	1.3	3,820.2	91.4	3,912.9	51.6	**3,964.5**
Net profit for the year	-	409.3	-	409.3	(0.8)	**408.5**
Other comprehensive income for the year	-	(93.1)	(25.0)	(118.1)	(0.1)	**(118.2)**
Total comprehensive income for the year	-	316.2	(25.0)	291.2	(0.9)	**290.3**
Acquisitions, disposals and reclassifications	-	0.8	-	0.8	2.7	**3.5**
Treasury shares	-	0.7	-	0.7	-	**0.7**
Dividend paid	0.1	(52.3)	(0.1)	(52.3)	-	**(52.3)**
Transactions with owners of the Company recognized directly in equity	0.1	(50.8)	(0.1)	(50.8)	2.7	**(48.1)**
Balance on December 31, 2012	1.4	4,085.6	66.3	4,153.3	53.4	**4,206.7**
Balance on January 1, 2013	1.4	4,085.6	66.3	4,153.3	53.4	**4,206.7**
Net profit for the year	-	472.8	-	472.8	-	**472.8**
Other comprehensive income for the year	-	46.1	25.4	71.5	(2.7)	**68.8**
Total comprehensive income for the year	-	518.9	25.4	544.3	(2.7)	**541.6**
Acquisitions, disposals and reclassifications	-	0.9	-	0.9	(1.2)	**(0.3)**
Treasury shares	-	1.2	-	1.2	-	**1.2**
Dividend paid	-	(59.0)	-	(59.0)	-	**(59.0)**
Transactions with owners of the Company recognized directly in equity	-	(56.9)	-	(56.9)	(1.2)	**(58.1)**
Balance on December 31, 2013	1.4	4,547.6	91.7	4,640.7	49.5	**4,690.2**

* Restated for IAS 19R – see page 27

The notes on pages 48 to 73 form an integral part of the consolidated financial statements.

Other reserves

In millions of euro	Cumulative valuation reserve	Cash flow hedge reserve	Cumulative currency translation reserve	Other	Total other reserves
Balance on January 1, 2012	22.3	(50.2)	119.8	(0.5)	**91.4**
Change in fair value of financial assets available-for-sale	36.6	-	-	-	**36.6**
Translation of foreign subsidiaries including share of other comprehensive income of associates	-	-	(23.1)	-	**(23.1)**
Effective portion of hedging instruments including share of associates	-	(38.5)	-	-	**(38.5)**
Dividend paid	-	-	-	(0.1)	**(0.1)**
Balance on December 31, 2012	58.9	(88.7)	96.7	(0.6)	**66.3**
Balance on January 1, 2013	58.9	(88.7)	96.7	(0.6)	**66.3**
Change in fair value of financial assets available-for-sale	98.0	-	-	-	**98.0**
Translation of foreign subsidiaries including share of other comprehensive income of associates	-	-	(100.6)	-	**(100.6)**
Effective portion of hedging instruments including share of associates	-	28.0	-	-	**28.0**
Other	0.3	-	(0.2)	(0.1)	**-**
Balance on December 31, 2013	157.2	(60.7)	(4.1)	(0.7)	**91.7**

The notes on pages 48 to 73 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

In millions of euro	*Notes*	**2013**	2012*
Cash flows from operating activities:			
Profit before taxes		**519.0**	495.0
Depreciation	1, 2	**161.8**	155.2
Amortization and impairments	3	**109.1**	70.3
Profit on sale of property, plant, equipment and investment properties	22	**(8.8)**	(31.1)
Profit on sale of other financial assets and marketable securities	19, 20, 21	**(63.7)**	(10.5)
Share of profit/(loss) of associates	5, 20	**(288.5)**	(266.8)
Net financial expense		**49.2**	50.1
Other movements in provisions and pension benefits		**1.0**	0.2
Dividend from associates	5	**62.5**	60.5
Changes in working capital	28	**22.1**	22.4
Cash generated from operations		**563.7**	545.3
Other financial income received		**8.2**	11.6
Finance costs paid, including effect of hedging		**(50.0)**	(51.7)
Income taxes paid		**(70.5)**	(71.2)
Net cash from operating activities		**451.4**	434.0
Cash flows from investing activities:			
Acquisition of associates and subsidiaries, net of cash acquired	4	**(142.6)**	(280.0)
Purchases of other intangibles	3	**(27.9)**	(23.9)
Purchase of property, plant, equipment and investment properties	1, 2	**(255.4)**	(200.0)
Divestiture of associates and subsidiaries	5	**14.7**	9.5
Proceeds from (acquisition of) other financial assets	6	**46.5**	(291.9)
Proceeds from (acquisition of) non-controlling interest		**-**	(6.9)
Proceeds from sale of property, plant, equipment and investment properties		**31.8**	94.1
Proceed from assets and liabilities held for sale	11	**273.7**	-
Proceed from marketable securities and deposits, net		**31.6**	19.4
Net cash from investing activities		**(27.6)**	(679.7)
Cash flows from financing activities:			
Borrowing (repayment) of debt and other financial liabilities		**(204.5)**	(35.8)
Treasury shares		**1.2**	0.7
Dividend paid		**(59.0)**	(52.3)
Net cash from financing activities		**(262.3)**	(87.4)
Increase in cash and cash equivalents		**161.5**	(333.1)
Cash and cash equivalents at beginning of year		**311.2**	644.7
Effects of exchange rate changes		**(1.5)**	(0.4)
Cash and cash equivalents retranslated at beginning of year		**309.7**	644.3
Net increase (decrease) in cash and cash equivalents		**161.5**	(333.1)
Cash and cash equivalents at end of year		**471.2**	311.2

* Restated for IAS 19R – see page 27

The notes on pages 48 to 73 form an integral part of the consolidated financial statements.

General

The consolidated financial statements presented are those of HAL Trust ('the Trust'), a Bermuda trust formed in 1977, and its subsidiaries as well as the interests in associates and jointly controlled entities. HAL Trust shares are listed and traded on NYSE Euronext in Amsterdam.

For the years presented, the Trust's only asset was all outstanding shares of HAL Holding N.V. ('the Company'), a Curaçao corporation.

The principal accounting policies adopted by the Company in the preparation of its consolidated financial statements, which are unchanged compared to last year except as noted below, are as follows:

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and were authorized for issue on March 27, 2014.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated in the accounting policies below.

Use of estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results ultimately may differ from those estimates. Accordingly, it is reasonably possible that outcomes within the next financial year that are different from the assumptions could have an impact on the carrying amount of the asset or liability affected.

This applies specifically to pensions, purchase price allocations, provisions, taxation, impairment of equity securities, goodwill and other intangibles. The Company tests at least annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use and fair value less costs to sell calculations. These calculations require the use of estimates.

We refer more specifically to the note on intangible assets on page 49 and on the financial risk management paragraph on page 43 for the impact of changes in assumptions.

Significant judgment is required in determining the worldwide provision for income taxes also because the subsidiaries are subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Liabilities are recognized 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 in which such determination is made.

New standards, interpretations and amendments adopted

The accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements as of and for the year ended December 31, 2012 except for the adoption of new standards and interpretations effective as of January 1, 2013. Certain (revised) standards and amendments required restatement of previous financial statements. These include IAS 19 (revised 2011) *Employee Benefits,* and amendments to IAS 1 *Presentation of Financial Statements*. The new standard IFRS 13 *Fair Value Measurement* is applied prospectively starting from January 1, 2013. Other new standards and amendments also apply for the first time in 2013. However, they do not significantly impact the consolidated financial statements. The nature and impact of each new standard/amendment is described below.

– Amendments to IAS 1, Presentation of Financial Statements are effective as from January 1, 2013. The main change was a requirement to group items in other comprehensive income on the basis whether

they could potentially be reclassified (or recycled) to profit or loss at a future point in time separately from items that will never be reclassified to profit or loss.

– The revised IAS 19 is effective as from January 1, 2013. The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also removes the option to apply the corridor method and requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on assets. In accordance with IAS 8 the financial statements as of December 31, 2012 were restated. The effect of the restatement is set out below (in millions of euro).

Impact on statement of financial position

	Dec 31 2012	Effect of IAS 19R	Restated Dec 31 2012
Investments in associates	1,973.7	(132.7)	1,841.0
Deferred tax assets	49.9	6.9	56.8
Pension benefits	82.4	(17.4)	65.0
Total non-current assets	5,369.5	(143.2)	5,226.3
Total assets	7,037.4	(143.2)	6,894.2
Total equity *	4,353.7	(147.0)	4,206.7
Pension benefits	72.6	1.3	73.9
Deferred tax liabilities	148.4	2.6	151.0
Total non-current liabilities	1,386.2	3.8	1,390.0
Total equities and liabilities	7,037.4	(143.2)	6,894.2
* Attributable to:			
Equity holders of parent		(147.0)	
Non controlling interests		-	

	January 1 2012	Effect of IAS 19R	Restated January 1 2012
Investments in associates	1,781.7	(55.8)	1,725.9
Deferred tax assets	46.8	3.4	50.2
Pension benefits	69.2	(16.2)	53.0
Total non-current assets	4,893.9	(68.5)	4,825.4
Total assets	6,599.7	(68.5)	6,531.2
Total equity*	4,021.5	(57.0)	3,964.5
Pension benefits	73.2	(13.2)	60.0
Deferred tax liabilities	138.2	1.6	139.8
Total non-current liabilities	1,384.3	(11.6)	1,372.7
Total equities and liabilities	6,599.7	(68.5)	6,531.2
* Attributable to:			
Equity holders of parent		(57.0)	
Non controlling interests		-	

Impact on statement of income

	Prior 2012	Effect of IAS 19R	Restated 2012
Share of profit (loss) of associates	261.5	5.3	266.8
Employee expenses	1,255.6	2.8	1,258.4
Income tax	87.1	(0.6)	86.5
Net profit	405.4	3.1	408.5
Attributable to:			
Equity holders of parent		3.1	

Impact on statement of other comprehensive income

	Restated 2012
Actuarial results on post employment benefit obligations including net of tax share of associates	(95.0)
Income tax	1.9
	(93.1)
Attributable to:	
Equity holders of parent	(93.1)
Non controlling interests	-

– IFRS 13, “Fair Value Measurement” is effective as from January 1, 2013. This standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. It also has an impact on the fair value measurement of derivative financial instruments. The adoption of IFRS 13 did not materially impact the consolidated financial statements. IFRS 13 also requires specific disclosures on fair values. Certain disclosures were already required under existing standards.

New standards and interpretations not yet effective and not yet adopted

The International Accounting Standards Board (IASB) issued the following standards which are endorsed by the EU and effective as of January 1, 2014:
IFRS 10 Consolidated Financial Statements (including amendments to IAS 27)
IFRS 11 Joint Arrangements (including amendments to IAS 28)
IFRS 12 Disclosure of Interests in Other Entities

These new standards will be implemented effective January 1, 2014.

IFRS 10, ‘Consolidated Financial Statements’, is the new standard on consolidation. Under IFRS 10, subsidiaries are all entities over which the Company is deemed to have control. The Company is deemed to control an entity when the Company is deemed to have power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its (deemed) power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. The group will apply IFRS 10 retrospectively in accordance with the transition provisions of IFRS 10.

The adoption of IFRS 10 will result in consolidation of Koninklijke Vopak N.V. (“Vopak”), in which the Company owns 48.15% of the ordinary shares, and Safilo Group S.p.A.(“Safilo”), in which the Company owns 41.9% of the outstanding shares. Currently Vopak and Safilo are accounted for using the equity method. Under IFRS 10, ownership of less than 50% of the voting interest constitutes power if it is deemed to provide the practical ability to unilaterally direct Vopak and Safilo.

The Company’s ownership interest is very high relative to other investors. A large number of other investors, who must act together, is required to outvote the Company. Accordingly, in accordance with the provisions of IFRS 10, based on the size of the Company’s shareholding and the relative size of the other shareholdings, the Company is deemed to have the practical ability to unilaterally direct (de-facto control) the activities of Vopak (as from December 2003) and Safilo (as from April 2012). Vopak and Safilo will continue to be included in the segment quoted minority interests as both the management approach and the corporate governance with respect to these companies have not changed.

In addition, some interests in other entities, belonging to the optical retail segment, which are currently accounted for as joint ventures by means of proportional consolidation will be fully consolidated as, under IFRS 10, the Company is deemed to have control over these subsidiaries. The Company will also consolidate a number of optical retail franchisees (92 as of December 31, 2013) in the United Kingdom as under IFRS 10 the Company is deemed to have control over these franchisees.

The Company has ownership interests of less than 50% in other entities (reference is made to the list of principal subsidiaries and associates on page 71). Management has analysed whether these entities should be consolidated under IFRS 10. It was concluded that the Company did not have (de-facto) control over these entities.

The tables below show the estimated effect (in millions) of implementing IFRS 10 (in millions of euro) on the statement of financial position, the statement of income, revenue and operating income of the optical retail segment and on the statement of cash flows.

Impact on statement of financial position

Increase/(decrease)	**2013**	2012
Property, plant and equipment	**3,553**	3,396
Intangible assets	**395**	425
Investments in associates	**(262)**	(221)
Other financial assets	**10**	13
Other non-current assets	**142**	160
Current assets	**1,141**	1,293
Total assets	**4,979**	5,066
Equity attributable to the owners of the parent	**26**	42
Non controlling interest	**1,357**	1,300
Total equity	**1,383**	1,342
Non-current liabilities	**2,675**	2,816
Current liabilities	**921**	908
Total equity and liabilities	**4,979**	5,066

Impact on statement of income

Increase/(decrease)	**2013**
Revenues	**2,518**
Share of profit (loss) of associates	**(37)**
Other income	**(28)**
Total income	**2,453**
Total expenses	**2,080**
Operating profit	**373**
Net finance costs	**120**
Profit before income tax	**253**
Income tax	**87**
Net profit	**166**
Attributable to:	
Owners of parent	**(42)**
Non-controlling interest	**208**
	166

Impact on segment optical retail

Increase	**2013**
Revenues	**142**
Operating income	**18**
Net income for owners of parents	**-**

Impact on statement of cash flows

Increase/(decrease)	**2013**
Net cash from operating activities	**584**
Net cash from investing activities	**(712)**
Net cash from financing activities	**(116)**
Net increase (decrease) in cash and cash equivalents	**(244)**

The decrease in net profit attributable to the owners of the parent of € 42 million relates for € 26 million to the reversal of the capital gain on the redemption of bonds issued by Safilo Group S.p.A. There is a corresponding (positive) effect in other comprehensive income. The remainder of € 16 million primarily relates to the effect of purchase price adjustments on Koninklijke Vopak N.V. In 2014, these adjustments are expected to have a net effect of € 0.5 million.

IFRS 11, 'Joint arrangements', requires investments in joint arrangements to be classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The application of IFRS 11 will have no significant effects on the financial position and financial results of the Company due to the absence of any significant joint arrangements. The effect is included in the above tables.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Due to the nature of the activities of the Company, as well as due to the implementation of IFRS 10, which results in the consolidation of entities with significant non controlling interests (Vopak and Safilo), the

disclosures regarding interests in other entities are expected to increase significantly.

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Consolidation

Subsidiaries, which are those companies over which the Company has control, are consolidated. The company has control if it directly or indirectly, has an interest of more than 50% of the (potential) voting rights. If the company has an interest of less than 50% of the (potential) voting rights, significant judgement is exercised in determining if the company otherwise has power (i.e. by shareholder agreement) to exercise control over the financial and operating policies. Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated as from the date the effective control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of the acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of the exchange. Identifiable assets, 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. Non-controlling interest in the acquiree is measured at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets is recorded as goodwill.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the Company's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and the difference with the book value of the previously held equity interest is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealized results on transactions between group companies have been eliminated. The amounts reported by the subsidiaries are based on the Company's accounting policies. Non-controlling interests are disclosed separately.

The Company's interests in jointly controlled entities are accounted for by proportionate consolidation.

Transactions with holders of non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity provided the Company retains a controlling interest in the entity involved.

When the Company ceases to have control any retained interest in the entity is re-measured at its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

A list of the Company's principal subsidiaries is set out on page 71.

Foreign currencies

(a) Functional and presentation currency: items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro's, which is the Company's functional and presentation currency.

(b) Transactions and balances: foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income, except when deferred in equity as qualifying cash flow hedges. Any hedge ineffectiveness is recognized in the consolidated statement of income as it arises.

(c) Company's subsidiaries: the results and financial position of all the Company's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

 (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

 (ii) income and expenses for each consolidated statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction);

 (iii) all resulting exchange differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are reclassified from equity (as a reclassification adjustment) to the consolidated statement of income as part of the gain or loss on sale.

Exchange differences on intra-group monetary assets or liabilities which are not part of the net investment in foreign entities are recognized in the consolidated statement of income.

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

Non-derivative financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. The Company does not have any financial assets held for trading.

Investments are initially recognized at fair value plus transaction costs directly attributable to the acquisition. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset.

Changes in the fair value of investments classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value

adjustments recognized in other comprehensive income are included in the consolidated statement of income.

The Company determines the classification of its financial assets at initial recognition.

Loans and receivables:
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Company intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the Company upon initial recognition designates as available-for-sale; or

(c) those for which the holder may not recover substantially all of its initial investment and which shall be classified as available-for-sale.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the loan/receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Additions to and releases from the provision are recognized in the consolidated statement of income.

Available-for-sale financial assets:
These are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables.
All available-for-sale financial assets are measured at fair value based on quoted market prices in active markets.

Interest and dividend income are recognized under "income from marketable securities and deposits" in the consolidated statement of income. The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities or fixed income securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value – is removed from equity and recognized in the consolidated statement of income. Impairment losses previously recognized in the consolidated statement of income on equity instruments are not reversed through the consolidated statement of income in subsequent reporting periods. Impairment losses, if any, are charged to the consolidated statement of income. On disposal, the difference between the net disposal proceeds and its cost (less any impairment losses) is charged or credited to net income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Derivative financial instruments

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

(a) its value changes in response to the change in other variables such as a specified interest rate or a foreign exchange rate; and

(b) it requires no initial net investment or an initial net investment that is significantly smaller than the value of the underlying notional amount; and

(c) it is settled at a future date.

Derivatives are initially recognized at fair value (external valuation performed by financial institutions or other valuation techniques) on the date a derivative contract is entered into, and are subsequently re-measured at their fair value based on external valuations performed by financial institutions or other valuation techniques such as mathematical models (Black-Scholes). The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Company designates certain derivatives as either: (1) hedges of highly probable forecast transactions (cash flow hedges); (2) hedges of net investment in foreign operations (net investment hedge) or (3) hedges of the fair value of recognized assets and liabilities or a firm commitment (fair value hedge). The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are being used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

(a) Cash flow hedge: the highly effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income.

Amounts accumulated in equity are recycled in the consolidated statement of income in the periods when the hedged item affects profit or loss. However, when the projected transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a liability, the gains and losses previously deferred in shareholders' equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.
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 equity at that time remains in equity and is recognized when the projected transaction is ultimately recognized in the consolidated statement of income. When a projected transaction is no longer expected to occur, the cumulative gain or loss that was reported in shareholders' equity is immediately transferred to the consolidated statement of income in financial expense.

(b) Net investment hedge: hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income; the gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income.

Gains and losses accumulated in equity are included in the consolidated statement of income proportionally when the foreign operation is (completely or partially) disposed of.

(c) Fair value hedge: changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of income as financial expense, 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 financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each statement of financial position date.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the consolidated statement of income as financial expense.
The fair value of various derivative instruments used for hedging purposes is disclosed in the notes of these financial statements. 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.

Property, plant and equipment

Land and buildings comprise mainly factories, warehouses, retail and wholesale outlets. All property, plant and equipment are shown at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

Buildings	20-50 years
Vessels	25 years
Equipment	2-12 years

Useful lives and residual values are reviewed annually and, if required, amended.

Land is not depreciated because the residual value exceeds its carrying value.

Whenever the carrying amount of an asset is greater than its estimated recoverable amount it is subject to an impairment charge immediately so that the value of the asset does not exceed its recoverable amount.

The company recognizes in profit or loss any difference between the carrying amount and proceeds from disposing of property, plant and equipment.

Investment properties

All investment properties are shown at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred.

Market valuations with respect to office properties are generally performed every three years by independent external valuation experts.

Depreciation is calculated using the straight line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

Buildings	39 years
Leasehold improvements	Over the life of the lease

Useful lives and residual values are reviewed annually and, if required, amended.

Land is not depreciated because the residual value exceeds its carrying value.

Whenever the carrying amount of an asset is greater than its estimated recoverable amount it is subject to an impairment charge immediately so that the value of the asset does not exceed its recoverable amount.

The company recognizes in profit or loss any difference between the carrying amount and proceeds from disposing of investment properties.

Intangible assets

Goodwill

Goodwill is measured at the excess of the aggregate of the consideration transferred with respect to a business combination, the amount of

any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value amounts of the identifiable assets, liabilities and contingent liabilities.

Non-controlling interest is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The selection of the measurement method is made on a transaction by transaction basis.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is not amortised but subject to an annual impairment test. It is carried at cost less accumulated impairments and historically accumulated amortization. If an impairment is recognized, it is not reversed in subsequent periods. Goodwill and fair value adjustments relating to the acquisition of a foreign company are recorded in the respective foreign currencies and are converted at the exchange rate at the end of the period.

Goodwill is allocated to groups of cash-generating units (CGU's) for the purpose of impairment testing. A CGU is in no event larger than the operating segment identified under IFRS 8.

Rights of use and key money
Rights of use and key money are considered identified intangible assets when they are separable and arise from contractual and legal rights. Rights of use and key money are initially recognized at fair value. Such intangible assets are generally assumed to have an indefinite life as rights of use can be renewed and resold. Therefore they are subject to an annual impairment test. Rights of use and key money in other situations are considered prepaid rent and recognized over the rental period.

Trademarks
The valuation of trademarks acquired in a business combination is based on the relief from royalty approach. Trademarks are initially recognized at fair value and are subsequently amortized over their useful life on a straight line basis with no residual value.

Franchise contracts
The valuation of franchise contracts acquired in a business combination is based on the present value of estimated discounted future cash flows. Franchise contracts are initially recognized at fair value and are subsequently amortized on a straight line basis over their useful life.

Computer software
Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and to bring to use the specific software. These costs are amortized over their estimated useful lives (3 to 5 years).

Costs associated with developing and maintaining computer software (costs that do not meet the recognition criteria for intangibles) are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding 5 years).

Customer relationships
The valuation of customer relationships acquired in a business combination is based on the present value of estimated discounted future cash flows. Customer relationships are initially recognized at fair value and subsequently amortized on a straight line basis over their useful life.

Impairment of non-financial assets including investments in associates

Assets that have an indefinite useful life are not subject to amortization and are tested at least 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 an asset's fair value less costs to sell and value in use. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Investments in associates

Associates are all entities over which the Company has significant influence but no control, generally accompanying a shareholding of between 20 and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting (adjusted for differences in accounting policies) and are initially recognized at cost. For quoted associates, the Company has made use of publicly available information.

The Company's investment in associates includes goodwill (net of any accumulated impairment loss and accumulated amortization) identified on acquisition. The Company's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income and its share of post-acquisition movement in comprehensive income is recognized in comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the associate. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Significant unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Significant unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When a cash dividend is received from an associate, the carrying value of the investment is decreased by the same amount.

A list of the Company's principal associates is set out on page 71.

Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Additions to and releases from the provision are recognized in the consolidated statement of income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is generally determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Other current assets

Other current assets generally include prepayments relating to the following year and income relating to the current year.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances which are available on demand and liquid investments with a maturity of three months or less. In the statement of financial position, bank overdrafts are included in short-term debt.

Assets held for sale

Assets and liabilities are classified as held for sale if they are to be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets and liabilities must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and liabilities and its sale must be highly probable. Assets and liabilities that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated.

Share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are deducted from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is also presented in equity.

Non-controlling interest in consolidated subsidiaries

Third-party interests in consolidated subsidiaries are recorded at their share in the net asset value of the respective subsidiary, calculated in accordance with the accounting policies as specified in these financial statements.

Provisions

Provisions are recognized if the Company and its subsidiaries have a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation 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.

Employee benefits

The Company has both defined benefit and defined contribution plans.

Defined benefit plans

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 pension charges for defined benefit plans are based on actuarial calculations, specifically the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated statement of income so as to spread the regular costs over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans every year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. The plan assets are measured at fair value.

Actuarial gains and losses 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 recognised immediately in income.

Defined contribution plans

A defined contribution plan is a pension plan under which the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Termination benefits

Termination benefits are recognized as an expense when the Company and its subsidiaries are committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if an offer has been made of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other

The change in the fair value of the amount payable to employees in respect of the obligation to acquire non-controlling interests in certain subsidiaries, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as employee expense in profit or loss.

The fair value of the shares payable to a member of the Executive Board in respect of the allotment of HAL Trust shares is recognized as an expense with a corresponding increase in equity, over the period that the member of the Executive Board becomes entitled to payment.

Non-derivative financial liabilities

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method. Short-term debt is due within a maximum period of one year, unless the Company has an unconditional right to defer settlement until at least twelve months after statement of financial position date. Interest expense related to this debt is reported as Financial expense in the consolidated statement of income.

Fees paid with respect to loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn-down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Non-derivative financial liabilities include contingent considerations and obligations to acquire non-controlling interests. Both are recorded at fair value. The fair value of

contingent considerations is calculated based on the expected payment amounts. Since the contingent consideration is of a long-term nature, it is discounted to present value. Remeasurements of contingent considerations are recorded as a financial expense in the consolidated statement of income. Obligations to acquire non-controlling interests are initially recorded based on the value of the equity instruments transferred and subsequently re-measured to fair value. These remeasurements are recorded as employee expenses in the consolidated statement of income. The calculation of fair value is generally based on a multiple of EBITA less debt. Multiples applied are either contractually determined or, generally, in accordance with those applied in calculating estimated value of the subsidiaries and associates (page 72).

Determination of fair values

A number of the accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment
The fair value of property, plant and equipment recognized as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible assets
The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Investment property
Valuations of the investment properties are generally performed every three years by independent external valuation experts and updated internally in the other years. The internal update is based on comparable properties and recent transactions. These valuations are based on the Income Capitalization, Sales Comparison and Direct Capitalization approach. The assumptions used are further detailed in the notes to the consolidated financial statements.

Valuations of development parcels are also performed every three years by independent valuation experts unless the amounts involved are not significant. In these cases the development parcels are valued internally based on comparable properties, purchase offers from third parties and recent transactions.

Inventories
The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Equity and debt securities
The fair value of equity and debt securities (including instruments issued by quoted associates) is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

Trade and other receivables
The fair value of trade and other receivables acquired in a business combination is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives
The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values of derivatives reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counterparty (or the respective subsidiary) when appropriate.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Revenues

Revenues are recognized at fair value upon delivery of products or performance of services, net of sales taxes and discounts, in the accounting period in which they occurred. If sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale. Intercompany revenues are eliminated.

(a) Sales of goods: sales of goods are recognized when products have been delivered to the customer, the customer has accepted the products and all significant risks and rewards of ownership of the goods are transferred and collectability of the related receivables is reasonably assured so that it is probable that the economic benefits associated with the transaction will flow to the Company. Retail sales are usually in cash or by credit card. The recorded revenue is the amount of the sale, including credit card fees payable for the transaction. Retail sales are only recognized when the sales process is complete. Any prepayments by customers are not considered as revenue but are accounted for as liabilities.
Revenue is only recognized when the costs associated with the transaction can be measured reliably.

(b) Sales of services: sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue is only recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the stage of completion of the transaction can be measured reliably as well as the costs associated with the transaction. With respect to debt collection activities, the stage of completion and the possibility to recover recharged expenses is determined per individual debt collection file.

(c) Franchise fee income: revenue is recognized when it is probable that the economic benefits associated with the transaction will

flow to the Company and the amount of revenue can be measured reliably. Franchise fees are recognized on an accrual basis in accordance with the terms of the respective agreements.

Income from marketable securities and deposits

Income from marketable securities and deposits includes realized capital gains (losses), impairment losses, interest, dividends and management fees. Realized capital gains (losses) are calculated on an average cost basis.

Interest is recorded using the effective interest rate method and on an accrual basis. Dividends are recorded when the right to receive payment is established.

Income from real estate activities

Income from real estate activities includes rental income less related operation costs (excluding depreciation). Income also includes realized results on the sale of real estate assets. Rental income is recorded on a straight line basis over the lease term.

Income taxes

The current income tax charge is calculated on the basis of the tax law 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 regulations is subject to interpretations. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.
Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position 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 is recognized in the consolidated statement of income unless it relates to items recognized in the consolidated statement of comprehensive income or in the consolidated statement of changes in equity. However deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates and initial recognition and exemption on assets and liabilities acquired with no impact on accounting or tax profit, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.
Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.
Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and that there is an intent to either settle on a net basis, or to realize the asset and settle the liability simultaneously.
In determining the deferred tax liabilities, withholding tax and any other tax due for unremitted earnings of subsidiaries are only recognized if there is the intention to distribute these earnings in the foreseeable future.

Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each financial lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance

balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term debt. The interest element of the finance cost is charged to the consolidated statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating leases are charged to income on a straight line basis over the lease term.

Research and development

Research and development costs are charged to income in the year in which they are incurred. Costs incurred on development projects (i.e. internally developed software) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Related-party transactions

The related-party transactions concern the compensation of the members of the Executive Board and Board of Supervisory Directors and transactions with associates.

Segmentation

The Company's reportable segments are defined as follows:

- Optical retail
- Other unquoted
- Quoted minority interests
- Real estate
- Liquid portfolio

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources between segments and assessing the performance of the operating segments, has been identified as the Executive Board.

Optical retail relates to majority-owned retail companies as well as non-controlling interests in (non-quoted) retail companies that derive their revenues from the sale of optical retail products to consumers.

Other unquoted are majority-owned companies as well as non-controlling interests in companies that derive their revenues from various activities such as hearing aid, office furniture, personal protection equipment, construction products, printing, shipping, orthopedic devices, media and other activities.

The quoted minority interests segment derives its income from its percentage of ownership in publicly traded associates. If the ownership interest is less than 20% and there is no significant influence over the investee, this segment includes dividend income.

The real estate activities relate to the development and rental of multi-family properties and office buildings.

The liquid portfolio consists of available-for-sale financial assets and cash equivalent instruments generating interests, dividends and capital gains.

These reportable segments were defined based on differences in products and services as well as differences in the nature of the respective assets.

Cash flow

The consolidated statement of cash flows has been prepared using the indirect method. Cash flows denominated in foreign currencies are translated at average exchange rates. The effect of exchange rates on cash and cash equivalents are presented separately.

Cash and cash equivalents represent unrestricted bank balances and liquid investments with a maturity of three months or less.

Interest paid and interest and dividends received are classified as operating cash flows. Dividends paid are classified as financing cash flows. Cash

flows arising from income taxes are classified as operating cash flows.

Financial risk management

Principles of financial risk management:
The Company is exposed to credit risk, liquidity risk and market risk. Market risk is primarily related to movements in exchange rates, interest rates and the market value of investments in equity securities. Financial risk management activities are carried out both on a central level and on the level of individual subsidiaries.
For managing these risks both derivative and non-derivative financial instruments are used. Derivatives are exclusively concluded for economic hedging of open positions and not for trading or other speculative purposes.

Credit risk

Credit risk is the risk that a counter party is unable to comply with its contractual obligations relating to financial instruments.

The maximum exposure to credit risk is the carrying value of the consolidated financial assets excluding equity securities, which can be specified by segment as follows:

	2013	2012
Optical retail	**323.4**	342.4
Other unquoted	**488.0**	514.8
Quoted minority interests	**-**	69.6
Real estate	**2.5**	2.4
Liquid portfolio	**219.4**	81.8
	1,033.3	1,011.0

These financial assets can be further specified as follows:

	2013	2012
Trade and other receivables	**339.7**	374.6
Available for sale investments in quoted securities	**-**	69.6
Cash and cash equivalents	**471.2**	311.2
Other current assets	**117.6**	142.2
Other financial assets	**64.1**	73.5
Loans	**40.6**	37.5
Derivative financial instruments	**0.1**	2.4
	1,033.3	1,011.0

The Company is exposed to credit risk from its operating (the segments optical retail and other unquoted) and investing activities. Credit risk from operating activities arises from the possibility that customers may not be able to settle their obligations as agreed, which can affect both outstanding receivables and committed transactions. This risk is monitored and managed on the level of each subsidiary and provisions for impairment are recorded when necessary. The Company is not exposed to any significant concentration of credit risk in its revenues or receivables.

In addition, the Company is exposed to credit risk with respect to loans, other financial instruments and Cash and cash equivalents. With respect to the Liquid portfolio and Real Estate segments this risk is managed by the Company. The aim is to mitigate this risk by only concluding transactions with counterparties that have a strong credit rating.

At the end of 2013, Cash and cash equivalents amounted can be specified by segment as follows:

	2013	2012
Optical retail	**112.5**	98.4
Other unquoted	**136.8**	128.6
Real estate	**2.5**	2.4
Liquid portfolio	**219.4**	81.8
	471.2	311.2

The Cash and cash equivalents relating to the liquid portfolio and real estate segments were held at banks with a long-term S&P credit rating varying from AA- to A+. The weighted average credit rating was A+.

Liquidity risk

Liquidity risk is the risk that the financial obligations associated with financial instruments cannot be met.

The risks with respect to the individual entities belonging to the optical retail and other unquoted segments are managed by these entities. Reference is made to the last table under the paragraph Credit risk for the amount of Cash and cash equivalents per segment.

The approach to managing liquidity at the level of the Company is to ensure, as far as possible, that there will be sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The next table analyses the undiscounted financial assets and consolidated non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The financial guarantees and securities are contingent liabilities. In the following table equity securities for an amount of € 497 million (2012: € 353 million) are assumed to mature in less than one year.

In millions of euro

Dec. 31, 2013	<1 year	1-2 years	3-5 years	>5 years
Cash and cash equivalents	471.2	-	-	-
Trade and other receivables	339.7	-	-	-
Marketable securities and deposits	81.8	-	-	-
Other financial assets	533.2	26.2	78.5	-
Total undiscounted financial assets	1,425.9	26.2	78.5	-
Redemption of interest bearing loans	275.7	106.7	679.4	149.2
Other financial liabilities	16.8	17.5	123.8	0.1
Interest payments	40.8	44.1	76.2	73.3
Interest rate swaps	8.8	7.3	2.3	1.1
Accounts payable	238.0	-	-	-
Financial guarantees	8.2	12.9	10.7	9.4
Total undiscounted liabilities	588.3	188.5	892.4	233.1
Gross derivatives financial instruments outflow	(73.1)	-	-	-
Gross derivatives financial instruments inflow	73.3	-	-	-
Total undiscounted gross settled derivatives	0.2	-	-	-

In millions of euro

Dec. 31, 2012	<1 year	1-2 years	3-5 years	>5 years
Cash and cash equivalents	311.2	-	-	-
Trade and other receivables	374.6	-	-	-
Marketable securities and deposits	88.9	-	-	-
Other financial assets	478.7	27.7	83.3	-
Total undiscounted financial assets	1,253.4	27.7	83.3	-

In millions of euro

Dec. 31, 2012	<1 year	1-2 years	3-5 years	>5 years
Redemption of interest bearing loans	385.7	88.8	810.7	82.8
Other financial liabilities	45.1	8.4	137.5	4.3
Interest payments	43.7	46.7	98.4	111.4
Interest rate swaps	11.0	11.7	7.2	1.6
Accounts payable	261.1	-	-	-
Financial guarantees	8.9	6.4	11.2	11.2
Total undiscounted liabilities	755.5	162.0	1,065.0	211.3
Gross derivatives financial instruments outflow	(64.9)	-	-	-
Gross derivatives financial instruments inflow	65.0	-	-	-
Total undiscounted gross settled derivatives	0.1	-	-	-

The total bank debt as of December 31, 2013 amounted to € 1,211 million (2012: € 1,368 million). For 100% of the bank debt, the applicable covenants were complied with or waived (2012: 100%).

At the end of 2013, the net debt position, consisting of short-term and long-term bank debt less cash and cash equivalents and marketable securities and deposits, amounted to € 658 million (2012: € 968 million). This net debt position represents a ratio of 1.3 (2012: 1.9) when compared to the operating result before depreciation and amortization and earnings from associates. At the end of 2013, unused committed credit facilities were available to an amount of € 965 million (2012: € 884 million).

Market risk

Currency risk

Foreign currency exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The risks with respect to the individual entities belonging to the optical retail and other unquoted segments are managed by these entities.

The table below shows the net assets per currency (taking into account debt and hedging instruments denominated in foreign currency).

	2013	2012
U.S. Dollar	**190.0**	208.9
Bristish Pound	**141.8**	152.6
Swedish Krona	**71.8**	73.3
Mexican Peso	**59.7**	67.2
Chilean Peso	**57.2**	33.2
Norwegian Kroner	**47.9**	36.1
Swiss Franc	**44.6**	48.8
Hungarian Forint	**41.7**	38.9
Brazilian Real	**39.6**	47.8
Other currencies	**222.3**	246.6
	916.6	953.4

An average change in value of these currencies by 10% would have an effect on equity of € 92 million.

The market value of the currency derivative financial instruments at December 31, 2013 and December 31, 2012 in order of maturity date can be shown below.

In millions of euro

Dec. 31, 2013	Maturity	Assets	Liabilities	Notional amount
Fair value hedge	< 1 year	0.1	(0.1)	40.3
Total fair value hedge		0.1	(0.1)	40.3
Cash flow hedge	< 1 year	0.1	(0.1)	32.9
Cash flow hedge	1-5 years	-	-	-
Cash flow hedge	> 5 years	-	-	-
Total cash flow hedge		0.1	(0.1)	32.9
Total derivatives		0.2	(0.2)	73.2

In millions of euro

Dec. 31, 2012	Maturity	Assets	Liabilities	Notional amount
Fair value hedge	<1 year	2.0	-	34.0
Total fair value hedge		2.0	-	34.0
Cash flow hedge	<1 year	0.4	(0.1)	31.1
Cash flow hedge	1-5 years	-	-	-
Cash flow hedge	>5 years	-	-	-
Total cash flow hedge		0.4	(0.1)	31.1
Total derivatives		2.4	(0.1)	65.1

Sensitivity of exchange rate changes with respect to financial instruments on profit and equity

The value of debt and hedging instruments denominated in currencies other than the functional currency of the entities holding them are subject to exchange rate movements. The effect on net profit and equity of a 10% change in exchange rates is not material.

Sensitivity of exchange rate changes on profit arising from the translation of the results of foreign currency operations

The result is impacted by translating the result of foreign currency operations.

The translation risk of converting the net result of foreign entities into Euros mainly concerns the British Pound and the US dollar. The sensitivity to these currencies is as follows.

A 10 dollar cent change in the €/USD exchange rate would approximately have the following effect:

- Total revenue would differ by € 11.3 million (2012: € 13.2 million).
- Net profit would differ by € 1.5 million (2012: € 3.3 million).

A 10 GBP pence change in the €/GBP exchange rate would approximately have the following effect:

- Total revenue would differ by € 29.7 million (2012: € 30.4 million).
- Net profit would differ by € 5.5 million (2012: € 2.1 million).

Interest rate risk
The risks with respect to the individual entities belonging to the optical retail and other unquoted segments are managed by these entities. There is no debt at the level of the other segments.

Fixed income investments which are part of the liquid portfolio are subject to interest rate risk. In view of the very short duration of this portfolio (less than one month), this risk is limited.

As of December 31, 2013, taking into account of interest rate swaps, 70% (2012: 66%) of the total interest-bearing loans of € 1,211 million (2012: € 1,368 million) was at fixed rates for an average period of 2.3 years. The weighted average interest rate was 2.5% (2012: 3.3%).

The market value of the interest rate derivative financial instruments can be detailed as follows:

In millions of euro

Dec. 31, 2013	Assets	Liabilities	Notional amount
Cash flow hedges	-	(15.6)	703.0
Fair value hedges	-	(2.7)	88.8
	-	(18.3)	791.8

In millions of euro

Dec. 31, 2012	Assets	Liabilities	Notional amount
Cash flow hedges	-	(25.9)	718.7
Fair value hedges	-	(4.5)	98.5
	-	(30.4)	817.2

If variable interest rates in 2013 had changed by 10%, the impact on the consolidated statement of income for the year would have been a positive/negative impact of € 0.8 million.
A change of 10% in interest rates underlying the calculation of the valuation of interest rate swaps would have had a pre-tax positive/negative impact on equity of € 1.6 million.

Price risk
At the end of 2013, the Company had investments in equities (included in the marketable securities and other financial assets) amounting to € 497 million (2012: € 353 million) based on quoted market prices at the statement of financial position date. These investments are classified as available-for-sale. If at December 31, 2013, equity markets had

fallen 10% overall, the portfolio value could have decreased by 10%, which would have resulted in a negative impact of € 50 million (2012: € 35 million) in other reserves. A 10% increase would have had the equal but opposite effect. Potentially the whole or a part of the negative impact would have required recognition through the consolidated statement of income as an impairment charge.

1. Property, plant and equipment

Movements for 2012 and 2013 are as follows:

	Land & buildings	Vessels	Equip-ment	**Total**
Cost value	596.0	253.4	1,289.7	**2,139.1**
Accumulated depreciation	(303.4)	(55.0)	(952.0)	**(1,310.4)**
Book value on Dec. 31, 2011	292.6	198.4	337.7	**828.7**
Investments	49.8	46.7	85.6	**182.1**
Consolidation	12.5	30.7	9.6	**52.8**
Reclassification	-	-	9.2	**9.2**
Disposals	(4.6)	-	(6.0)	**(10.6)**
Depreciation	(47.9)	(13.1)	(90.6)	**(151.6)**
Exchange differences	0.6	(4.4)	1.3	**(2.5)**
Book value on Dec. 31, 2012	303.0	258.3	346.8	**908.1**
Cost value	657.2	318.6	1,371.5	**2,347.3**
Accumulated depreciation	(354.2)	(60.3)	(1,024.7)	**(1,439.2)**
Book value on Dec. 31, 2012	303.0	258.3	346.8	**908.1**
Investments	43.0	110.7	99.3	**253.0**
Consolidation	1.3	-	1.4	**2.7**
Disposals	(12.1)	-	(3.7)	**(15.8)**
Depreciation	(49.7)	(20.9)	(89.3)	**(159.9)**
Exchange differences	(5.1)	(9.6)	(4.4)	**(19.1)**
Book value on Dec. 31, 2013	280.4	338.5	350.1	**969.0**
Cost value	646.6	420.4	1,399.6	**2,466.6**
Accumulated depreciation	(366.2)	(81.9)	(1,049.5)	**(1,497.6)**
Book value on Dec. 31, 2013	280.4	338.5	350.1	**969.0**

Note 16 details information on pledges.

2. Investment properties

Investment properties are part of the Company's real estate activities.

Movements for 2012 and 2013 are as follows:

	2013	2012
Balance on January 1	**40.5**	79.9
Investments	**2.4**	17.9
Disposals	**(7.2)**	(52.4)
Depreciation	**(1.9)**	(3.6)
Exchange differences	**(1.6)**	(1.3)
Book value on Dec. 31	**32.2**	40.5

	2013	2012
Cost value	**47.8**	57.7
Accumulated depreciation	**(15.6)**	(17.2)
Book value on Dec. 31	**32.2**	40.5

In 2013, the Company sold three development parcels for € 26.4 million resulting in a total pre-tax capital gain of € 8.8 million (see note 22).

In 2012, the Company sold a property (book value € 46.7 million) and a development parcel (book value € 5.7 million) resulting in a total pre-tax capital gain of € 31 million.

Valuations of the office properties are generally performed every three years by independent evaluation experts. The latest valuation was performed in December 2011 and was based on the 'Income Capitalization', 'Sales Comparison' and 'Direct Capitalization' approach. The Income Capitalization approach uses a discounted cash flow model whereby expected cash flows (using growth rates of 3% for rent and expenses) are discounted to arrive at a present value. The estimated cash flows are adjusted for vacancy (6.0%), rent free periods (6 months) and leasing costs ($ 20.00 to $57.50 per square foot). The discount rate is derived from sales of similar properties and amounted to 9%. The terminal capitalization rate is similarly derived from the sales of similar properties and amounted to 8.5%. The Sales Comparison approach uses transactions involving similar properties as a reference. The Direct Capitalization approach applies an overall rate of return 'capitalization rate' (8.5%) to projected year one net operating income,

with adjustments to value made for outstanding lease-up expenses.
Based on the above, fair value of the investment properties amounted to $ 54 million (€ 39 million) compared with $ 54 million (€ 41 million) at the end of 2012 (adjusted for the assets sold during 2013).

Information on pledges is included in note 16.

3. Intangible assets

Intangible assets consist of:

	2013	2012
Goodwill	**1,330.8**	1,373.5
Other Intangibles	**531.2**	565.9
	1,862.0	1,939.4

Movements for goodwill are as follows:

	2013	2012
Balance on January 1	**1,373.5**	1,304.6
Acquisitions	**22.9**	103.6
Disposals	**-**	(2.8)
Purchase price accounting adjustments	**-**	(6.4)
Impairments	**(44.2)**	(25.0)
Exchange adjustments and other	**(21.4)**	(0.5)
Balance on December 31	**1,330.8**	1,373.5
Cost value	**1,919.3**	1,917.7
Amortization and impairments	**(588.5)**	(544.2)
Book value on December 31	**1,330.8**	1,373.5

The purchase price accounting adjustment in 2012 is an adjustment to contingent considerations with respect to an acquisition prior to the effective date of IFRS 3R.
Investments in associates include goodwill for an amount of € 110.4 million as follows:

Cost value	305.6
Amortization	(195.2)
Book value on December 31	110.4

Impairment test
Goodwill has been tested for impairment losses at a level that reflects the way the operations are managed and with which the goodwill would naturally be associated. Management reviews the business performance on an entity level and for the larger entities, GrandVision and AudioNova, on a country level. Goodwill is also monitored on this level. In the following disclosures a distinction is made between Optical retail Europe, Optical retail Latin America, AudioNova and other unquoted as within these groups assumptions are broadly comparable.
The recoverable amount of cash-generating units is generally determined based on value-in-use calculations. These calculations use cash flow projections covering a five-year period. Cash flows beyond the five-year period were extrapolated using an estimated growth rate of nil. With respect to certain cash-generating units, representing 7% of the goodwill (2012: 11%), if the economic reality of a specific cash-generating unit justified it and led to more realistic estimates, the recoverable amount was based on the cash-generating unit's fair value less costs of disposal, generally based on observable market multiples of revenues less appropriate discounts. Fair value calculations were performed for optical retail operations in Italy, Colombia, Mexico and Russia as well as certain sunglass stores, using a multiple of revenue of 1-1.2. This multiple is based on comparable quoted companies less a 60% discount. Using a revenue multiple of 0.7 would potentially result in an impairment of € 29.9 million (2012: € 47 million). The fair value calculations qualify as level 3 calculations (see page 67).
With respect to certain cash-generating units (representing 1.2% of the goodwill) fair value was calculated based on observable market multiples of earnings before interest, tax and amortization less an appropriate discount.

Key assumptions used for value-in-use calculations are as follows:

Optical retail Europe	**2013**	2012
Weighted average increase in revenues	**3.6%**	3.3%
Weighted average gross margin	**75.0%**	73.2%
Weighted average after tax discount rate	**10.6%**	10.7%

Optical retail Latin America	**2013**	2012
Weighted average increase in revenues	**9.1%**	7.7%
Weighted average gross margin	**66.7%**	69.6%
Weighted average after tax discount rate	**14.8%**	14.9%

AudioNova International B.V.	**2013**	2012
Weighted average increase in revenues	**4.5%**	5.2%
Weighted average gross margin	**77.4%**	80.4%
Weighted average after tax discount rate	**9.7%**	9.5%

Other unquoted investments	**2013**	2012
Weighted average increase in revenues	**3.4%**	4.5%
Weighted average gross margin	**56.3%**	61.1%
Weighted average after tax discount rate	**11.0%**	11.2%

Goodwill is comprised of the following:

	2013	2012
Optical retail Europe	**838.4**	836.2
Optical retail Latin America	**58.8**	73.0
Optical retail Other	**0.6**	0.6
	897.8	909.8
AudioNova International B.V.	**274.1**	282.1
Other unquoted investments	**158.9**	181.6
	433.0	463.7
Total	**1,330.8**	1,373.5

The result of this process was that the carrying value of goodwill relating to six cash-generating units was impaired for a total of € 44.2 million, which is recorded under “amortization and impairments of intangible assets” in the statement of income.

Pre-tax discount rates were used. These rates were derived from the above after tax discount rates.

	2013	2012
Optical retail	**8.4**	14.1
AudioNova International B.V.	**8.2**	-
Other unquoted investments	**27.6**	10.9
Total	**44.2**	25.0

The impairment charge in the segment other unquoted can be detailed as follows per subsidiary (cash generating unit):

	2013	2012
InVesting B.V.	**7.0**	10.9
Koninklijke Ahrend N.V.	**10.0**	-
Mercurius Groep Holding B.V.	**10.6**	-
	27.6	10.9

The impairments are a result of lower than expected (future) profitability compared to both the expectations when the respective subsidiaries were acquired and the expectations in 2012 due to, among other factors, adverse

general economic conditions and the loss of market share.

The recoverable amount of the respective cash generating units is either based on an estimate of fair value less cost of disposal or value in use.

The recoverable amounts based on fair value less cost of disposal are based on fair value measurements which are categorized within Level 3 and relate to a Brazilian optical retail subsidiary (impairment of € 5.5 million), an optical retail subsidiary in Mexico (impairment of € 2.9 million), and InVesting B.V. (impairment of € 7 million).

The impairment with respect to the Brazilian optical retail subsidiary represents all remaining goodwill relating to this entity. The fair value of this entity was measured based on a multiple (1) of the average of sales over the past three years. The multiple was considered reasonable in view of comparable transactions.
The impairment with respect to the Mexican retail subsidiary represents 50% of the goodwill relating to this entity. The fair value of this entity was measured based on a revenue multiple of 0.6 calculated at the average of sales over the past three years. The multiple, which is lower than the multiple of 1 which is generally used, was considered reasonable in view of the relative lower margin on the company's revenues.
The impairment with respect to InVesting B.V., a company focused on the purchase of debt portfolios and debt collection and credit management, represents 31% of the remaining goodwill relating to this entity.The fair value was (consistently) measured based on a multiple of 7 of normalized earnings before tax, interest and amortization.

The valuation models include certain assumptions with respect to revenue growth. If the models included a 2% lower increase in revenues, and assuming an unchanged cost structure and unchanged capital expenditures, the calculations would result in a potential further impairment charge as follows:

	2013	2012
Optical retail	**-**	13.7
AudioNova International B.V.	**1.2**	-
Other unquoted	**1.5**	2.5
	2.7	16.2

A 2% increase in the discount rate would potentially result in a further impairment charge as follows:

	2013	2012
Optical retail	**-**	14.7
AudioNova International B.V.	**3.0**	4.7
Other unquoted investments	**7.4**	2.9
	10.4	22.3

If the cash flows beyond the five-year period were extrapolated using an estimated growth rate of 2%, the value in use of the cash-generating units that were included in the sensitivity analysis for sales and discount rate and potentially revealed an impairment would increase as follows:

	2013	2012
Optical retail	**-**	16.8
AudioNova International B.V.	**3.6**	6.6
Other unquoted investments	**9.2**	3.3
	12.8	26.7

If the models included a 2% lower gross margin, and assuming an unchanged cost structure and unchanged capital expenditures, the calculations would result in a potential further impairment charge as follows:

	2013	2012
Optical retail	**-**	22.6
AudioNova International B.V.	**2.1**	3.7
Other unquoted investments	**7.9**	2.4
	10.0	28.7

Movements for other intangibles are as follows:

	Rights of use & key money	Trade-marks	Other	**Total**
Book value on Jan. 1, 2012	215.1	237.5	105.3	**557.9**
Investments	4.3	0.3	19.3	**23.9**
Consolidation	-	23.7	7.8	**31.5**
Purchase price accounting				
Reclassification	(5.7)	(0.1)	3.1	**(2.7)**
Amortization and impairments	(1.3)	(18.5)	(25.5)	**(45.3)**
Exchange adjustments	(1.2)	1.8	-	**0.6**
Book value on Dec. 31, 2012	211.2	244.7	110.0	**565.9**
At Dec. 31, 2012				
Cost value	249.6	343.5	249.7	**842.8**
Accumulated amortization and impairments	(38.4)	(98.8)	(139.7)	**(276.9)**
Book value on Dec. 31, 2012	211.2	244.7	110.0	**565.9**
Investments	7.7	0.3	19.9	**27.9**
Consolidation	-	2.3	8.7	**11.0**
Amortization and impairments	(2.1)	(20.1)	(42.7)	**(64.9)**
Exchange adjustments	(2.2)	(5.7)	(0.8)	**(8.7)**
Book value on Dec. 31, 2013	214.6	221.5	95.1	**531.2**
At Dec. 31, 2013				
Cost value	255.8	340.3	277.5	**873.6**
Accumulated amortization and impairments	(41.2)	(118.8)	(182.4)	**(342.4)**
Book value on Dec. 31, 2013	214.6	221.5	95.1	**531.2**

The Other category consists of:

	2013	2012
Customer relationships	**23.2**	44.8
Software	**46.8**	36.6
Franchise contracts	**6.7**	8.2
Other	**18.4**	20.4
	95.1	110.0

Rights of use and key money primarily relate to optical retail stores in France. These assets are not amortized but are subject to an annual impairment test using cash-flow projections covering a five year period, a discount rate of 10% and a growth rate beyond the five year period of 2%. If the calculated value in use is less than the book value of the assets, external valuations were performed to arrive at a fair value less cost to sell. The result of this process was that the rights of use and key money relating to optical retail stores were impaired for € 1.4 million in 2013 (2012: € 0.3 million). This amount is included in the consolidated statement of income under amortization and impairment of intangible assets.
If the growth rate beyond the five year period had been set at 0%, an additional impairment could have been required for an amount of € 10.1 million.
If a discount rate of 12% had been applied, an additional impairment could have been required for an amount of € 1.9 million.

Customer relationships represent the value of existing customers expected to remain with a company for a certain amount of time. The value of the customer relationships at InVesting B.V. was impaired for € 16.8 million due to lower expected revenues compared with the projection made in 2011 when this asset was recognized. Increasing the discount rate in the model by 2% or decreasing the sales growth rate by 2% would not have a material impact on the amount impaired.

Trademarks are valued using a 0.5% to 3% royalty rate and are amortized over 10-25 years on a straight line basis with no residual value. Franchise contracts are discounted at 12.5% and amortized over 15 years on a straight line basis with no residual value.
Customer relationships are discounted at 10.7%-13% and amortized over 8-20 years on a straight line basis with no residual value.

4. Acquisitions

In 2013, GrandVision B.V., one of the Company's subsidiaries, acquired optical retail companies and stores in Europe.

Details are as follows:

Cash paid	14.4
Future consideration	5.0
Net asset value acquired	(3.0)
Goodwill	16.4

Details of the net asset value acquired:

Property, plant and equipment	2.2
Trademarks	1.6
Other intangible assets	4.5
Other non-current assets	0.2
Net working capital	(1.2)
Cash	0.8
Deferred tax liabilities	(1.2)
Short-term debt	(3.9)
Net asset value acquired	3.0

The above acquisitions contributed € 9.1 million to the 2013 revenues and € 1.9 million to the operating income. Revenues for 2013 of these acquisitions amounted to € 23.2 million and operating income to € 4.8 million.
Acquisition costs charged to the consolidated statement of income amounted to € 0.1 million.

The goodwill paid primarily relates to the acquisition of additional market share which will allow the realization of economies of scale, anticipated synergies and expected growth.

The initial accounting for this acquisition is provisional with respect to intangible assets, provisions and inventory valuation.

In July 2013, InVesting B.V., one of the Company's subsidiaries, acquired Focum, a Dutch company that provides data-based services for marketing and credit management purposes.

Details are as follows:

Cash paid	8.7
Future consideration	1.5
Net asset value acquired	(3.7)
Goodwill	6.5

Details of the net asset value acquired:

Software	1.7
Database	2.5
Other intangibles	0.6
Net working capital	(0.1)
Cash	1.2
Short-term debt	(1.0)
Deferred tax liabilities	(1.2)
Net asset value acquired	3.7

The above acquisition contributed € 3.4 million to the 2013 revenues and € 0.8 million to the operating income. Revenues for 2013 of this acquisition amounted to € 6.5 million and operating income to € 1 million.
Acquisition costs charged to the consolidated statement of income amounted to € 0.2 million.

The goodwill paid primarily relates to the acquisition of anticipated synergies and expected growth.

The initial accounting for this acquisition is provisional with respect to intangible assets and provisions.

Other acquisitions:

Cash paid	0.3
Net asset value acquired	(0.3)
Goodwill	-

Total acquisitions:

Cash paid	23.4
Future consideration	6.5
Fair value of non-controlling interest already owned	-
Net asset value acquired	(7.0)
Goodwill	22.9

Reconciliation to cash flow statement:

Cash paid for the above acquisitions	23.4
Cash acquired	(2.0)
Cash flow due to acquisition of subsidiaries, net of cash acquired	21.4
Acquisition of associates	121.2
Cash outflow due to acquisition of subsidiaries and associates, net of cash acquired	142.6

5. Investments in associates

The composition of the investments in associates is as follows:

	2013	2012
Publicly traded	**1,969.5**	1,659.6
Other	**176.5**	181.4
Total	**2,146.0**	1,841.0

Movements are as follows:

	2013	2012
Book value on Jan. 1	**1,841.0**	1,725.9
Investments	**121.2**	180.4
Disposals	**(14.7)**	(9.5)
Income	**288.5**	266.8
Dividends	**(62.5)**	(60.5)
Actuarial results on defined benefit plans	**36.7**	(82.2)
Share in change of fair value	**0.1**	7.3
Reclassification	**(8.5)**	(131.1)
Adjustment capital gain on sale of Dockwise Ltd to Koninklijke Boskalis Westminster N.V. (see note 11)	**(11.3)**	-
Exchange adjustments and effect of financial instruments	**(44.5)**	(56.1)
Book value on Dec. 31	**2,146.0**	1,841.0

Investments relate to:

	2013	2012
Safilo Group S.p.A.	**-**	44.3
Dockwise Ltd.	**-**	112.4
Koninklijke Boskalis Westminster N.V.	**108.4**	-
Other	**12.8**	23.7
Total	**121.2**	180.4

In 2013, the € 108 million investment in Koninklijke Boskalis Westminster N.V. consisted of HAL's proportionate 33.9% share (January 2013) in a capital increase.

The reclassification of € 8.5 million in 2013 relates to a reclassification from investments in associates to marketable securities due to a conversion from a partnership interest in public equity securities.

The reclassification in 2012 can be specified as follows:

Reclassification interest in Dockwise Ltd. from other financial assets	81.7
Reclassification interest in Dockwise Ltd. to assets held for sale (see note 11)	(191.0)
Consolidations	(21.8)
	(131.1)

The difference between the market value of the Company's share in its publicly traded associates and the book value is as follows:

	2013	2012
Market value	**4,654.7**	4,706.9
Book value	**(1,969.5)**	(1,659.6)
	2,685.2	3,047.3

On December 31, 2013, goodwill of € 110.4 million (2012: € 103.7 million) was included in the book value of the associates.

The Company's financial summary of Safilo Group S.p.A., Koninklijke Vopak N.V. and Koninklijke Boskalis Westminster N.V. is as follows:

	Safilo	Vopak	Boskalis	Total
2013				
Assets	1,465.6	4,823.0	5,732.5	**12,021.1**
Liabilities	619.6	2,895.5	3,192.6	**6,707.7**
Revenues	1,121.5	1,295.2	3,538.7	**5,955.4**
Profit	15.5	312.7	365.7	**693.9**
% interest held	41.92%	48.15%	34.27%	
2012				
Assets	1,491.3	4,838.0	4,888.8	**11,218.1**
Liabilities	628.5	3,085.4	2,972.6	**6,686.5**
Revenues	1,175.3	1,313.9	3,080.9	**5,570.1**
Profit	25.9	324.9	249.1	**599.9**
% interest held	42.23%	48.15%	33.88%	

Koninklijke Vopak N.V. and Koninklijke Boskalis Westminster N.V. are incorporated in the Netherlands. Safilo Group S.p.A. is incorporated in Italy.

A list of the Company's principal associates is included on page 71.

Investments in associates include interests in six private equity partnerships for a total amount of € 57 million (2012: € 63 million).

6. Other financial assets

The specification is as follows:

	2013	2012
Available-for-sale investments in quoted securities	**415.5**	334.1
Loans to associates	**7.7**	8.3
Other loans	**32.9**	29.2
Purchased debt portfolio	**18.8**	22.9
Other	**45.3**	50.6
	520.2	445.1
Current:	**-**	69.6
Non-current:	**520.2**	375.5
	520.2	445.1

Investment in quoted securities includes:

	2013	2012
9⅝% Senior Notes issued by Safilo Group S.p.A. maturing in 2013	**-**	69.6
13.5% equity interest in SBM Offshore N.V.	**415.5**	264.5
	415.5	334.1

The 9⅝% Senior Notes issued by Safilo S.p.A. were redeemed at par. The redemption resulted in a capital gain of € 26 million.

Reconciliation of proceeds from (investments in) other financial assets to the cash flow statement:

	2013	2012
SBM Offshore N.V capital increase	**(29.4)**	(244.0)
9⅝% Senior Notes Safilo Group S.p.A.	**68.3**	-
Dockwise Ltd.	**-**	(38.6)
Other	**7.6**	(9.3)
	46.5	(291.9)

The loans to associates bear interest rates ranging from 6.5% to 8.0% with a remaining duration of one to four years.

The purchased debt portfolio is recorded using the effective interest rate method and relates to the long-term part of the bad debt portfolios purchased by InVesting B.V.

The category “Other” includes long-term deposits and receivables.

7. Marketable securities

Marketable securities consist of equity securities amounting to € 81.8 million (2012: € 88.9 million).

Realized gains (losses), impairment losses, interests, dividends and management fees are included in the line ‘*Income from marketable securities and deposits*’ in the consolidated statement of income.

8. Receivables

	2013	2012
Trade receivables	**360.7**	396.2
Allowance for doubtful accounts	**(21.0)**	(21.6)
	339.7	374.6

The ageing analysis of the trade receivables that are past due but not impaired is as follows:

	2013	2012
Up to 3 months	**83.2**	82.9
Between 3 and 6 months	**8.2**	10.3
Between 6 and 9 months	**3.5**	6.4
Over 9 months	**13.6**	13.9
	108.5	113.5

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

	2013	2012
Book value on Jan. 1	**(21.6)**	(23.6)
Additions	**(4.8)**	(5.1)
Current year write-off	**3.4**	3.2
Releases	**2.0**	3.9
Book value on Dec. 31	**(21.0)**	(21.6)

The fair value of the receivables approximates their carrying amount.

Information on pledges is included in note 16.

9. Inventories

The composition of the inventories is as follows:

	2013	2012
Raw materials	**28.0**	29.0
Work in progress	**23.5**	19.1
Finished goods	**341.1**	344.3
Write-down to net realizable value	**(35.8)**	(38.5)
	356.8	353.9

The cost of inventory recognized as expense amounts to € 1,312.4 million (2012: € 1,292.1 million). The total write-down of inventories recognized as expense amounts to € 8.5 million (2012: € 12.7 million).

Information on pledges is included in note 16.

10. Other current assets

The composition of the other current assets is as follows:

	2013	2012
Prepaid vendors	**50.2**	52.2
Debt collection activity	**25.3**	29.4
Value added tax	**25.2**	42.2
Income tax receivable	**9.5**	24.6
Derivative financial instruments	**0.1**	2.4
Other receivables	**82.8**	88.2
	193.1	239.0

Other receivables include prepaid rent, key money and all other current assets not included in the other categories above.

Information on pledges is included in note 16.

11. Assets held for sale

The composition of the assets held for sale is as follows:

	2013	2012
Book value on January 1	**230.7**	-
Reclassification from associates	**-**	190.6
Reclassification from other financial assets	**-**	40.1
Disposal	**(230.7)**	-
Book value on December 31	**-**	230.7

Assets held for sale included the Company's 31.6% interest in the outstanding ordinary shares of Dockwise Ltd. (€ 190.6 million) and the 9% $ 50 million preference shares in Dockwise Ltd. (€ 40.1 million). These assets were sold to Koninklijke Boskalis Westminster N.V. in 2013 for € 273.7 million, realizing a capital gain of € 22.1 million (after adjusting for € 11.3 million with respect to the Company's equity interest in Koninklijke Boskalis Westminster N.V.). An amount of € 8.8 million relating to currency translation results was recycled to the income statement and € 0.8 million was recorded as income from other financial assets.

12. Issued capital

The issued share capital at December 31, 2013 consists of 71,619,234 shares of which 66,289 are held as treasury stock by the Company. Movements in the number of shares were as follows:

x 1,000	Issued shares	Treasury shares
January 1, 2012	67,358.8	81.2
Sale of treasury shares	-	(11.1)
Purchase of treasury shares	-	2.6
Dividend paid in stock	2,104.1	3.3
December 31, 2012	69,462.9	76.0
January 1, 2013	69,462.9	76.0
Sale of treasury shares	-	(12.7)
Dividend paid in stock	2,156.3	3.0
December 31, 2013	71,619.2	66.3

Outstanding shares	71,552.9
Par value (HAL Holding N.V.)	0.02
Share capital	1.4

The treasury shares above are HAL Trust Shares held by HAL Holding N.V. and are not expected to be cancelled. Each share has one voting right.

A 2012 related dividend of € 271 million (excluding dividend on treasury shares) or € 3.90 per share was paid on June 19, 2013 (2012: € 229 million or € 3.40 per share), of which € 59 million in cash and € 212 million in shares. Shareholders representing 78.2% of the issued shares had their dividend distributed in stock. These shareholders received one new share for 25.2 existing shares. The calculation of the 2012 earnings per share has been adjusted to take account of this stock dividend (in accordance with IAS 33.64).

This conversion ratio was determined based on the volume weighted average share price of HAL Trust shares traded on NYSE Euronext in Amsterdam during the period May 23, 2013 through June 12, 2013. Accordingly, 2,156,328 shares were issued on June 19, 2013.

13. Provisions

Provisions are classified as follows:

	2013	2012
Short-term	**27.5**	33.8
Long-term	**36.4**	32.6
	63.9	66.4

The breakdown and movement in other provisions is as follows:

	2013	2012
Balance on January 1	**66.4**	53.3
Provisions made in the year	**21.9**	30.5
Amounts used	**(23.7)**	(17.2)
Exchange differences	**(0.7)**	(0.2)
Balance on Dec. 31	**63.9**	66.4

Provisions consist of:

	2013	2012
Warranties	**17.7**	18.3
Restructuring and legal	**11.9**	16.2
Employee related	**8.5**	12.1
Regulatory	**5.7**	5.9
Other	**20.1**	13.9
	63.9	66.4

14. Pension obligations

The Company and its subsidiaries have established a number of pension and early retirement schemes, mainly in the Netherlands. The plans are based on final or average pay. The assets of the funded plans are held independently of the Company's and its subsidiaries' assets in separately administered funds. These schemes are valued by independent actuaries every year, using the 'projected unit credit' method.

The latest actuarial valuation was carried out as of December 31, 2013.

The amounts recognized in the statement of financial position are as follows:

	2013	2012
Present value of funded obligations	**445.0**	440.8
Fair value of plan assets	**497.9**	483.7
Surplus of funded plans	**52.9**	42.9
Present value of unfunded obligations	**(49.8)**	(51.8)
Net Asset (Liability) in the statement of financial position	**3.1**	(8.9)

The movement in the provision is as follows:

	2013	2012
Balance on January 1	**(8.9)**	(7.0)
Pension charge defined benefit plans	**(12.4)**	(1.6)
Contributions	**11.4**	8.5
Acquisitions	**-**	(1.4)
Change in assumptions	**12.9**	(12.8)
Reclassification	**-**	5.1
Other	**-**	0.4
Exchange effect	**0.1**	(0.1)
Balance on December 31	**3.1**	(8.9)

The provision consists of:		
Pension benefits assets	**75.7**	65.0
Pension benefits liabilities	**(72.6)**	(73.9)
	3.1	(8.9)

The amounts recognized in the consolidated statement of income are as follows:

	2013	2012
Current service costs	**14.4**	9.2
Interest expense/(income)	**0.4**	(1.3)
Plan amendments and curtailments	**(3.1)**	(7.4)
Administrative costs	**0.7**	1.1
Total defined benefit costs	**12.4**	1.6
Other costs	**14.3**	14.6
Total, included in employee costs	**26.7**	16.2

Plan amendments and curtailments primarily relate to an amendment of a pension plan in the Netherlands (Koninklijke Ahrend N.V.) whereby the conditional indexation was changed from 100% of the wage inflation (active participants) and price inflation (inactive participants) to 70% in 2012 and 60% in 2013.

Other costs mostly include cost related to industry wide pension plans.

Movements in the defined benefit obligations are as follows:

	2013	2012
Balance on January 1	**492.6**	399.1
Acquisitions	**-**	4.6
Service cost	**14.4**	9.2
Interest expense	**16.0**	18.2
Employee contributions	**4.7**	4.7
Experience adjustments	**(1.6)**	1.9
Change in financial assumptions	**(15.1)**	77.6
Change in demographic assumptions	**2.4**	4.1
Plan amendments and curtailments	**(3.1)**	(7.4)
Benefits paid	**(15.1)**	(14.6)
Reclassification	**-**	(5.1)
Exchange effect and other	**(0.4)**	0.3
Balance on Dec. 31	**494.8**	492.6

Movements in the plan assets are as follows:

	2013	2012
Balance on January 1	**483.7**	392.1
Interest income	**15.6**	19.5
Acquisitions	**-**	3.2
Employer contributions	**11.4**	8.5
Employee contributions	**4.7**	4.7
Change in irrecoverable surplus	**-**	36.6
Plan amendments and return on plan assets, excluding amounts included in interest expense/(income)	**(1.4)**	33.1
Benefits paid	**(15.1)**	(14.6)
Exchange effect and other	**(1.0)**	0.6
Balance on Dec. 31	**497.9**	483.7

Benefits paid for unfunded plans amounted to € 0.8 million (2012: € 1.1 million). This amount is included in employer contributions.

The Company expects to contribute € 10.3 million to defined benefit plans in 2014.

The weighted average duration of the defined benefit obligation is 19.5 years.

The principal weighted average assumptions used were:

	2013	2012
Discount rate	**3.52%**	3.45%
Inflation rate	**2.05%**	2.07%
Future salary increases	**3.88%**	3.65%
Future benefits increases	**1.41%**	1.23%

The latest available mortality tables were used.

The discount rates used in the determination of defined benefit obligations and pension charges are based on high quality corporate bonds (AA) with a duration matching the duration of the pension liabilities.

Plan assets include the following:

As of December 31, 2013:

Equities	**147.7**	**29.7%**
Debt instruments	**205.3**	**41.2%**
Other	**144.9**	**29.1%**
	497.9	**100.0%**

As of December 31, 2012:

Equities	153.0	31.8%
Debt instruments	262.1	54.3%
Other	68.6	13.9%
	483.7	100.0%

Other assets represent short-term deposits and assets at insurance companies with respect to vested benefits.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

		Liabilities		**Pension costs**	
Risk assumptions	Change	Incr.	Decr.	Incr.	Decr.
Inflation	1.00%	21.5	(18.5)	1.5	(1.6)
Salary increase	0.25%	4.0	(4.0)	0.6	(0.7)
Discount rate	1.00%	(82.5)	106.5	(7.8)	9.3
Life expectancy	1 year	14.2	(14.4)	0.6	(1.3)

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit.

A decrease in coporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The majority of the plans' obligations are to provide benefits for the lifetime of the members, so increases in life expectancy will result in an increase in the plans' liabilities.

15. Accrued expenses

Accrued expenses consist of:

	2013	2012
Employee related accruals	**157.4**	176.1
Customer prepayments	**83.7**	68.9
VAT and other tax liabilities	**48.9**	65.3
Deferred revenue	**41.5**	42.9
Derivatives	**18.4**	30.5
Debt collection activity	**17.2**	20.3
Other accrued expenses	**152.5**	127.6
	519.6	531.6

16. Debt and other financial liabilities

	2013	2012
Debt	**1,211.0**	1,368.0
Other financial liabilities	**158.2**	195.3
	1,369.2	1,563.3

	2013	2012
Long-term debt		
Mortgage loans	**284.7**	193.8
Other loans	**650.6**	788.5
Total long-term debt	**935.3**	982.3
Other long-term financial liabilities	**141.4**	150.2
Total long-term debt and other long-term financial liabilities	**1,076.7**	1,132.5
Short-term debt		
Bank overdraft	**153.0**	222.6
Bank loans	**61.8**	126.8
Current portion of long-term debt	**60.9**	36.3
Total short-term debt	**275.7**	385.7
Other short-term financial liabilities	**16.8**	45.1
Total short-term debt and other short-term financial liabilities	**292.5**	430.8
Total debt and other financial liabilities	**1,369.2**	1,563.3

The summary per currency is as follows:

	2013	2012
Euro	**1,025.0**	1,232.2
U.S. dollar	**186.0**	131.7
Other currencies	**-**	4.1
	1,211.0	1,368.0

Mortgage loans are secured by mortgages and pledges on vessels, real estate, inventory and receivables with a corresponding book value of € 470.6 million. The other loans are secured to an amount of € 192.1 million by pledges on machinery and equipment, receivables, inventories and other current assets.
These are non-possessory pledges which means that, in case of default under the mortgage loan agreements, the lender will have the right to sell the vessels or real estate and receive the cash flows from the receivables.

The fair value of the financial liabilities is included in the paragraph on fair value of financial assets and financial liabilities on page 67.

Included in other financial liabilities is the obligation to acquire equity instruments in certain subsidiaries from the management of these subsidiaries (€ 41.8 million). Reference is made to the note on financial commitments. Also included are earn-out and deferred/ contingent payments with respect to acquisitions for € 116.4 million.

17. Deferred taxes

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax entity) during the period is as follows:

Deferred tax liabilities:

	Property, plant and equipment	Intangibles	Other	**Total**
As of Jan. 1, 2012	(41.4)	(137.6)	(36.1)	**(215.1)**
Credit/ (charged) to net income	(6.2)	4.3	(0.3)	**(2.2)**
Charged to equity	-	-	(1.5)	**(1.5)**
Other movements	(1.0)	(8.5)	(2.1)	**(11.6)**
Reclassifications	(1.4)	0.9	(1.7)	**(2.2)**
As of Dec. 31, 2012	(50.0)	(140.9)	(41.7)	**(232.6)**
			offset	**81.6**
			per balance sheet	**(151.0)**
Credit/ (charged) to net income	1.7	9.8	1.4	**12.9**
Charged to equity	-	-	(1.5)	**(1.5)**
Other movements	1.2	1.5	(1.1)	**1.6**
Reclassifications	-	(0.2)	(3.1)	**(3.3)**
As of Dec. 31, 2013	(47.1)	(129.8)	(46.0)	**(222.9)**
			offset	**86.6**
			per balance sheet	**(136.3)**

In determining the deferred tax liabilities, withholding tax and any other tax due for unremitted earnings of subsidiaries were not recognized. These earnings are assumed to be permanently invested. Deferred tax liabilities, if applicable, will be recognized when there is the intention to distribute these earnings.

Reclassifications relate to adjustments of prior year offsetting within fiscal unities and reclassifications to current income tax. The column "Other" includes the following:

	2013	2012
Deferred revenue	**(13.8)**	(9.5)
Pensions	**(12.5)**	(11.1)
Inventories	**(8.8)**	(9.5)
Other provisions	**(6.6)**	(6.3)
Derivatives	**(0.3)**	(0.9)
Other	**(4.0)**	(4.4)
	(46.0)	(41.7)

Total other movements include:

	2013	2012
Acquisitions (see details note 4)	**(2.4)**	(10.7)
Other, including translation adjustments	**4.0**	(0.9)
	1.6	(11.6)

The current portion of the deferred tax liabilities amounts to € 6.2 million (2012: € 0.8 million) and the non-current portion to € 216.7 million (2012: € 231.8 million).

Deferred tax assets:

	Tax loss carry-forwards	Pensions	Other	Total
As of Jan. 1, 2012	80.8	10.7	33.9	**125.4**
Credit/ (charged) to net income	3.3	0.4	(0.6)	**3.1**
Charged to equity	-	3.5	2.3	**5.8**
Other movements	0.5	0.1	1.9	**2.5**
Reclassifications	0.5	0.5	0.6	**1.6**
As of Dec. 31, 2012	85.1	15.2	38.1	**138.4**
			offset	**(81.6)**
			per balance sheet	**56.8**
Credit/ (charged) to net income	29.2	0.5	(1.3)	**28.4**
Charged to equity	-	(1.8)	(2.5)	**(4.3)**
Other movements	(2.2)	-	(0.9)	**(3.1)**
Reclassifications	1.8	0.4	1.1	**3.3**
As of Dec. 31, 2013	113.9	14.3	34.5	**162.7**
			offset	**(86.6)**
			per balance sheet	**76.1**

Reclassifications relate to adjustments of prior year offsetting within fiscal unities and reclassifications to current income tax.

The column "Other" includes the following:

	2013	2012
Intangibles	**6.2**	6.4
Accrued expenses	**5.9**	6.3
Other provisions	**5.4**	5.2
Inventories	**5.3**	4.7
Deferred revenue	**4.6**	4.0
Property, plant and equipment	**4.4**	5.2
Derivatives	**2.1**	4.9
Other	**0.6**	1.4
	34.5	38.1

Total other movements include:

	2013	2012
Acquisition (see details note 4)	**-**	0.9
Other, including foreign exchange effects	**(3.1)**	1.6
	(3.1)	2.5

The current portion of the deferred tax assets amounts to € 14.6 million (2012: € 18.8 million) and the non-current portion to € 148.1 million (2012: € 119.6 million).

Unused tax losses for which deferred tax assets have not fully been recognized are as follows:

Expiration date	2013	2012
2013	**-**	30.6
2014	**27.9**	14.2
2015	**18.6**	20.1
2016	**5.2**	5.5
2017	**6.7**	6.4
2018 and further years	**107.4**	98.7
No expiration date	**215.4**	230.3
	381.2	405.8

Unused tax credits for which deferred tax assets have not been fully recognized are not significant.

The aggregate of deferred tax relating to items that were charged or credited directly to equity amounted to negative € 5.8 million (2012: € 4.3 million)

Deferred tax assets for which the utilisation is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences amount to

€ 74.8 million. Their recognition is supported by projections of future taxable income.

Deferred tax assets of € 71.1 million relate to entities which suffered a loss in either the current or the preceding period. Their recognition is supported by projections of future taxable income.

Deferred income taxes are shown under note 26 as follows:

	2013	2012
Deferred tax liabilities debited/credited to net income	**13.0**	(2.2)
Deferred tax assets debited/credited to net income	**28.4**	3.1
	41.4	0.9

18. Revenues

	2013	2012
Sale of goods	**3,777.5**	3,714.7
Services	**263.8**	259.4
Franchise fees	**73.4**	74.8
	4,114.7	4,048.9

19. Income from marketable securities and deposits

	2013	2012
Capital gains (losses) including impairments	**15.6**	5.4
Dividends	**1.0**	1.1
Management fees	**(1.1)**	(0.7)
	15.5	5.8

20. Share of profit/ (loss) of associates

	2013	2012
Share in results	**288.5**	266.8
Capital gain on sale Dockwise Ltd.	**22.1**	-
	310.6	266.8

Dockwise Ltd. was classified as an asset held-for-sale as of December 31, 2012.
Share in results for 2012 was restated for the effect of IAS 19R. We refer to the corresponding paragraph in the section accounting policies on page 27 of this report.

21. Income from other financial assets

	2013	2012
Interest from loans and debt portfolio	**10.1**	13.3
Capital gains Safilo (see note 6)	**26.0**	-
	36.1	13.3

22. Income from real estate activities

	2013	2012
Capital gains	**8.8**	31.1
Rental income	**5.8**	10.2
Operating expenses	**(2.4)**	(2.7)
	12.2	38.6

The capital gains in 2013 resulted from the sale of three development parcels and in 2012 from the sale of an office and a development parcel.

23. Employee expenses

	2013	2012
Wages and salaries	**985.6**	952.2
Social security costs	**195.6**	195.8
Pension costs	**26.7**	16.2
Other	**94.0**	94.2
	1,301.9	1,258.4

The average number of persons employed by the Company and its subsidiaries during 2013 was 31,595 (2012: 30,470) on a full time equivalent basis.

24. Other operating expenses

Other operating expenses include the following:

	2013	2012
Rent	**464.2**	445.9
Marketing and publicity	**185.0**	186.8
Other	**378.0**	406.9
	1,027.2	1,039.6

The company has reviewed the classification of certain expenses. The classification of certain other operating expenses for 2012 has been amended to conform to the current year presentation. Certain operating expenses, primarily freight and import duties for an amount of € 103.9 million, are now included under usage of raw materials, consumables and other inventory.

Research and development costs expensed amounted to € 1.6 million (2012: € 2.0 million).

The total net amount of exchange differences recognized in the consolidated statement of income (except financial instruments at fair value) amounted to a € 5.1 million loss (2012: € 0.1 million loss).

25. Other financial income

Other financial income includes currency exchange losses on the liquid portfolio of € 3.6 million (2012: € 0.7 million gain), the financial income from the operating companies of € 8.2 million (2012: € 8.1 million), adjustment to deferred/contingent acquisition payments of € 6.1 million (2012: € 3.5 million) and the impact of fair value hedges of € 0.7 million (2012: € 0).

26. Income taxes

Income taxes are calculated based on the tax rates in the countries where the Company and its subsidiaries have operations, taking into account tax-exempt income and tax losses carried-forward.

	2013	2012
Current income taxes	**87.6**	87.4
Deferred income taxes	**(41.4)**	(0.9)
	46.2	86.5

Income taxes differ from the theoretical amount that would arise using the domestic tax rates applicable to profits of taxable entities in the countries concerned, as follows:

	2013	2012
Profit before income tax	**519.0**	495.0
Income tax expense	**46.2**	86.5
Effective tax rate	**8.9%**	17.5%

	2013	
Composition:	Amount	%
Weighted average statutory tax rate	**137.8**	**26.5**
Participation exemption	**(77.4)**	**(14.9)**
Goodwill impairment	**11.3**	**2.2**
Recognition of tax losses	**2.8**	**0.5**
Non-taxable income	**(48.5)**	**(9.3)**
Non-deductible expenses	**16.6**	**3.2**
Prior year movements	**0.1**	**-**
Other effects	**3.5**	**0.7**
Effective tax (%)	**46.2**	**8.9**

	2012	
Composition:	Amount	%
Weighted average statutory tax rate	132.9	26.8
Participation exemption	(64.2)	(13.0)
Goodwill impairment	6.7	1.4
Recognition of tax losses	27.3	5.5
Non-taxable income	(39.3)	(8.0)
Non-deductible expenses	17.4	3.5
Prior year movements	2.4	0.5
Other effects	3.3	0.8
Effective tax (%)	86.5	17.5

Participation exemption relates to the non taxable part of the Company's share in the income from associates.
The decrease in the effective tax rate by 8.6% is primarily due to:

- A larger relative share of income from associates which is non taxable (effect 1.9%)
- Increase in non taxable income (effect 1.3%), primarily as a result of the capital gain on the redemption of the bonds issued by Safilo Group S.p.A. (€ 26 million) and higher capital gains on marketable securities (€ 10 million).
- Recognition of tax losses (effect 5%), primarily as a result of the recognition of tax losses from previous years for a tax amount of € 12.4 million (2012: € 0.6 million), derecognition of tax losses from previous periods for a tax amount of € 5.6 million (2012: € 7.7 million) and non recognition of tax losses from the current period for a tax amount of € 9.6 million (2012: € 20.2 million).

Other effects include the effect of changes in tax rates and income tax on intragroup dividends.

Taxes recognized in other comprehensive income:

	2013	2012
On changes in the fair value of cash flow hedges	**(2.2)**	2.3
On changes in pension obligations	**(3.6)**	1.9
	(5.8)	4.2

27. Earnings per share

Earnings per share for profit attributable to the owners of the parent are calculated by dividing the profit attributable to the owners of the parent by the time-weighted average number of outstanding shares. There was no dilutive effect.

The calculation of the time-weighted average number of outstanding shares is as follows:

x 1,000	**2013**	2012
Issued and outstanding shares at January 1	**69,387**	67,278
Purchase of treasury shares	**-**	(2)
Sale of treasury shares	**8**	7
Dividend paid in stock	**1,150**	1,119
Average number of outstanding Shares	**70,545**	68,402

The calculation of the 2012 earnings per share has been adjusted to take into account the stock dividend (in accordance with IAS 33.64).

28. Changes in working capital

Changes in working capital in the consolidated statement of cash flows exclude exchange differences and the effect of acquisitions.

	2013	2012
Accounts receivable	**36.1**	38.9
Inventories	**(4.0)**	22.5
Other current assets	**52.4**	(20.6)
Accounts payable	**(39.7)**	(44.6)
Accrued expenses	**(22.7)**	26.2
	22.1	22.4

Segmentation

The Company's reportable segments are:

- Optical retail
- Other unquoted
- Quoted minority interests
- Real estate
- Liquid portfolio

Operating income (for the purpose of this report defined as earnings before interest, exceptional and non-recurring items, taxes and amortization of intangible assets but including amortization software) can be detailed as follows:

	2013	2012
Optical retail	**270.5**	251.4
Other unquoted	**77.4**	101.0
Quoted minority interests	**328.4**	257.8
Real estate	**10.5**	35.0
Liquid portfolio	**15.5**	6.0
	702.3	651.2
Reconciling items:		
- Amortization	**(109.1)**	(70.3)
- Other	**(25.0)**	(35.8)
Operating result as per consolidated statement of income	**568.2**	545.1
Financial expense, net	**(49.2)**	(50.1)
Profit before tax as per consolidated statement of income	**519.0**	495.0

The "other" reconciling items represent mostly corporate overhead and exceptional and non-recurring items.

The composition of depreciation expense by segment is as follows:

	2013	2012
Optical retail	**90.3**	92.0
Other unquoted	**69.3**	59.2
Real estate	**1.9**	3.6
Reconciling items	**0.3**	0.4
	161.8	155.2

The reconciling items represent corporate depreciation expense.

The composition of revenues by segment is as follows:

	2013	2012
Optical retail	**2,530.8**	2,414.3
Other unquoted	**1,583.9**	1,634.6
	4,114.7	4,048.9

The composition of assets by segment is as follows:

	2013	2012
Optical retail	**2,281.6**	2,335.4
Other unquoted	**1,994.1**	2,011.5
Quoted minority interests	**2,385.0**	2,224.4
Real estate	**47.8**	46.0
Liquid portfolio	**303.9**	171.2
Reconciling items	**111.4**	105.7
	7,123.8	6,894.2

The reconciling items represent primarily deferred tax, loans and pension assets that are part of the overall pension plans.

The composition of investments in associates by segment is as follows:

	2013	2012
Optical retail	**30.2**	30.3
Other unquoted	**146.3**	151.1
Quoted minority interests	**1,969.5**	1,659.6
	2,146.0	1,841.0

The composition of capital expenditures by segment is as follows:

	2013	2012
Optical retail	**134.6**	188.5
Other unquoted	**169.0**	120.8
Real estate	**2.4**	17.9
Reconciling items	**0.2**	0.3
	306.2	327.5

Capital expenditure consists of additions of property, plant and equipment, investment properties and intangible assets.

The reconciling items represent corporate capital expenditure.

The composition of liabilities by segment is as follows:

	2013	2012
Optical retail	**1,239.2**	1,329.1
Other unquoted	**1,172.8**	1,176.8
Real estate	**12.8**	18.7
Liquid portfolio	**0.9**	0.7
Reconciling items	**7.9**	162.2
	2,433.6	2,687.5

The reconciling items mostly include deferred tax. It also included corporate debt in 2012.

The composition of revenues by geographical area is as follows:

	2013	2012
Europe	**3,829.3**	3,810.4
North-America	**33.1**	36.4
Other countries	**252.3**	202.1
	4,114.7	4,048.9

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

	2013	2012
Europe	**4,521.6**	4,410.6
North-America	**218.7**	46.2
Other countries	**268.9**	272.2
	5,009.2	4,729.0

Non-current assets consist of property, plant and equipment, investment properties, intangible assets and investment in associates.

Impairments

The following impairment losses are recognized:

	2013	2012
Goodwill	**44.2**	25.0
Marketable securities	**-**	5.1
Other intangibles	**18.2**	2.1
	62.4	32.2

Impairment losses by segment are as follows:

	2013	2012
Optical retail	**9.8**	15.6
Other unquoted	**52.6**	11.5
Liquid portfolio	**-**	5.1
	62.4	32.2

Impairment losses are included as follows in the consolidated statement of income:

	2013	2012
Amortization and impairments of intangible assets	**62.4**	27.1
Income from marketable securities and deposits	**-**	5.1
	62.4	32.2

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Dec. 31, 2013	Loans and receivables	Available for sale	Derivatives	**Total**
Assets				
Other financial assets	104.7	415.5	-	**520.2**
Marketable securities and deposits	-	81.8	-	**81.8**
Other current assets	117.6	-	0.1	**117.7**
Receivables	339.7	-	-	**339.7**
Cash	471.2	-	-	**471.2**
Total	1,033.2	497.3	0.1	**1,530.6**

Dec. 31, 2013	Liabilities	Derivatives	**Total**
Liabilities			
Long-term debt	935.3	-	**935.3**
Short-term debt	275.7	-	**275.7**
Other financial liabilities	158.2	-	**158.2**
Accounts payable and accrued expenses	238.0	18.4	**256.4**
Total	1,607.2	18.4	**1,625.6**

Dec. 31, 2012	Loans and receivables	Available for sale	Derivatives	**Total**
Assets				
Other financial assets	111.0	334.1	-	**445.1**
Marketable securities and deposits	-	88.9	-	**88.9**
Other current assets	142.2	-	2.4	**144.6**
Receivables	374.6	-	-	**374.6**
Cash	311.2	-	-	**311.2**
Total	939.0	423.0	2.4	**1,364.4**

Dec. 31, 2012	Liabilities	Derivatives	**Total**
Liabilities			
Long-term debt	982.3	-	**982.3**
Short-term debt	385.7	-	**385.7**
Other financial liabilities	195.3	-	**195.3**
Accounts payable and accrued expenses	261.1	30.5	**291.6**
Total	1,824.4	30.5	**1,854.9**

Fair value of financial assets and financial liabilities

The table below summarizes the fair value of financial assets and financial liabilities in comparison with their carrying amounts.

	Fair value **2013**	Carrying amount **2013**	Fair value 2012	Carrying amount 2012
Financial assets				
Other financial assets	**520.5**	**520.2**	447.2	445.1
Marketable securities and deposits	**81.8**	**81.8**	88.9	88.9
Other current assets	**117.7**	**117.7**	144.6	144.6
Receivables	**339.7**	**339.7**	374.6	374.6
Cash	**471.2**	**471.2**	311.2	311.2
Total	**1,530.9**	**1,530.6**	1,366.5	1,364.4

	Fair value **2013**	Carrying amount **2013**	Fair value 2012	Carrying amount 2012
Financial liabilities				
Debt	**1,207.6**	**1,211.0**	1,355.0	1,368.0
Other financial liabilities	**158.2**	**158.2**	195.3	195.3
Accounts payable and derivatives	**256.4**	**256.4**	291.6	291.6
Total	**1,622.2**	**1,625.6**	1,841.9	1,854.9

The fair value of the financial assets and liabilities has been determined using market prices. When these are not available, discounted cash flow techniques have been used to value these instruments. The discounted cash flow techniques use market interest and exchange rates as input.

Summary by level of assets and liabilities measured at fair value

Dec. 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets			-	
- equity securities	459.7	37.6		497.3
Derivatives	-	0.1	-	0.1
Total	459.7	37.7	-	497.4

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives	-	18.4	-	18.4
Other financial liabilities	-	-	158.2	158.2
Total	-	18.4	158.2	176.6

Dec. 31, 2012	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
- equity securities	312.4	41.0	-	353.4
- fixed income instruments	69.6	-	-	69.6
Derivatives	-	2.4	-	2.4
Total	382.0	43.4	-	425.4

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives	-	30.5	-	30.5
Other financial liabilities	-	-	195.3	195.3
Total	-	30.5	195.3	225.8

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. 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. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Equity funds classified in Level 2 are fairly valued using the net asset value of the fund, as reported by the respective Fund's administrator as it represents the fair value of the assets held by the fund. For these funds, Management believes the Company could have redeemed its investment at the net asset value per share at the statement of financial position date.

In the case of financial instruments that are not traded in an active market such as certain derivatives, fair value is determined by using valuation techniques. These valuation techniques use observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Capital risk management

The Company manages its capital to safeguard its ability to continue as a going concern and to provide an adequate return on its invested capital.

The capital structure per December 31 is summarized in the table below:

	2013	2012
Equity	**4,640.7**	4,153.3
Long-term bank debt	**935.3**	982.3
Short-term bank debt	**275.7**	385.7
Cash and deposits	**(471.2)**	(311.2)
Total capital employed	**5,380.5**	5,210.1

Related-party transactions

Short-term and post-employment benefits for the Executive Board are as follows:

	2013	2012
Short-term employee benefits	**2.3**	2.2
Post-employment benefits	**0.4**	0.5
Share based compensation	**0.8**	0.8
	3.5	3.5

On May 18, 2011, the Supervisory Board resolved to grant Mr. M.F. Groot 50,000 shares HAL Trust, under the condition precedent that he is still employed with the Company on May 18, 2016. The shares acquired will then be restricted for a five years period. The fair value of the shares granted is based on the quotation of HAL Trust share on NYSE Euronext in Amsterdam at grant date, adjusted for the impact of dividend forfeiture during the vesting period.

The fixed 2013 remuneration for the Supervisory Directors of HAL Holding N.V. was € 0.4 million (2012: € 0.4 million) in total.

During 2013, the Company purchased for € 56.8 million (2012: € 64.4 million) goods from companies controlled by Safilo Group S.p.A., a 41.9 % associate. At the end of 2013, the Company had € 8.4 million (2012: € 21.1 million) payable to Safilo Group S.p.A. with respect to delivery of goods in the ordinary course of business.

In the second quarter of 2013 the Company provided a € 40 million revolving financing facility to Safilo Group S.p.A., maturing June 30, 2015. At the date of this report, this facility has not been used.

In January 2013, HAL participated for its proportionate 33.9% share (€ 108.4 million) in a capital increase of Koninklijke Boskalis Westminster N.V.

In March 2013, the 31.6% ownership interest including the preference shares in Dockwise Ltd. was sold to Koninklijke Boskalis Westminster N.V. for a total consideration of € 273.7 million.

Financial commitments

Capital commitments

On December 31, 2013 the Company and its subsidiaries had capital commitments in respect of buildings or vessels under construction of approximately € 23 million (2012: € 97 million).

Leases of assets under which all the risks and benefits of ownership are not retained by the lessor but are transferred to the lessee are classified as finance leases. They are capitalized as assets with the corresponding debts as liabilities.

Movements are as follows:

	2013	2012
Cost at beginning of the year	**60.0**	54.2
Acquisitions	**1.9**	14.2
Disposals	**(5.7)**	(8.4)
Subtotal	**56.2**	60.0
Accumulated depreciation at beginning of the year	**(15.0)**	(16.8)
Disposals	**0.5**	5.9
Depreciation	**(2.6)**	(4.1)
Subtotal	**(17.1)**	(15.0)
Book value at Dec. 31	**39.1**	45.0

These assets represent mostly flight simulators.

Minimum lease payments of the finance lease liabilities:

	2013	2012
No later than 1 year	**10.0**	10.1
Later than 1 year and no later than 2 years	**9.0**	9.5
Later than 2 years and no later than 5 years	**6.6**	13.9
Later than 5 years	**0.5**	0.2
Subtotal	**26.1**	33.7
Future finance charges	**(2.7)**	(3.9)
Present value of liability	**23.4**	29.8

The present value of the finance lease liabilities is as follows:

	2013	2012
No later than 1 year	**9.5**	9.6
Later than 1 year and no later than 2 years	**8.1**	8.7
Later than 2 years and no later than 5 years	**5.4**	11.3
Later than 5 years	**0.4**	0.2
Total	**23.4**	29.8

Financial commitments

Leases of assets under which significant risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight line basis over the period of the lease.
The future minimum lease payments under non cancellable operating leases and other commitments are as follows:

	2013	2012
No later than 1 year	**239.5**	248.0
Later than 1 year and no later than 5 years	**610.9**	657.7
Later than 5 years	**160.8**	191.7
Total	**1,011.2**	1,097.4

Operating leases recognized in income amounted to € 387 million (2012: € 367 million).

The Company and its subsidiaries entered into various commitments to acquire ownership interests and to provide financing. On December 31, 2013 the total estimated amount of these commitments not included in the balance sheet was € 50 million (2012: € 249 million).

Management of certain subsidiaries (approximately 150 individuals) own non-controlling interests in the capital of these subsidiaries. With respect to certain subsidiaries, the Company has the conditional obligation to acquire these equity instruments for cash. These obligations are generally included in management participation agreements which are similar in nature and include conditions such as

vesting criteria, lock up arrangements, non-compete agreements and good leaver/bad leaver provisions. The liabilities are initially recorded based on the value of the equity instruments transferred and subsequently remeasured to fair value. The calculation of fair value is generally based on a multiple of EBITA less net debt. Multiples applied are either contractually determined or, generally, in accordance with those applied in calculating estimated value of the subsidiaries and associates (page 72).
The liabilities expire during the period 2014-2018. The short-term part of this liability of € 16.5 million (2012: € 21.7 million) is included under short-term debt and the long-term part of € 25.3 million (2012: € 25.1 million) under long-term debt. Changes in estimated value of the liabilities are recorded in the consolidated statement of income under employee expenses (taking into account cash received).
In 2013, € 8.6 million (2012: € 5 million) was recorded in the consolidated statement of income under employee expenses.

List of Principal Subsidiaries and Associates

as of December 31, 2013

(Interest = 100% unless otherwise stated)

Consolidated:	**Interest**
HAL Holding N.V., Curaçao	
HAL International N.V., Curaçao	
HAL International Investments N.V., Curaçao	
HAL Investments N.V., Curaçao	
HAL Real Estate Investments Inc., Seattle	
HAL Investments B.V., Rotterdam	
Coral Shipping Holding B.V., Rotterdam	
FD Mediagroep B.V., Amsterdam	
Mercurius Groep Holding B.V., Westzaan	
Orthopedie Investments Europe B.V., Haarlem	
GrandVision B.V., Schiphol	98.7%
Broadview Holding B.V., ’s-Hertogenbosch	97.4%
AudioNova International B.V., Rotterdam	96.3%
Atasun Optik A.S., Istanbul	95.0%
Sports Timing Holding B.V., Haarlem	95.0%
Koninklijke Ahrend N.V., Amsterdam	92.6%
Shanghai Red Star Optical Co. Ltd., Shanghai	78.0%
Flight Simulation Company B.V., Schiphol	70.0%
PontMeyer N.V., Zaandam	68.0%
InVesting B.V., Hilversum	67.9%
Anthony Veder Group N.V., Curaçao	62.9%

Non-consolidated:

Publicly traded	**Interest**	**Exchange**
Koninklijke Vopak N.V. (ordinary shares)	48.2%	Amsterdam
Safilo Group S.p.A.	41.9%	Milan
Koninklijke Boskalis Westminster N.V.	34.3%	Amsterdam
SBM Offshore N.V.	13.5%	Amsterdam

Other	
Gispen Group B.V.	49.0%
N.V. Nationale Borg-Maatschappij	46.7%
Atlas Services Group Holding B.V.	45.0%
Infomedics Groep B.V.	38.8%
Visilab S.A.	30.2%
Navis Capital Partners Ltd.	25.0%

Information relating to estimated value of the Subsidiaries and Associates of HAL Holding N.V.

As of December 31, 2013

General

This section provides additional information about the investment portfolio of HAL Holding N.V. ('HAL'). This information relates to the consolidated subsidiaries, the investments in associates and the other investments.

For the purpose of this section, book value includes goodwill and loans to the investee companies. Amounts denominated in foreign currencies have been translated at year-end exchange rates.

We emphasize that, especially with respect to non-quoted investments, estimated value is based upon a number of assumptions. Values as realized upon sale of an investment can be materially different from these estimates.

Portfolio valuation methodology

The valuation of HAL's portfolio for this section is arrived at using a systematic process. The aim is to value the portfolio as a whole on a prudent and consistent basis.

Quoted investments

Quoted investments are valued at the closing price on the statement of financial position date. In certain circumstances, for example in case of trading restrictions, an appropriate discount may be applied.

Unquoted common equity investments

Unquoted investments are valued subject to overriding requirements of prudence, according to one of the following basis:

- Cost (less any provisions required);
- Recent transactions in the investee company;
- Earnings multiple;
- Other.

Cost

New investments are generally valued at cost during the first 12 months or, if later, until the availability of the first set of audited financial statements post completion of the acquisition. However, provisions against cost will be made if the performance of the investment is significantly below the expectations on which the acquisition was based.

After this initial period, investments can also remain valued at cost in the following situations:

- If an investment is loss-making and therefore the use of an earnings multiple does not seem appropriate, an investment is valued at cost less a provision in case of a possible diminution of value.
- If comparable quoted companies are not primarily valued on an earnings basis, an investment is valued at cost including any adjustments deemed appropriate.

After the 12 months period the investments are generally valued based on an earnings multiple. It is possible that the multiple applied is lower than the multiple paid at the time of the acquisition.

Recent transactions in the investee company

In case of a recent significant and at arm's length share transaction in an investee company, the share price involved in this transaction is used to value the investment.

Earnings multiple

Valuations using an earnings multiple are principally based on the following method:

The EBITA (Earnings Before Interest, Tax and Amortization) of the current year is used, adjusted for non-recurring items when appropriate. The estimated value of the common equity of the investee company is determined by multiplying the (adjusted) EBITA with a multiple and subtracting the net debt and preferred shares of the investee company. The following factors may, among other things, be considered when selecting multiples:

- the multiple paid at the time of the investment;
- the multiples HAL generally would be prepared to pay for comparable investments;
- multiples of a meaningful sample of comparable quoted companies. When referring to multiples of comparable companies, a discount of at least 25% is taken into account for limited marketability, unless there is a strong possibility of a short-term realization.

Unquoted other investments

Unquoted preferred shares and loans to investee companies are generally valued at cost unless the investee company has failed or is expected to fail its payment obligations within the next 12 months. In these circumstances, these assets are valued at the lower of cost and net realizable value.

Valuation investments

	Book value	Estimated value	Cost price
Quoted investments	2,385.0	5,070.2	760.1
Unquoted investments	1,814.3	2,516.8	503.4
	4,199.3	7,587.0	1,263.5

Unquoted investments			
Value based on a multiple of EBITA	1,341.7	2,038.9	(150.5)
Valued at other methods	472.6	477.9	653.9
	1,814.3	2,516.8	503.4

Estimated value less book value of the unquoted investments amounted to € 703 million at the end of 2013 (2012: € 621 million) respectively € 9.82 and € 8.95 per share.

Cost price represents the original purchase price less dividends, interest received and return of capital. The EBITA multiples applied vary from 7 to 8. With respect to the optical retail activities, a multiple of 8 was applied to an EBITA amount of € 274 million. This amount includes the negative EBITA of emerging markets (except Turkey and China) and Spanish and Greek retail subsidiaries to an amount of € 21 million. Exclusion of this loss in the calculation of estimated value would result in an increase of estimated value of € 168 million.

The 2013 sales of these subsidiaries amounted to € 116 million. The optical retail subsidiaries in China and Turkey were valued based on one time annual revenue (approximately € 52 million).
Recent acquisitions were valued at cost. Realized multiples may be materially different.

Quoted investments

	Interest in common shares	Price in €	Market value in € million
Koninklijke Vopak N.V.			
- ordinary shares	48.2%	42.52	2,617.0
- preferred shares			11.3*
Koninklijke Boskalis Westminster N.V.	34.3%	38.41	1,583.1
Safilo Group S.p.A.	41.9%	17.00	443.3
SBM Offshore N.V.	13.5%	14.80	415.5
Total market value quoted investments			5,070.2

* Non-quoted, at cost

No discount was applied to the above market prices.

Statement of Financial Position
HAL Trust

As of December 31

In millions of euro	**2013**	2012
Assets		
71,619,234 shares in HAL Holding N.V., at historical cost	**69.3**	69.3
Trust Property	**69.3**	69.3

Statement of Income
HAL Trust

In millions of euro	**2013**	2012
Dividend received from HAL Holding N.V.	**270.9**	229.0
Net income	**270.9**	229.0

Notes to the statutory financial statements *(in millions of euro)*

The shares in HAL Holding N.V. are accounted for at historical cost. As of December 31, 2013, HAL Trust owned 71,619,234 shares of HAL Holding N.V. (2012: 69,462,906).

Trust property
The movement for 2013 for the Trust property is as follows:

Balance on January 1, 2013	**69.3**
Dividend received from HAL Holding N.V. (in cash and in shares)	**270.9**
Distributed to unit holders (in cash and in shares)	**(270.9)**
Balance on December 31, 2013	**69.3**

Cash flow statement

In millions of euro	**2013**	2012
Cash dividend received from HAL Holding N.V.	**59.0**	52.3
Cash distributed to unit holders	**(59.0)**	(52.3)
Net change	**–**	–

Distribution of Dividends

It is proposed to the Shareholders 'Meeting of HAL Trust to instruct the Trustee to vote, at the General Meeting of Shareholders of HAL Holding N.V., in favour of the proposals to approve the Financial Statements for 2013 and to pay a dividend of € 4.10 per Share outstanding.

It is proposed to direct the Trustee:

- to issue by way of stock dividend distribution to each HAL Trust Shareholder: such number of Shares as shall be based on the Conversion ratio and the number of Shares held by such HAL Trust Shareholder (refer to the explanatory notes to the agenda items 2 and 4 of the Notice to Trust Shareholders);

- unless a HAL Trust Shareholder shall have requested (by no later than June 12, 2014 3:00 p.m. CET) that the dividend payment to him be made in cash, in which case the Trustee shall pay such HAL Trust Shareholder the cash dividend of € 4.10 per HAL Trust Share.

and

- to convey to HAL Holding N.V. prior to June 19, 2014 for how many HAL Holding N.V. shares the dividend should be paid in cash (on the basis of the number of HAL Trust Shares for which the HAL Trust Shareholders have requested payment of the HAL Trust dividend in cash), and for what amount cash payments are to be made to the Trustee representing the value of fractions of HAL Trust Shares (if any) to which the respective HAL Trust Shareholders will be entitled on the basis of the Conversion ratio, it being understood that the remainder of the HAL Holding N.V. dividend shall be paid in the form of stock dividend.

Shareholders holding their shares through Euroclear Nederland will be paid via affiliated banks and security brokers. To the other Shareholders payment of the dividend due is made directly, in accordance with the conditions agreed upon with these Shareholders.

The text of Article VII, Section 7.1 of the Trust Deed reads:

Profits of the Trust. The profits of the Trust in respect of a Financial Year as they appear in the profit and loss account of the Trust as approved by an Ordinary Resolution as provided in Section 14.3 shall be applied as follows:

(A) FIRST: out of the profits such dividend as may be determined by Ordinary Resolution shall be distributed to the Trust Shareholders in proportion to the number of Units represented by the Shares held by such Trust Shareholders;

(B) SECOND: the remaining part of the profits, if any, shall be retained as Trust Property.

Independent Auditor's report

To the Trustee of HAL Trust

Report on the financial statements

We have audited the accompanying consolidated financial statements of HAL Trust and its subsidiaries (the "group"), which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and the accompanying stand-alone statutory financial statements of HAL Trust which comprise the statement of financial position as at December 31, 2013 and the statement of income for the year then ended, and notes. The consolidated financial statements and stand-alone statutory financial statements are included on pages 19 to 74 (collectively referred to as the "financial statements").

Executive Board's responsibility for the financial statements

The Executive Board of HAL Holding N.V. is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group and HAL Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and HAL Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and HAL Trust as at December 31, 2013 and of the financial performance and cash flows of the group and the financial performance of HAL Trust for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Bermuda, March 27, 2014

PricewaterhouseCoopers Ltd.

Chartered Accountants

Five-Year Summary
Consolidated Statement of Financial Position

In millions of euro	**2013**	2012	2011	2010	2009
Assets					
Non-current assets:					
Property, plant and equipment	**969.0**	908.1	828.7	747.7	678.1
Investment properties	**32.2**	40.5	79.9	96.0	65.7
Intangible assets	**1,862.0**	1,939.4	1,862.5	1,825.8	1,521.1
Investments in associates	**2,146.0**	1,841.0	1,725.9	1,527.0	1,122.0
Other financial assets	**520.2**	375.5	225.2	278.6	256.7
Deferred tax assets	**76.1**	56.8	53.0	46.0	50.4
Pension benefits	**75.7**	65.0	50.2	69.9	64.1
Total non-current assets	**5,681.2**	5,226.3	4,825.4	4,591.0	3,758.1
Current assets:					
Assets held for sale	**-**	230.7	-	-	21.8
Other current assets	**193.1**	239.0	209.2	194.8	165.5
Other financial assets	**-**	69.6	-	-	-
Inventories	**356.8**	353.9	355.4	371.7	343.7
Receivables	**339.7**	374.6	399.3	333.4	266.3
Marketable securities and deposits	**81.8**	88.9	97.2	212.7	326.0
Cash and cash equivalents	**471.2**	311.2	644.7	144.7	139.9
Total current assets	**1,442.6**	1,667.9	1,705.8	1,257.3	1,263.2
Total assets	**7,123.8**	6,894.2	6,531.2	5,848.3	5,021.3
Equity and liabilities					
Equity	**4,640.7**	4,153.3	3,912.9	3,595.1	3,132.4
Non-controlling interest in consolidated subsidiaries	**49.5**	53.4	51.6	30.1	72.2
Non-current liabilities:					
Deferred tax liabilities	**136.3**	151.0	139.8	132.4	115.3
Provisions	**109.0**	106.5	82.1	85.1	78.1
Long-term debt and other financial liabilities	**1,076.7**	1,132.5	1,150.8	657.1	388.4
Total non-current liabilities	**1,322.0**	1,390.0	1,372.7	874.6	581.8
Current liabilities:					
Liabilities held for sale	**-**	-	-	-	7.2
Provisions	**27.5**	33.8	31.2	25.5	55.3
Accrued expenses	**519.6**	531.6	490.7	456.4	394.5
Income tax payable	**34.0**	40.2	31.7	26.7	35.6
Accounts payable	**238.0**	261.1	290.5	264.7	229.0
Short-term debt and other financial liabilities	**292.5**	430.8	349.9	575.2	513.3
Total current liabilities	**1,111.6**	1,297.5	1,194.0	1,348.5	1,234.9
Total equity and liabilities	**7,123.8**	6,894.2	6,531.2	5,848.3	5,021.3
Equity per Share *(in euro)*	**64.86**	59.86	58.16	54.98	49.27

Five-Year Summary
Consolidated Statement of Income

In millions of euro	**2013**	2012	2011	2010	2009
Revenues	**4,114.7**	4,048.9	3,996.3	3,768.9	3,447.8
Income from marketable securities and deposits	**15.5**	5.8	1.0	25.5	22.9
Capital gains on sale of assets	**-**	-	-	-	2.8
Share of profit/(loss) of associates	**310.6**	266.8	295.9	283.4	199.0
Income from other financial assets	**36.1**	13.3	28.2	4.4	0.7
Income from real estate activities	**12.2**	38.6	53.3	14.6	7.7
Total income	**4,489.1**	4,373.4	4,374.7	4,096.8	3,680.9
Usage of raw materials, consumables and other inventory	**1,320.9**	1,304.8	1,359.0	1,337.4	1,276.0
Employee expenses	**1,301.9**	1,258.4	1,206.9	1,097.5	978.7
Depreciation of property, plant, equipment and investment properties	**161.8**	155.2	143.0	134.2	130.4
Amortization and impairments of intangible assets	**109.1**	70.3	63.5	73.8	49.3
Other operating expenses	**1,027.2**	1,039.6	981.4	907.3	805.5
Total expenses	**3,920.9**	3,828.3	3,753.8	3,550.2	3,239.9
Operating profit	**568.2**	545.1	620.9	546.6	441.0
Financial income/expense	**(49.2)**	(50.1)	(59.2)	(55.9)	(47.5)
Profit before taxes	**519.0**	495.0	561.7	490.7	393.5
Income tax expense	**(46.2)**	(86.5)	(66.8)	(62.6)	(51.4)
Profit before non-controlling interest in results of consolidated subsidiaries	**472.8**	408.5	494.9	428.1	342.1
Non-controlling interest in results of consolidated subsidiaries	**-**	0.8	(1.9)	4.0	5.1
Net income	**472.8**	409.3	493.0	432.1	347.2
Net income per share *(in euro)*	**6.70**	5.80	7.21	6.51	5.46
Dividend per share *(in euro)*	**4.10***	3.90	3.40	3.75	2.85

* Proposed

Statement of Financial Position
HAL Holding N.V.

As of December 31

In millions of euro	**2013**	2012
Assets		
Fixed assets:		
Non-current assets	**4,469.4**	4,238.0
Current assets:		
Deposits	**174.8**	38.1
Other current assets	**1.5**	1.6
	4,645.7	4,277.7
Equity and liabilities		
Equity	**4,640.7**	4,153.3
Current liabilities:		
Short-term debt	**-**	120.0
Accrued expenses	**5.0**	4.4
Total current liabilities	**5.0**	124.4
	4,645.7	4,277.7

Statement of Income
HAL Holding N.V.

In millions of euro	**2013**	2012
Income from financial assets	**481.8**	418.3
General and administrative expenses	**(7.5)**	(7.7)
Total	**474.3**	410.6
Financial expense	**(1.5)**	(1.3)
Net income	**472.8**	409.3

Notes to the company financial statements HAL Holding N.V. *(in millions of euro)*

For details concerning the accounting principles in respect of the statement of financial position and statement of income, reference is made to the consolidated financial statements of HAL Trust, except for investments in subsidiaries which are carried at net asset values.

Financial assets

Movements for 2013 are as follows:

Balance on January 1, 2013	**4,238.0**
Income	**481.8**
Increase (decrease) in loans, net	**(321.9)**
Exchange adjustments, valuation differences and equity adjustments	**71.5**
Balance on December 31, 2013	**4,469.4**

Equity

The movement for 2013 of Shareholders' equity is included on pages 23 and 24.

On December 31, 2013 and 2012, 71,619,234 and 69,462,906 Shares respectively were outstanding, with a nominal value of € 0.02 each, and all were held by HAL Trust.

The Company may purchase HAL Trust Shares, when deemed appropriate, up to a maximum of 10% per year of the number of Shares outstanding at the beginning of the year. In 2013, 12,742 Shares were sold for € 1.2 million.

A 2012 dividend of € 271 million (excluding dividend on treasury Shares) or € 3.90 per Share was distributed on June 19, 2013 (2012: € 229 million or € 3.40 per Share), of which € 59 million in cash and € 212 million in stock. The conversion ratio of 1:25.2 resulted in 2,156,328 new Shares being issued.

The Company owned 66,289 HAL Trust Shares as of December 31, 2013. These Shares are to hedge the obligation to allot – under certain conditions – 50,000 Shares HAL Trust to a member of the Executive Board and may also be used in the context of a share participation plan for management (not being members of the Executive Board).

Supervisory Directors
The 2013 fixed remuneration for the Supervisory Directors of HAL Holding N.V. was € 0.4 million in total (2012: € 0.4 million).

Distribution of Profits

The profit to be decided upon by the General Meeting of Shareholders of HAL Holding N.V. for 2013 is as follows:

	(In millions of euro)
According to the Statutory Statement of Income, the net income is:	€ 472.8
Available for distribution to Shareholders	€ 472.8
Proposed distribution:	
In accordance with Article 31 (1), 0.03 euro for each of the 71,619,234 Shares:	€ 2.1
Available to the General Meeting of Shareholders in accordance with Article 31 (2):	€ 470.7
Retained in accordance with Article 30	€ (179.2)
Available for distribution	€ 293.6
After approval of the dividend proposal of € 4.10 per Share by the General Meeting of Shareholders of HAL Holding N.V., the dividend shall be distributed to HAL Trust for 71,619,234 Shares at € 4.10 per Share:	€ 293.6

The above references to Articles refer to the Articles of Association of the Company.

The dividend shall be payable in Shares in the share capital of the Company, except and to the extent that prior to June 19, 2014 the Trustee on behalf of HAL Trust expressly requests that payment to the Trustee be made in cash. The conversion ratio for the dividend in Shares will be determined on June 12, 2014 after the close of business of NYSE Euronext in Amsterdam.

HAL Trust Organization

A Trust, which is quite common in Anglo-American law, is a property managed in accordance with a trust deed by a Trustee on behalf of the beneficial owners.

The Trust has the following three components:

The Meeting of Shareholders of HAL Trust

Except for the powers of the Trust Committee described below, control of the Trust rests with the Meeting of Trust Shareholders.

The Meeting of Trust Shareholders approves the annual accounts and decides on the distribution of profits.

Execution of the decisions of the Meeting of Trust Shareholders is the task of the Trustee. The Trustee therefore votes at the General Meeting of Shareholders of HAL Holding N.V. in accordance with the outcome of the vote taken at the Meeting of Shareholders of HAL Trust.

The Annual Meeting of Trust Shareholders takes place in Rotterdam. The members of the Board of Supervisory Directors and the Executive Board of HAL Holding N.V. shall be present at the meeting in order to explain policies pursued.

The Trustee

The function of Trustee is exercised by HAL Trustee Limited, Hamilton, Bermuda.

The Board consist of Messrs. D.C. Meerburg, *Chairman*, C. MacIntyre, A.R. Anderson and H. van Everdingen, *members*.

The Trustee is the legal owner of the assets of the Trust, which consist of Shares in HAL Holding N.V., Curaçao.

The powers of the Trustee are limited to execution of the decisions of the Meeting of Trust Shareholders of HAL Trust and of the Trust Committee.

The Trustee votes at the General Meeting of Shareholders of HAL Holding N.V. in accordance with the instructions of the Meeting of Shareholders of HAL Trust.

The Trust Committee

The Trust Committee is HAL Trust Committee Limited, Hamilton, Bermuda.

The Board of HAL Trust Committee Limited consists of Messrs. P.J. Kalff, *Chairman*, C. MacIntyre, A.R. Anderson, T. Hagen and M. van der Vorm, *members*.

This Board is appointed by the Stichting HAL Trust Commissie, shareholder of HAL Trust Committee Limited. The Board of the Stichting is appointed by the shareholders of HAL Trust and consists of Messrs. P.J. Kalff, T. Hagen and M. van der Vorm.

The Trust Committee is empowered to regroup the assets of the enterprise if, in special circumstances such as international political complications, it considers it necessary to do so in the interest of the shareholders and/or the enterprise. The objective of such regrouping is to replace HAL Holding N.V. with a company situated in another jurisdiction. To achieve this, HAL Holding N.V. may transfer its assets to that new company in exchange for a repurchase of shares. The Trust Committee also has the power to appoint another Trustee, if necessary. Finally, the Trust Committee has some duties of an administrative nature.

Description Corporate Governance HAL Holding N.V.

A Curaçao public company

HAL Holding N.V. is a public company with its corporate seat in Curaçao. The Corporate Governance of HAL Holding N.V. is subject to the law of Curaçao as well as the articles of association and regulations adopted in accordance with such law. HAL Holding N.V. reports its financial position in accordance with International Financial Reporting Standards as adopted by the European Union.

HAL Holding N.V. is a holding company and parent company of a number of subsidiaries.

Share capital

HAL Holding N.V. has a share capital that is divided in shares with a nominal value of € 0.02 each. All shares have the same rights. Each share carries the right to exercise one vote in the General Meeting of Shareholders. All shares are in registered form.

HAL Trust

All shares in the capital of HAL Holding N.V. are held by HAL Trust on behalf of the Trust Shareholders. For each share in the capital of HAL Holding N.V. one Trust Share has been issued by HAL Trust. All Trust Shares have the same rights. Each Trust Share carries the right to exercise one vote in the meeting of Trust Shareholders. All distributions made by HAL Holding N.V. in respect of its shares are distributed by HAL Trust to the Trust Shareholders.

HAL Trust is a trust under Bermuda law and is subject to a trust deed, the text whereof has most recently been changed on May 18, 2011. The function of Trustee is exercised by HAL Trustee Limited. In addition, the trust deed grants certain powers to HAL Trust Committee Limited. For further information on HAL Trustee Ltd. and HAL Trust Committee Limited, see page 82. The Trust Shares are listed and traded on NYSE Euronext in Amsterdam.

Meetings of Trust Shareholders

In accordance with the provisions of the trust deed each year a meeting of Trust Shareholders is held in Rotterdam prior to the General Meeting of Shareholders of HAL Holding N.V. The meeting of Trust Shareholders has, inter alia, the power to direct the Trustee as to the exercise by the Trustee of its voting rights in the General Meeting of Shareholders of HAL Holding N.V. This means that the Trust Shareholders have de facto control in the General Meeting of Shareholders of HAL Holding N.V.

Neither the articles of association of HAL Holding N.V. nor the trust deed contain any protective provisions which limit the control of the Trust Shareholders. All resolutions of the General Meeting of Shareholders of HAL Holding N.V. require a simple majority of the votes cast. The same holds for the decision taking process in the meeting of Trust Shareholders.

Rights of Trust Shareholders

Each Trust Shareholder has the right to attend the meetings of Trust Shareholders, either in person or by written proxy, to speak at such meetings and to exercise his voting rights. In addition, Trust Shareholders who together represent at least 10% of all outstanding Trust Shares are entitled to request the Trustee to convene a meeting of Trust Shareholders.

Powers General Meeting of Shareholders

In accordance with the articles of association of HAL Holding N.V. the General Meeting of Shareholders of HAL Holding N.V. and therefore indirectly the meeting of Trust Shareholders, has the following powers:

1. appointment and dismissal of the members of the Executive Board and the Board of Supervisory Directors;
2. approval of the financial statements;
3. granting discharge to the members of the Executive Board and the Board of Supervisory Directors;
4. amendment of the articles of association, provided such amendment is proposed by the Executive Board and has been approved by the Board of Supervisory Directors;
5. remuneration of Supervisory Directors;
6. appointment of the external auditor;
7. decisions about the distribution of profits following payment of the primary dividend on shares, as set out in the articles of association, and after the taking of certain

reserves by the Executive Board subject to the approval of the Board of Supervisory Directors;
8. all other powers which the articles of association do not grant to another corporate body.

Executive Board

The Executive Board of HAL Holding N.V. is responsible for the management of the Company, which means, among other things, that it is responsible for achieving the company's objectives, strategy and policy. The Executive Board is accountable to the Board of Supervisory Directors and to the General Meeting of Shareholders. In discharging its role, the Executive Board is guided by the interests of the Company and its business, taking into consideration the relevant interests of all those involved in the Company.

The Executive Board is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the Company's activities and for the financing of the Company.

The number of members of the Executive Board is determined by the Board of Supervisory Directors. At present the Executive Board consists of two members. Both members have been appointed by the General Meeting of Shareholders for an indefinite period of time. They can be dismissed by the General Meeting of Shareholders. In addition they can be suspended by the Board of Supervisory Directors.

With the approval of the Board of Supervisory Directors the Executive Board has adopted regulations which, inter alia, provide for additional rules in respect of the decision taking process within the Executive Board, the reporting to the Board of Supervisory Directors, the treatment of possible conflicts of interest and the fulfilment by members of the Executive Board of additional offices.

The Board of Supervisory Directors determines the remuneration of each member of the Executive Board. The remuneration consists of a fixed part and a variable part, the size whereof is determined by the Board of Supervisory Directors who also decides on additional benefits. The members of the Executive Board do not participate in any option scheme and do not receive any personal loans or guarantees from the Company.

Board of Supervisory Directors

The Board of Supervisory Directors is responsible for the supervision of the policies of the Executive Board and the general affairs of the Company and its business. It also assists the Executive Board by providing advice. In discharging its role the Board of Supervisory Directors is guided by the interests of the Company and its business and shall take into account the relevant interests of all those involved in the Company. The Board of Supervisory Directors is responsible for the quality of its own performance.

The Board of Supervisory Directors consists of at least five members. The Board of Supervisory Directors can determine that the Board consists of more members. At present the Board has four members which have been appointed by the General Meeting of Shareholders for an indefinite period of time. The vacancy as a result of the resignation of Mr. A.H. Land on August 28, 2013, will be filled at the forthcoming General Meeting of Shareholders. Each year at least one supervisory director resigns in accordance with a retirement schedule set by the Board. A supervisory director resigning in accordance with the retirement schedule is eligible for re-appointment.

The Board of Supervisory Directors has chosen a chairman from among its members.

All tasks and duties of the Board of Supervisory Directors are exercised on a collegiate and full-board basis. The Board of Supervisory Directors has adopted regulations which, inter alia, provide for rules in respect of the providing of information by the Executive Board, the matters that in any case must be addressed each year, the manner of meeting and decision taking by the Board, the treatment of potential conflicts of interest, the individual investments by supervisory directors and the criteria which may possibly jeopardize the independent exercise of the position of supervisory director.

The Board of Supervisory Directors has prepared a profile for its composition. Each

member is capable of assessing the broad outline of the overall policy. Together the supervisory directors have sufficient expertise to carry out the tasks of the Board of Supervisory Directors taken as a whole.

The General Meeting of Shareholders determines the remuneration of the members of the Board of Supervisory Directors.

Supply of information/logistics General Meeting of Shareholders

The Executive Board and the Board of Supervisory Directors provide the General Meeting of Shareholders, and the meeting of Trust Shareholders, with all relevant information that they require for the exercise of their powers, unless this would be contrary to an overriding interest of the Company.

The Executive Board and the Board of Supervisory Directors will provide all shareholders and other parties in the financial markets who find themselves in an equal position with equal and simultaneous information about matters that may influence the price of the Trust Shares.

Any possible contacts between the Executive Board on the one hand and the press and financial analysts on the other will be carefully handled and structured, and the Company shall not engage in any acts that compromise the independence of analysts in relation to the Company and vice versa.

Financial reporting

The Executive Board is responsible for the quality and completeness of publicly disclosed financial reports. The Board of Supervisory Directors sees to it that the Executive Board fulfils this responsibility.

The annual accounts of HAL Holding N.V. are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In addition HAL Holding N.V. publishes interim reports in accordance with the relevant provisions of the law and the listing requirements of NYSE Euronext in Amsterdam. All financial information is also published on the web site www.halholding.com. The annual accounts are signed by the members of the Executive Board and of the Board of Supervisory Directors. The Board of Supervisory Directors discusses the annual accounts with the external auditor prior to signing of the accounts by the supervisory directors.

The General Meeting of Shareholders appoints the external auditor. Following receipt by the Board of Supervisory Directors of advice from the Executive Board, the Board of Supervisory Directors prepares a nomination for the appointment of the external auditor. HAL Holding N.V. has no internal audit function.

Material remuneration for instructions to the external auditor other than for auditing activities requires the approval of the Board of Supervisory Directors in respect of which the Board will consult with the Executive Board.

The external auditor is represented at the meetings of Trust Shareholders.

Information in respect of members of the Board of Supervisory Directors

S.E. Eisma (65) is a Dutch citizen. Mr. Eisma was appointed member/secretary of the Board of Supervisory Directors of HAL Holding N.V. in 1993. In 2006 he was appointed Chairman. His current term is from 2011-2016. Mr. Eisma retired from De Brauw Blackstone Westbroek N.V. in April 2010. Mr. Eisma is a member of the Supervisory Board of Robeco Groep N.V. and member of the board of Stichting Pensioenfonds HAL. He is also Chairman of the Supervisory Council of the University of the Arts, The Hague and member of the Supervisory Council of the VEB (Vereniging van Effectenbezitters).

T. Hagen (71) is a Norwegian citizen. In 1985 he was appointed member of the Board of Supervisory Directors of HAL Holding N.V. His current term is from 2010-2015. Mr. Hagen is Chairman of the Board of MISA Investments Ltd. and Viking Cruises Ltd.

M.P.M. de Raad (69) is a Dutch citizen. In 2006 he was appointed member of the Board of Supervisory Directors of HAL Holding N.V. His current term is from 2013-2018. Mr. De Raad was Chief Executive Officer of SHV Makro N.V. and member of the Executive Board of SHV Holdings N.V., Metro AG (Germany) and Royal Ahold N.V. Mr. De Raad is currently member of the Supervisory Boards of Corbion N.V. , Vion Holding N.V., Metro AG (Germany), Vollenhoven Olie Groep B.V. and TiasNimbas Business School. He is also Chairman of the Supervisory Board of the Jeroen Bosch Hospital.

L.J. Hijmans van den Bergh (50) is a Dutch citizen. In 2013 he was appointed member of the Board of Supervisory Directors of HAL Holding N.V. Mr. Hijmans van den Bergh joined Royal Ahold on December 1, 2009 as Chief Corporate Governance Counsel. On April 13, 2010 Royal Ahold's Shareholders Meeting appointed him to the Management Board. Prior to joining Royal Ahold, Mr. Hijmans van den Bergh was a partner of De Brauw Blackstone Westbroek N.V. Mr. Hijmans van den Bergh is a member of the Supervisory Council of Air Traffic Control the Netherlands, deputy chairman of the Royal Concertgebouw Orchestra and a member of the advisory boards of the Rotterdam School of Management, Erasmus University and the Champs on Stage Foundation.

It will be proposed to re-elect Mr. Hijmans van den Bergh this year for the period 2014-2019.

It will be proposed to appoint Mr. G.J. Wijers member of the Board of Supervisory Directors.

G.J. Wijers (63) is a Dutch citizen. He is a former minister of Economic affairs and former CEO of Akzo Nobel N.V. He is Chairman of the Supervisory Boards of Heineken N.V. and AFC Ajax N.V., non-executive deputy chairman of Royal Dutch Shell Plc. and non-executive director of GlaxoSmithKline Plc.

HAL Trust

established in Bermuda

Notice to Trust Shareholders

We hereby invite you to attend the meeting of Trust Shareholders of HAL Trust, which will be held on Friday, May 16, 2014, at 11:00 a.m. in the Rotterdamse Schouwburg, Schouwburgplein 25, Rotterdam. The agenda of the meeting is as follows:

1. Opening
2. Instructions for the Trustee to vote at the General Meeting of Shareholders of HAL Holding N.V., to be held on Tuesday, May 27, 2014, with regard to the following items on the agenda:
   a) Report of the Executive Board of HAL Holding N.V.
   b) Report of the Board of Supervisory Directors of HAL Holding N.V.
   c) Approval of the financial statements of HAL Holding N.V.
   d) Dividend payment against the profits of 2013 in the amount of € 4.10 per Share as published in the Annual Report 2013, which dividend shall be payable in shares in the share capital of HAL Holding N.V., except and to the extent that
      (i) prior to June 19, 2014 the Trustee expressly requests that payment to the Trustee be made in cash;
      and
      (ii) cash payments will be made to the Trustee representing the value of fractions of HAL Trust Shares (if any) to which the respective HAL Trust Shareholders will be entitled on the basis of the Conversion ratio,

      and, with the approval of the Board of Supervisory Directors, to direct and authorize the Executive Board to effectuate such share issue and cash payments
   e) Election Supervisory Director. It is proposed to re-elect Mr. L.J. Hijmans van den Bergh
   f) Election Supervisory Director. It is proposed to elect Mr. G.J. Wijers
   g) Discharge of the members of the Executive Board in respect of their duties of management during the financial year 2013
   h) Discharge of the members of the Board of Supervisory Directors in respect of their duties of supervision during the financial year 2013
3. Approval of the financial statements of HAL Trust
4. (i) Proposal to distribute a dividend against the profits of 2013 of € 4.10 per Share, subject to (ii) below:
   (ii) to direct the Trustee:
      a. to issue by way of stock dividend distribution to each HAL Trust Shareholder such number of HAL Trust Shares as shall be based on the Conversion ratio and the number of HAL Trust Shares held by such HAL Trust Shareholder;
      b. unless a HAL Trust Shareholder shall have requested (by not later than June 12, 2014, 3:00 p.m. CET) that the dividend payment to him be made in cash, in which case the Trustee shall pay such HAL Trust Shareholder the cash dividend of € 4.10 per HAL Trust Share;
      and
      c. to convey to HAL Holding N.V. prior to June 19, 2014 for how many HAL Holding N.V. shares the dividend should be paid in cash (on the basis of the number of HAL Trust Shares for which the HAL Trust Shareholders have requested payment of the HAL Trust dividend in cash), and for what amount cash payments are to be made to the Trustee representing the value of fractions of HAL Trust Shares (if any) to which the respective HAL Trust Shareholders will be entitled on the basis of the Conversion ratio, it being understood that the remainder of the HAL Holding N.V. dividend shall be paid in the form of stock dividend.
5. Report of the Trust Committee
6. Other business
7. Closing

Notes on agenda items 2.d, and 4 follow hereafter.

Shareholders who wish to attend the meeting must notify this not later than May 9, 2014, through their bank or intermediary, to ABN AMRO Bank N.V.; at the office of Conyers, Dill & Pearman, Clarendon House, 2 Church Street, Hamilton, Bermuda; or at the office of HAL Holding N.V., 5, Avenue des Citronniers, MC 98000 Monaco, and must receive a written confirmation of their entitlement to HAL Trust Shares, which confirmation will at the same time serve as a permit providing admission to the meeting. Attention is drawn to the fact that Shareholders who will not be able to attend the meeting but wish to be represented at the meeting must provide a written proxy. For the sake of good order it is pointed out that proxy holders will only be admitted to the meeting against surrender of the confirmation of entitlement referred to above together with a duly signed proxy statement.

This notice is enclosed with the 2013 Annual Report which is presented to you in accordance with Section 14.4 of the trust deed of HAL Trust.

HAL Trustee Ltd.
Hamilton, Bermuda, April 4, 2014

Explanatory notes to agenda items 2.d and 4

It is proposed to distribute a dividend of € 4.10 per HAL Trust Share against the profits of 2013 and that this dividend will be paid in HAL Trust Shares unless a Shareholder expressly requests payment in cash. The Conversion ratio for the dividend in HAL Trust Shares will be determined on the basis of the volume weighted average share price during the period May 23, 2014 through June 12, 2014, representing 15 trading days (the "Conversion ratio"), and will be announced on June 12, 2014 after the close of business of NYSE Euronext in Amsterdam. The value of the stock dividend, at the above volume weighted average share price, will be virtually the same as the value of the cash dividend. Any fraction of a Share will be settled in cash. The newly issued Shares will carry dividend rights for 2014 and subsequent years.

Dividend rights will not be traded on NYSE Euronext in Amsterdam.

The time-table is as follows:

2014	
May 20	Ex-dividend date
May 22	Dividend record date
May 23 through June 12 (3:00 p.m. CET)	Election period cash/stock (stock being default)
June 12 (after close of trading)	Determination and publication Conversion ratio
June 19	Delivery of Shares and payment of cash dividend

Shareholders who wish to receive a cash distribution must notify within the election period ABN AMRO Bank N.V. accordingly via the bank or agent where their Shares are held in custody.

The distribution of dividend in Shares is free of charge for Shareholders.