HAL Trust

Annual Report 2018

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 Euronext in Amsterdam.

HAL Holding N.V.
Johan van Walbeeckplein 11A
Willemstad
Curaçao
Telephone: (599) 9 4615 002
Telefax: (599) 9 4615 003

Branch office:
HAL Holding N.V.
5, Avenue des Citronniers
MC 98000 Monaco
Telephone: (377) 92 16 75 79
Telefax: (377) 93 25 54 34
www.halholding.com

Contents

Corporate Administration

HAL Holding N.V.

Supervisory Board:
M. van der Vorm, *Chairman*
L.J. Hijmans van den Bergh, *vice Chairman*
M.P.M. de Raad
C.O. van der Vorm
G.J. Wijers

Executive Board:
M.F. Groot, *Chairman*
A.A. van 't Hof, *CFO*
J.N. van Wiechen

Highlights and Financial Calendar

In euro	**2018***	2017*
Income *(in millions)*		
Revenues	**6,122.7**	5,609.5
Income from marketable securities and deposits	**(7.7)**	79.5
Share of results of associates and joint ventures	**(55.1)**	184.5
Income from other financial assets	**6.7**	7.5
Income from real estate activities	**10.2**	1.0
Net income attributable to owners of parent	**154.7**	391.2
Financial position		
Total assets *(in millions)*	**11,384.0**	11,249.0
Equity attributable to owners of parent *(in millions)*	**7,471.2**	7,572.6
Equity attributable to owners of parent *(as a percentage of total assets)*	**65.6**	67.3
Number of Shares outstanding at December 31 *(in thousands)*	**81,693****	80,040**
Average number of Shares outstanding *(in thousands)*	**80,885****	79,281**
Per Share		
Net income	**1.91**	4.84
Shareholders' equity	**91.45**	94.61
Net asset value	**137.57*****	151.45***
Closing price shares HAL Trust at December 31	**133.20**	153.80
Volume-weighted average December share price HAL Trust	**132.75**	154.76
Dividend	**5.30******	6.20
Exchange rates - December 31		
U.S. dollar per euro	**1.15**	1.20

* These figures relate, where applicable, to the pro forma financial statements as included in the supplemental information on pages 117 through 146

** Net of treasury shares

*** Based on the market value of the quoted companies and the liquid portfolio and on the book value of the unquoted companies

**** Proposed (€ 2.65 in cash and € 2.65 in Shares)

Financial calendar

Shareholders’ meeting HAL Trust and interim statement	May 16, 2019
Ex-dividend date	May 20, 2019
Dividend record date	May 21, 2019
Determination and publication dividend conversion ratio	June 11, 2019 (after close of trading)
Delivery of shares and payment of cash dividend	June 18, 2019
Publication of 2019 half-year results	August 28, 2019
Interim statement	November 20, 2019
Publication of preliminary net asset value	January 22, 2020
Publication of 2019 annual results	March 26, 2020
Shareholders’ meeting HAL Trust and interim statement	May 19, 2020

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 166.

In accordance with the instructions issued on May 17, 2018, the Trust distributed a dividend of € 6.20 per Share on June 19, 2018, of which € 3.10 per share was payable in shares HAL Trust and € 3.10 per share in cash.

Accordingly, a cash dividend was paid of € 248.1 million and 1,638,538 HAL Trust shares were issued as stock dividend.

On December 31, 2018, 81,763,062 HAL Trust shares were in issue (2017: 80,124,524).

On December 31, 2018, HAL Holding N.V. owned 70,309 HAL Trust shares (2017: 84,234).

The Trust Committee
HAL Trust Committee Ltd.

March 28, 2019

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

The Supervisory Board (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 25, 2018, the general meeting of shareholders reappointed Mr. M.P.M. de Raad as a member of the Board. At the end of 2018 the Board consisted of five members. Their names, nationality and other relevant information are mentioned on page 171.

The Board met during nine meetings, five of which were regularly scheduled meetings. One of the meetings was fully dedicated to the strategy of the Company. The meetings were, with one exception, attended by all Board members.

The Executive Board provided the Board with both written and verbal information. Based on this information, the state of affairs of the Company was discussed and evaluated. Among others, the following specific subjects were addressed: the budget, the development of the results, the investment, liquid and real estate portfolios, the quarterly, semi-annual and annual reports, the report of the financial expert (see below), the functioning and remuneration of the Executive Board, (potential) acquisitions, the risks associated with the Company, the treasury policy, the code of conduct, insider trading regulations, the governance of the Company and the design and implementation of the systems of internal control for financial reporting purposes including the reporting by the Executive Board on fraud cases and irregularities.
The Company does not have an internal audit function. The Board requested Deloitte Risk Advisory B.V. to examine the controls over financial reporting risks (covering the processes at HAL Holding N.V., HAL Investments B.V. and HAL Real Estate Inc.) and to report on deficiencies. The findings were set out in a detailed report to the Board, and the Executive Board was requested to appropriately follow up on these matters. For further information relating to the systems of internal control for financial reporting purposes, we refer to the relevant paragraph in the report of the Executive Board on page 9.

As explained in the paragraph Administrative organization, risk management systems and financial reporting in the report of the Executive Board on page 17, the application of IFRS 10 requires the Company to consolidate the financial statements of Koninklijke Vopak N.V. ('Vopak') and Safilo Group S.p.A. ('Safilo') in its financial statements, although HAL's ownership in these companies is below 50%. In order to allow the Company to comply with IFRS, it has entered into Memoranda of Understanding with Vopak and Safilo with respect to confidentiality, the process of exchanging financial information and attendance rights to the Audit Committee meetings of Vopak and the Control, Risk and Sustainability Committee meetings of Safilo of an independent financial expert on behalf of the Company. This financial expert (Mr. J.A.M. Stael, former partner of PricewaterhouseCoopers Accountants N.V.) reports to the Executive Board and the Supervisory Board, whether there are any matters relating to Vopak and Safilo that should be brought to the attention of the Company prior to the signing of the financial statements of the Company by the Executive Board and the Supervisory Board. Moreover, the assessment that the Company's financial statements do not contain material errors attributable to the financial statements of Vopak and/or Safilo is based on the external audit.

In the publicly traded companies Koninklijke Boskalis Westminster N.V. ('Boskalis'), Vopak and Safilo, the Company plays its role as a large minority shareholder. This is complemented by board representation. Mr. M.F. Groot, Chairman of the Executive Board is a member of the Supervisory Board of Vopak, and a non-executive member of the Board of Safilo. Mr. J.N. van Wiechen, member of the Executive Board, is a member of the Supervisory Board of Boskalis. In their respective functions they may, from time to time, be in the possession of confidential information about these publicly traded companies that they do not share with the other members of the Executive Board and the Supervisory Board of the Company. The

Executive Board and the Supervisory Board of the Company recognize the importance of confidentiality of the discussions at the level of the Boards of the above quoted companies as this contributes to a frank exchange of ideas and fruitful discussions. This modus operandi is based on sound business principles and allows these investee companies to operate more independently from the Company.

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 106. The remuneration per Supervisory Board member for 2018, as determined by the General Meeting of Shareholders in 2011, amounted to € 80,000.

The Board had discussions with the external auditor during three meetings. Subjects discussed included the audit plan and audit findings, the financial statements, the report on the first half of 2018, impairment testing, new accounting standards and the systems of administrative and internal controls for financial reporting purposes as well as the independence of the auditor. The financial expert was also present during these meetings.

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 Board members were present during the meeting of Trust Shareholders of HAL Trust on May 17, 2018.

The Board did not form any committees. Between Board meetings, the Chairman of the Board maintained more intensive contacts with 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 2018 were prepared by the Executive Board and discussed by the Board in the presence of the external auditor and the financial expert during a meeting on March 28, 2019. After reviewing the unqualified audit opinions on the financial statements of HAL Trust and HAL Holding N.V., the results of the external audit as summarized in a report to the Board and the Executive Board and the report of the financial expert, the financial statements of the Company were signed by all members of the 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 24, 2019, for the approval of the financial statements for 2018 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 167 through 170 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 re-election. We propose to the Shareholders of HAL Trust to instruct the Trustee to vote at the Annual Meeting of HAL Holding N.V., to be held on May 24, 2019, for the re-election of Mr. L.J. Hijmans van den Bergh.

On behalf of the Supervisory Board,
M. van der Vorm, *Chairman*

March 28, 2019

Report of the Executive Board of HAL Holding N.V.

Introduction

Net income of HAL Holding N.V. for 2018 amounted to € 155 million (€ 1.91 per share) compared with € 391 million (€ 4.84 per share) for 2017. The decrease of € 236 million is for € 192 million due to HAL's share of extraordinary charges at Boskalis (mainly impairments).

The net asset value based on the market value of the quoted companies and the liquid portfolio and on the book value of the unquoted companies, decreased by € 638 million in 2018. This decrease is primarily due to a lower stock market value of GrandVision and Boskalis.

After taking into account the cash portion of the 2017 dividend (€ 248 million) and the sale of treasury shares (€ 2 million), the net asset value on December 31, 2018, amounted to € 11,238 million (€ 137.57 per share) compared to € 12,122 million (€ 151.45 per share) on December 31, 2017.

The net asset value does not include the positive difference between estimated value and book value of the unquoted companies as of December 31, 2018. This difference is calculated annually and, based on the principles and assumptions set out on pages 114 through 116 of this report, amounted to € 297 million (€ 3.64 per share) on December 31, 2018, compared with € 253 million (€ 3.16 per share) on December 31, 2017.

Dividend

The dividend policy is, barring unforeseen circumstances and provided sufficient liquid assets, to base the dividend on 4% of the volume-weighted average December share price of HAL Trust in the year prior to the year of the dividend payment. Accordingly, the proposed dividend per share over 2018 amounts to € 5.30 (2017: € 6.20) of which 50% to be paid in cash and 50% in shares.

Prospects

During the period from December 31, 2018, through March 22, 2019, the stock market value of the ownership interests in quoted companies and the liquid portfolio increased by approximately € 360 million (€ 4.41 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 2019.

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.

The liquid portfolio is primarily invested in short-term cash deposits and liquid equities. This provides a high degree of flexibility for potential acquisitions.

Risks

There are a number of risks associated with the strategy and with its implementation. Financial risks are further described in the section supplemental information of the financial statements on pages 142 through 145. 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. The risks described below also exclude the risks of

Koninklijke Vopak N.V. (‘Vopak’, 48.15%) and Safilo Group S.p.A. (‘Safilo’, 45.8%). Although HAL’s ownership in these companies is below 50%, these companies are included in the consolidated financial statements of the Company as, in accordance with the provisions of IFRS 10, the Company is deemed to have control over these entities. Reference is also made to the paragraph Administrative organization, risk management systems and financial reporting on page 17, for the organizational and control aspects of the consolidation of Vopak and Safilo.

Concentration risk

Concentration risk exists with respect to the optical retail activities as well as the quoted associates, as each represent a significant part of the net asset value of HAL.

Optical retail activities

Revenues of the optical retail and unquoted companies for 2018 amounted to € 6,123 million of which the optical retail activities represented 61%. At the end of 2018 the stock market value of HAL’s ownership interest in its optical retail subsidiary GrandVision N.V. was € 3.7 billion, representing 33% of the net asset value of HAL.
A 10% change in the share price of GrandVision N.V. has an effect on HAL’s net asset value of 3.3%. Accordingly, there is a significant 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 net asset value and profitability of HAL. A 10% decrease in these revenues could, everything else being equal, negatively affect the profit before tax by more than € 150 million.

Quoted minority interests

At the end of 2018 the stock market value of HAL’s ownership interests in quoted minority interests amounted to € 4.1 billion (2017: € 4.4 billion). This included Vopak (€ 2.4 billion, 2017: € 2.3 billion), Koninklijke Boskalis Westminster N.V. (€ 1.2 billion, 2017: € 1.5 billion), SBM Offshore N.V. (€ 0.4 billion, 2017: € 0.5 billion), and Safilo (€ 0.1 billion, 2017: € 0.1 billion). 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 companies as described above, at the end of 2018 HAL owned equities which are part of the liquid portfolio, for an amount of € 219 million (2017: € 529 million). The value of these assets can be subject to significant fluctuations as a result of the volatility of the stock markets. In 2018, share price developments of the quoted companies (including GrandVision) and the equities in the liquid portfolio, including dividends received, had a negative effect of € 0.7 billion on the net asset value. The change in market value (based on stock exchange prices) of the quoted companies where HAL’s ownership interest exceeds 20%, does not have an impact on the valuation in the financial statements as these assets are either consolidated or accounted for using the equity method in the (pro forma) financial statements.

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 debt position. At the end of 2018, this debt was exclusively at the level of the subsidiaries. Of the € 1,531 million interest bearing debt outstanding at the end of 2018 (2017: € 1,583 million), 75% (2017: 69%) was at fixed rates for an average period of 3.2 years (2017: 3.1 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 2018 the unhedged exposure to currency translation risk was € 1,288 million (2017: € 1,427 million). The largest currency exposure related to the U.S. dollar and amounted to € 381 million (2017: € 485 million). The potential impact is detailed in the section supplemental information of the financial statements on page 145. Currency risk also exists with respect to the translation of the results of foreign currency operations. Changes in exchange rates compared with 2017 had a negative effect on revenues of € 92 million. The negative effect on operating income was € 8 million.

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 to AA-). At the end of 2018 the liquid assets (excluding equities) amounted to € 2,077 million (2017: € 2,055 million) of which € 1,736 million (2017: € 1,774 million) was part of the 'corporate' liquid portfolio. At the end of 2018, the corporate liquid portfolio mainly consisted of short term deposits held at banks with an average short-term S&P credit rating of A-1.

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 in the section supplemental information on pages 143 and 144 of the financial statements. HAL Holding N.V had, at the end of 2018, in addition to its corporate liquid portfolio of € 2.0 billion, committed revolving bank facilities of € 175 million with an average of 2.1 years remaining until maturity.

Acquisition risk

In the process of acquisitions, the Company makes hypotheses, assumptions and judgments about possible future events. Actual developments may turn out to be significantly different. In addition, errors of judgment 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 Vopak and Safilo Group is below 50%, IFRS requires (since January 1, 2014) these associates to be consolidated in the consolidated financial statements as HAL, in accordance with the provisions of IFRS 10 (Consolidated Financial Statements), is deemed to have control over these two entities. HAL has agreed with Vopak and Safilo on certain procedures for the exchange of information which allow HAL to comply with its consolidation requirement. 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 obligation to prepare consolidated financial statements on a timely basis.

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 companies and/or their profitability may decline as a direct result of an economic recession, inflation, changes in the prices of raw materials, the inability to transform business models to a digital environment, consumer confidence, interest rates or governmental (including fiscal) policies, legislation as well as geopolitical developments.

Acquisitions unquoted companies

On May 23, 2018, Broadview Holding B.V. ('Broadview', 97.4% HAL), agreed to acquire 75.5% of the voting rights of Westag & Getalit AG ('Westag'). Westag is a leading manufacturer in Germany of high-quality wood-based products for interior finishing and building construction. Its product offering includes doors and frames, kitchen worktops and windowsills as well as solid surface material and coated plywood panels. Westag is based in Rheda-Wiedenbrück (Germany) and has approximately 1,300 employees. The company reported 2018 revenues of € 233 million. Broadview also made a voluntary public offer to acquire all remaining shares. As from the completion of the public offer Broadview owns 83.4% of the voting shares and 62.3% of the total share capital.

On October 1, 2018 Auxilium GmbH (54% HAL), acquired Gehrmeyer Orthopädie- und Rehatechnik GmbH based in Osnabrück (Germany). The company sells orthopedic and other medical aids and reported 2018 revenues of € 14 million.

On November 1, 2018, of Famed Investments B.V. was completed. Similar to Infomedics (81% HAL), Famed provides business process outsourcing and factoring services for the Dutch health care sector. The 2018 revenues of the acquired business amounted to € 28 million. Famed employed 113 FTE's at the end of 2018.

On November 28, 2018, FD Mediagroep B.V. (100% HAL), acquired Sizo B.V. (Heerhugowaard, the Netherlands). Sizo is active in providing market intelligence data and reported 2018 sales of approximately € 4 million.

On December 17, 2018, Broadview reached an agreement with Fletcher Building Ltd. to acquire the Formica Group (‘Formica’) for US $ 840 million, on a debt and cash free basis. Closing of the transaction is subject to customary regulatory approvals. Formica was founded in 1913 and is linked to the invention of the original High Pressure Laminate (HPL). The company has grown to become a leading provider of branded, designed surfacing solutions with a global presence and production locations in America, Asia and Europe. Formica employs around 3,400 FTE and reported sales of US$ 713 million for its accounting year 2017/2018.

Increased ownership in quoted minority interests

The ownership interest in Koninklijke Boskalis Westminster N.V. increased from 35.7% at the end of 2017 to 40.4% at the end of 2018 due to stock dividend and the purchase of shares for € 129 million.

On January 2, 2019, Safilo Group S.p.A. completed a € 150 million rights issue which was announced on September 21, 2018. HAL had committed, subject to certain terms and conditions, to fully underwrite the rights issue. HAL’s ownership interest increased from 41.6% (December 31, 2017) to 45.8% as of December 31, 2018. As a result of the completion of the underwriting on January 2, 2019 and the subsequent sale of 2.5 million shares HAL's ownership interest increased to 49.8%. HAL’s net investment in Safilo increased by € 77 million. Safilo will continue to be included in the segment quoted minority interests.

Divestitures

In July, an office building in downtown Seattle, acquired in 2013, was sold for $ 20.5 million (€ 17.7 million). The sale resulted in an after-tax capital gain of € 7.7 million.

In 2018, Broadview sold its 8.9 % ownership interest in Chart Industries Inc. and realized a gain of approximately € 75 million. In accordance with IFRS 9, most of this gain was not recorded in the consolidated statement of income but reclassified from other reserves to retained earnings.
On January 17, 2019, Broadview completed the sale of IEV Group. IEV is the holding company of Intersafe and Elacin and supplies and manufactures personal protective equipment with key positions in the Benelux and France. The company was acquired by HAL in 2001. Sales for 2018 amounted to approximately € 125 million. The transaction resulted in an after tax capital gain of approximately € 40 million which will be recorded in 2019.

Subsidiaries

Optical retail

GrandVision N.V. (76.7%), is a leading global optical retailer based at Amsterdam Airport Schiphol. The shares of the company are listed on Euronext in Amsterdam. At the end of 2018, the stock market value of HAL's 76.7% ownership interest was € 3,734 million (2017: € 4,157 million). At the end of 2018 GrandVision was active in 44 countries and had 7,095 optical stores (2017: 7,001), of which 1,198 franchise stores (2017: 1,184). The company had in 2018 an average number of 32,400 full- time equivalent employees (FTE's) (2017: 31,802). The total 2018 system wide sales (defined as sales including sales of franchise stores) amounted to € 4,079 million. Revenues as reported in the financial statements amounted to € 3,721 million (2017: € 3,450 million), a 7.9% increase.
Excluding the effect of acquisitions and changes in currency exchange rates, revenues increased by 3.9% (2017: 3.5%). The 2018 same store sales (defined as the sales at constant currency exchange rates of those stores, excluding franchise stores, which were part of the store network both on January 1, 2017 and on December 31, 2018), increased by 3.4% (2017:1.8%).
The 2018 operating income (in this report defined as earnings before interest, exceptional and non-recurring items, taxes and amortization of intangible assets, but including amortization of software), amounted to € 426 million (2017: € 415 million).

HAL has had an ownership interest in GrandVision since 1996.

Unquoted companies

Timber and Building Supplies Holland N.V., (78.1%) 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 103 outlets and had 1,508 FTE's at the end of 2018 (2017: 1,465). Revenues for 2018 increased by 6.7% to € 720 million (2017: € 675 million). The operating income amounted to € 49 million (2017: € 44 million).

HAL has had an ownership interest in Timber and Building Supplies Holland since 1999.

Broadview Holding B.V. (97.4%) is located in 's-Hertogenbosch (the Netherlands) and employed 2,859 FTE's at the end of 2018 (2017: 1,399). Its main subsidiaries are Trespa International B.V., Arpa Industriale S.p.A. and Westag & Getalit AG (acquired in August 2018, see above). Trespa is located in Weert (the Netherlands) and produces composite panels for façade cladding as well as laboratory furniture. Arpa is located in Bra (Italy) and uses a similar technology to manufacture panels for a variety of interior surfaces such as kitchens and retail furniture. Broadview also owned the IEV Group, active in distributing and manufacturing personal protective equipment. These activities were sold in January 2019 (see above).
Since 2014, Broadview is also active in the distribution of liquefied natural gas (LNG) and related activities through its subsidiaries and associates in Norway, the Netherlands and Spain.
Revenues of Broadview for 2018 increased by 23.5% to € 552 million (2017: € 447 million). Excluding the acquisition of Westag revenues increased by 5.1%. The operating income amounted to € 54 million (2017: € 50 million).

HAL has had an ownership interest in Broadview since 1996.

Koninklijke Ahrend B.V. (100%) is based in St. Oedenrode (the Netherlands) and employed 1,605 FTE's at the end of 2018 (2017: 1,634). The company is active in the office furniture industry through its subsidiaries Ahrend Office Furniture, Gispen, Roels Spaces, Presikhaaf Schoolmeubelen and Techo. Revenues for 2018 increased by 1.3% to € 315 million (2017: € 311 million). The operating income amounted to € 7 million (2017: negative € 1 million).

HAL has had an ownership interest in Ahrend since 2001.

Orthopedie Investments Europe B.V. (100%) is located in Rotterdam (the Netherlands). Its subsidiaries (Livit B.V., 90% owned and Auxilium GmbH, 54% owned) manufacture and sell orthopedic and other medical aids. Livit operates a network of 34 specialized care centers and a large number of fitting locations throughout the Netherlands. Auxilium GmbH, based in Essen (Germany), is the holding company of eight German companies. At the end of 2018, the company employed 2,215 FTE's (2017: 2,044).
Revenues for 2018 increased by 9% to € 224 million (2017: € 205 million). Excluding the effects of acquisitions (mainly in Germany), revenues increased by 4.1%. The operating income amounted to € 6 million (2017: € 8 million).

HAL has had an ownership interest in Orthopedie Investments Europe since 2007.

Atlas Professionals B.V. (70%), located in Hoofddorp (the Netherlands), is a temporary staffing agency supplying technical personnel to the international oil & gas, marine and offshore wind industries. The company employed 276 FTE's at the end of 2018 (2017: 260). Revenues for 2018 increased by 26% to € 214 million (2017: € 170 million). This increase is partly due to the acquisition of the international marine activities of Programmed Marine in Houston, Aberdeen, Dubai and Singapore in July 2017. Excluding this acquisition and at constant exchange rates, sales increased by 13.6%. Operating income for 2018 amounted to € 9 million (2017: € 3 million). In February 2019, HAL's ownership interest was increased to 80%.

HAL has had an ownership interest in Atlas since 2011.

Anthony Veder Group N.V. (62.9%) is a Rotterdam (the Netherlands) based shipping company. At the end of 2018 the company had 691 FTE's (2017: 686) and operated 31 gas tankers (2017: 30), of which 26 (2017: 25) were (partially) owned. Revenues for 2018 (including recharged bunker and port costs) amounted to $ 197 million (2017: $ 174 million). Revenues excluding recharged bunker and port costs amounted to $ 153 million (2017: $ 138 million). Operating income amounted to $ 22 million (2017: $ 22 million). Higher operational fleet expenses had an adverse effect on operating income.

HAL has had an ownership interest in Anthony Veder since 1991.

FD Mediagroep B.V. (100%) is located in Amsterdam (the Netherlands). The company employed 348 FTE's at the end of 2018 (2017: 315). The major brands of FD Mediagroep include the Dutch financial newspaper "Het Financieele Dagblad", the radio station "BNR Nieuwsradio" and the information services provider Company.info. In November 2018 Sizo B.V. was acquired (see above).
Revenues of FD Mediagroep for 2018 amounted to € 78 million (2017: € 74 million). Operating income amounted to € 7 million (2017: € 7 million).

HAL has had an ownership interest in FD Mediagroep since 1997.

Floramedia Group B.V. (96%) is based in Westzaan (the Netherlands) and employed 209 FTE's at the end of 2018 (2017: 215). Floramedia provides horticultural communication products and services to growers, garden centers and retailers. The company uses a horticultural database which contains more than 220,000 pictures, videos, texts and other plant-related content. Revenues for 2018 amounted to € 37 million (2017: € 38 million). The operating income also decreased.

HAL has had an ownership interest in Floramedia since 1999.

Infomedics Groep B.V. (81.0%), provides business process outsourcing and factoring services for the Dutch health care sector. The company reported 2018 revenues of € 28 million (2017: € 27 million) and had 109 FTE's at the end of 2018 (2017:112). Operating income for 2018 amounted to € 13 million (2017: € 12 million). In November 2018, Famed was acquired (see above).

HAL has had a direct ownership interest in Infomedics since 2016. Before, HAL held a minority stake through InVesting B.V. (sold in 2016).

Sports Timing Holding B.V. (95.5%), 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 130 FTE's at the end of 2018 (2017: 138). Revenues for 2018 amounted to € 27 million (2017: € 29 million). Operating income for 2018 also decreased.

HAL has had an ownership interest in Sports Timing Holding since 1998.

Flight Simulation Company B.V. (97%) is based at Amsterdam Airport Schiphol (the Netherlands) and provides training for pilots using flight simulators. At the end of 2018 the company owned 13 flight simulators and employed 55 FTE's (2017: 52).
Revenues for 2018 amounted to € 23 million (2017: € 20 million). Operating income also increased.

HAL has had an ownership interest in Flight Simulation Company since 2006.

AN Direct B.V. (85%), is the holding company of MD Hearing which was acquired in March 2017. MD Hearing sells hearing aids via its web site and call centers in the United States. The company employed 61 FTE's at the end of 2018 (2017: 69). Revenues for 2018 amounted to € 21 million (2017: € 19 million). Operating income also increased.

Unquoted minority interests

HAL has ownership interests in the following unquoted associates:

Coolblue B.V. (30.1%), based in Rotterdam, is one of the leading online retailers in the Benelux. The company reported 2018 revenues of € 1,354 million (2017: € 1,193 million). Operating income amounted to € 14 million (2017: € 10 million).The company employed 2,448 FTE's at the end of 2018 (2017: 2,207). Operating income amounted to € 14 million (2017: € 10 million).

HAL acquired an ownership interest in Coolblue in 2016.

DMF Investment Management B.V. (25%), based in The Hague, operates under the trade name Dutch Mortgage Funding Company (DMFCO). The company is active in the origination and management of Dutch mortgages under the label Munt Hypotheken. The mortgages are funded by pension funds. The company reported 2018 revenues of € 34 million (2017: € 26 million) and employed 32 FTE's at the end of 2018 (2017: 24).

HAL acquired an ownership interest in DMFCO in 2017.

Quoted minority interests

HAL has ownership interests in the following quoted associates:

Koninklijke Vopak N.V. (48.15%) is the world's leading independent tank storage company. Vopak operates 68 terminals in 25 countries with a combined storage capacity of 37.0 million cbm. At the end of 2018 the company employed 3,663 FTE's. The shares of the company are listed on Euronext in Amsterdam. The market value at the end of 2018 amounted to approximately € 5.1 billion. Revenues for 2018 amounted to € 1,255 million (2017: € 1,306 million). Net income amounted to € 255 million (2017: € 235 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. (45.8%) is a Padua (Italy) based manufacturer and distributor of optical frames and sunglasses. The shares of the company are listed on the Milan stock exchange. The market value at the end of 2018 amounted to approximately € 0.2 billion. At the end of 2018 the company had 6,594 employees.
Revenues for 2018 amounted to € 963 million (2017: € 1,035 million). The net loss amounted to € 32.4 million (2017: net loss of € 251.6

million). In 2017 Safilo recorded goodwill impairment charges of € 192 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. (40.41%) is a leading global services provider operating in the dredging, maritime infrastructure and maritime services sectors. The company provides creative and innovative all-round solutions to infrastructural challenges in the maritime, coastal and delta regions of the world. With core activities such as coastal defense, riverbank protection and land reclamation Boskalis is able to provide adaptive and mitigating solutions to combat the effects of climate change, such as extreme weather conditions and rising sea levels, as well as delivering solutions for the increasing need for space in coastal and delta regions across the world. The company facilitates the development of offshore energy infrastructure, including renewable wind energy. Boskalis is furthermore active in the construction and maintenance of ports, waterways, access channels and civil infrastructure. Boskalis has a versatile fleet of more than 900 vessels and floating equipment and 11,300 employees, including associates.
The shares of the company are listed on Euronext in Amsterdam. The market value at the end of 2018 amounted to approximately € 2.9 billion.
Revenues for 2018 amounted to € 2,570 million (2017: € 2,343 million). Net loss for 2018 amounted to € 435.9 million and included extraordinary charges of € 519.5 million (2017: a profit of € 150.5 million). At the end of 2018 the order book of the company amounted to € 4.3 billion compared to € 3.5 billion at the end of 2017.

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. (15.99%) provides floating production solutions to the offshore energy industry. The company's main activities are the design, supply, installation, operation and the life extension of floating production solutions for the offshore energy industry. The company has approximately 4,350 employees. Its shares are listed on Euronext in Amsterdam. The market value at the end of 2018 amounted to approximately € 2.7 billion.
Revenues for 2018 amounted to $ 1,703 million compared with $ 1,676 million for 2017. The net income for 2018 amounted to $ 301 million compared to a loss of $ 203 million for 2017. At the end of 2018 the order backlog of the company amounted to $ 14.8 billion compared to $ 16.8 billion at the end of 2017.

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 the end of 2018, the real estate portfolio included a 50% ownership in a fully leased office property in Seattle (129,000 net rentable square feet, 12,000 m2). The portfolio also included ownership interests in seven joint ventures for the development and rental of 2,315 apartments in the Seattle metropolitan area. Two projects (438 apartments) were completed by the end of 2018 and are currently being leased up. The other projects will be completed during the period 2019-2023.
The total estimated cost of the seven apartment projects is $ 570 million (€ 488 million) and the estimated HAL equity commitment is $ 180 million (€ 157 million).
At the end of 2018, the book value of the real estate portfolio amounted to € 100 million.

For additional information on HAL's real estate portfolio please refer to www.halrealestate.com.

Liquid portfolio

The corporate liquid portfolio decreased in 2018 by € 348 million to € 1,955 million. This decrease is primarily due to the payment of the

2017 cash dividend, the increase of the ownership interests in Boskalis and Safilo as well as the acquisition of Famed, partially offset by dividend received from Vopak and GrandVision. On December 31, 2018, the liquid portfolio consisted for 89% (2017: 77%) of fixed income instruments and cash balances amounting to € 1,736 million (2017: € 1,774 million), and for 11% (2017: 23%) of equities, for an amount of € 219 million (2017: € 529 million). The fixed income instruments and cash balances provided a return of negative 0.3% (2017: positive 0.1%). This portfolio consisted for 97% of assets with a duration of less than two weeks. The equity portfolio provided a negative return of 5.9 % (2017: positive 23.7%).

Results

This paragraph refers to the segmentation in the pro forma financial statements on page 123 where Vopak and Safilo are accounted for on an unconsolidated basis using the equity method.

Optical retail

Revenues for 2018 amounted to € 3,721 million (2017: € 3,450 million), a 7.9% increase. Excluding the effect of acquisitions and changes in currency exchange rates, revenues increased by 3.9% (2017: 3.5%). The 2018 same store sales increased by 3.4% (2017: 1.8%).
The 2018 operating income amounted to € 426 million (2017: € 415 million).

Unquoted companies

Revenues from the unquoted subsidiaries for 2018 amounted to € 2,402 million (2017: € 2,160 million), representing an increase of € 242 million (11.2%). Excluding the effect of acquisitions, and currency exchange differences, revenues from the unquoted subsidiaries increased by € 135 million (6.3%). The operating income of the unquoted companies for 2018 amounted to € 177 million (2017: € 150 million). Acquisitions and changes in currency exchange rates had a positive effect on operating income of € 3 million.

Quoted minority interests

Net income from quoted minority interests decreased by € 199 million to a loss of € 53 million. This decrease is primarily due to HAL's share of extraordinary charges at Boskalis, mainly impairments on goodwill and vessels, of € 519 million (effect € 192 million).

Liquid portfolio

Income from the liquid portfolio decreased by € 87 million to negative € 8 million due to lower results on equities.

Non-recurring items

The pro forma financial statement include net exceptional and non-recurring losses (excluding those of the quoted minority interests) of € 64 million (2017: € 59 million). These losses include impairments of € 49 million (of which € 31 million on goodwill).

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. (Refer to the paragraph Risks on page 9.) The Supervisory Board 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 as well as formulating and executing its own strategy with respect to issues such as sustainable development, compliance with law and regulations, safety, health and environment as well as cyber security (including regulations with respect to data protection). The companies generally have a supervisory board of which certain members are affiliated with HAL. However, the majority of the members is 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 the companies where its ownership exceeds 50%, 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 majority-owned companies provide internal letters of representation with respect to the half-year and year-end financial statements. They also report on fraud and irregularities on a semi-annual basis.

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 2018. 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. 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, were discussed with the Supervisory Board.

The Executive Board has adopted a code of conduct and whistleblower rules (lastly revised in 2018) for the employees of HAL Holding N.V., HAL Investments B.V. and HAL Real Estate Inc. The purpose of this code of conduct is to state HAL's policies on ethics, integrity, compliance with the law, employment and business conduct. With respect to compliance with laws, it is HAL’s policy to comply with all applicable laws, including, but not limited to, those with respect to employment, anti-discrimination, health, antitrust, securities, fraud, corruption and bribery. No employee, including members of the Executive Board of HAL Holding N.V., has authority to violate any law or to direct another employee or any other person to violate any law on behalf of HAL. With respect to employment it is HAL’s policy to maintain a working environment in which each individual is treated with respect and to ensure equal employment opportunity without discrimination or harassment on the basis of race, color, national origin, religion, sex, age or disability. In this context it should be noted that HAL holds personal information with respect to employment. This information is kept for employment-related purposes only. Personal information is released outside HAL only with the permission of the employee. Employees may access and review their own personal information. The code of conduct also covers subjects such as conflicts of interest, use of email, internet and social media, bribes, gifts, business courtesy, confidential information and securities transactions. The employees, including the members of the Executive Board, confirm on an annual basis that they have complied with the code of conduct. In addition, the understanding by the employees of the code of conduct is tested on an annual basis. The whistleblower rules offer the opportunity for employees to report suspected irregularities. During 2018 no such irregularities were reported.

With respect to taxation, HAL is committed to comply with all tax laws and regulations, including compliance with country by country tax reporting, in all jurisdictions where it is active. A tax strategy was adopted which provides a framework of how to operate the tax function and how risks related to taxation are managed. It also describes the various roles, responsibilities and procedures, including a quarterly reporting of the majority owned investee companies of their tax position and (potential) tax risks. These tax risks are managed by the respective investee companies and not by HAL. The tax risks of the controlled minority interests Vopak and Safilo as well as other minority interests are also not managed by HAL. In the Netherlands, HAL Investments B.V. concluded a compliance agreement with the tax authorities in the context of the "Horizontal Supervision" model. This model is based on mutual trust, understanding and transparency. The compliance agreement ensures that the tax authorities receive current and factual information about the Company's tax strategy and control framework including the tax aspects of business developments. On their part, the tax authorities are prepared to provide swift upfront assurance about certain tax matters.

Although HAL's ownership interest in Vopak and Safilo is below 50%, IFRS requires these associates to be consolidated in the consolidated financial statements 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 therefore continues to include the results of Vopak and Safilo in the segment Quoted minority interests. The Company has entered into Memoranda of Understanding with Vopak and Safilo with respect to confidentiality, the process of exchanging information and attendance rights to the audit committee meetings of Vopak and the Control, Risk and Sustainability Committee meetings of Safilo for an independent financial expert on behalf of HAL. This allows HAL 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.

Mr. M.F. Groot, chairman of the Executive Board of the Company, is a member of the Supervisory Board of Vopak and non-executive member of the Board of Safilo. Mr. J.N. van Wiechen, member of the Executive Board of the Company, is a member of the Supervisory Board of Koninklijke Boskalis Westminster N.V. The information obtained in these capacities cannot be used for the preparation of the consolidated financial statements of the Company in order to preserve confidentiality and to allow these quoted associates 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 consolidated financial statements do not contain material errors attributable to the financial statements of

Vopak and/or Safilo, is 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 significantly affects the financial statements of the Company, supplemental financial information is provided where, consistent with the period before the effective date of IFRS 10, 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 2018 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. this report includes a description of the principal risks HAL Holding N.V. is facing.

Executive Board HAL Holding N.V.

M.F. Groot (*Chairman*)
A.A. van 't Hof
J.N. van Wiechen

March 28, 2019

Financial Statements
HAL Trust

Contents

Consolidated Statement of Financial Position

As of December 31

In millions of euro	Notes	**2018**	2017
Non-current assets			
Property, plant and equipment	3	**5,456.0**	5,030.7
Investment properties		**-**	6.9
Intangible assets	4	**2,642.4**	2,568.7
Investments in associates and joint arrangements	6	**2,632.9**	2,521.6
Derivatives and other financial assets	7	**627.7**	770.8
Pension benefits	18	**68.8**	86.4
Deferred tax assets	17	**134.8**	114.0
Total non-current assets		**11,562.6**	11,099.1
Current assets			
Inventories	11	**831.2**	842.7
Receivables	10	**895.9**	811.7
Marketable securities and deposits	9	**274.7**	584.8
Derivatives and other financial assets	7	**32.4**	47.0
Other current assets	12	**546.9**	492.0
Cash and cash equivalents	13	**2,276.5**	2,205.0
Assets held for sale	14	**55.7**	4.4
Total current assets		**4,913.3**	4,987.6
Total assets		**16,475.9**	16,086.7
Equity			
Share capital	15	**1.6**	1.6
Other reserves	16	**40.8**	155.1
Retained earnings		**7,469.8**	7,443.1
Equity attributable to owners of parent		**7,512.2**	7,599.8
Non-controlling interest	40	**2,397.8**	2,151.1
Total equity		**9,910.0**	9,750.9
Non-current liabilities			
Deferred tax liabilities	17	**439.4**	425.1
Pension benefits	18	**207.5**	248.2
Derivatives	8	**32.7**	90.7
Provisions	19	**83.4**	85.7
Contract liabilities	22	**8.2**	5.1
Debt and other financial liabilities	20	**2,681.0**	2,602.4
Total non-current liabilities		**3,452.2**	3,457.2
Current liabilities			
Provisions	19	**68.7**	79.7
Contract liabilities	22	**172.0**	202.0
Accrued expenses	21	**746.0**	677.8
Income tax payable		**127.4**	128.3
Accounts payable		**861.0**	800.1
Derivatives	8	**22.4**	25.8
Debt and other financial liabilities	20	**1,079.3**	964.9
Liabilities related to assets held for sale	14	**36.9**	-
Total current liabilities		**3,113.7**	2,878.6
Total equity and liabilities		**16,475.9**	16,086.7

The notes on pages 37 to 146 form an integral part of the consolidated financial statements.

Consolidated Statement of Income

For the year ended December 31

In millions of euro	Notes	**2018**	2017
Revenues	22	**8,353.5**	7,958.7
Income from marketable securities and deposits	23	**(7.7)**	79.3
Share of results from associates and joint ventures	24	**(42.5)**	118.8
Income from other financial assets	25	**14.9**	15.4
Income from real estate activities	26	**10.2**	1.0
Other income		**2.7**	30.1
Total income		**8,331.1**	8,203.3
Usage of raw materials, consumables and other inventory		**2,357.7**	2,220.9
Employee expenses	27	**2,447.7**	2,339.8
Depreciation and impairment of property, plant, equipment and investment properties		**503.5**	492.1
Amortization and impairment of intangible assets	4	**191.0**	199.8
Other operating expenses	28	**2,092.1**	1,983.5
Total expenses		**7,592.0**	7,236.1
Operating profit		**739.1**	967.2
Financial expense	29	**(252.0)**	(226.4)
Other financial income	29	**51.9**	39.0
Profit before income tax		**539.0**	779.8
Income tax expense	30	**(163.0)**	(186.5)
Net profit		**376.0**	593.3
Attributable to:			
Owners of parent		**155.3**	390.5
Non-controlling interest		**220.7**	202.8
		376.0	593.3
Average number of Shares outstanding *(in thousands)*	31	**80,885**	79,281
Earnings per Share for profit attributable to owners of parent during the period *(in euro)*			
- basic and diluted		**1.92**	4.83
Dividend per Share*(in euro)*		**5.30***	6.20

* Proposed

The notes on pages 37 to 146 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31

In millions of euro	Notes	**2018**	2017
Net profit		**376.0**	593.3
Other comprehensive income (OCI)			
Items that will not be reclassified to statement of income in subsequent periods			
Change in fair value of financial assets through OCI		**(14.5)**	-
Income tax on change in fair value	30	**(2.9)**	-
Actuarial results on pension benefits obligations	18	**13.0**	85.6
Income tax on actuarial results	30	**(3.4)**	(25.6)
Associates and joint ventures - share of OCI, net of tax	6	**(1.6)**	(2.8)
		(9.4)	57.2
Items that may be reclassified to statement of income in subsequent periods			
Change in fair value of financial assets through OCI		**(7.1)**	10.1
Income tax on change in fair value	30	**0.3**	0.4
Effective portion of hedging instruments		**21.7**	0.9
Income tax related to hedging instruments	30	**(9.0)**	0.6
Translation of foreign subsidiaries, net of hedges		**54.9**	(232.2)
Income tax on translation and related hedges	30	**0.9**	(6.0)
Other movements		**(0.5)**	(13.2)
Associates and joint ventures - share of OCI, net of tax	6	**4.4**	(27.2)
		65.6	(266.6)
Other comprehensive income for the year, net of tax*		**56.2**	(209.4)
Total comprehensive income for the year, net of tax		**432.2**	383.9
Total comprehensive income for the year, attributable to:			
- Owners of parent		**162.7**	253.4
- Non-controlling interest		**269.5**	130.5
		432.2	383.9

* Of which € 7.4 million attributable to owners of parent (2017: € (137.1) million).

The notes on pages 37 to 146 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

In millions of euro	Share capital	Retained earnings	Other reserves	Total	Non-controlling interest	**Total equity**
	Attributable to owners of parent					
Balance on January 1, 2017	1.6	7,300.5	322.6	7,624.7	2,134.2	**9,758.9**
Net profit for the year	-	390.5	-	390.5	202.8	**593.3**
Other comprehensive income for the year	-	33.0	(170.1)	(137.1)	(72.3)	**(209.4)**
Total comprehensive income for the year	-	423.5	(170.1)	253.4	130.5	**383.9**
Reclassification	-	(2.6)	2.6	-	-	**-**
Capital increase/(decrease)	-	-	-	-	4.3	**4.3**
Effect of acquisitions and disposals	-	(2.0)	-	(2.0)	20.3	**18.3**
Dividend paid to minority shareholders	-	-	-	-	(139.0)	**(139.0)**
Share-based compensation	-	1.5	-	1.5	(0.2)	**1.3**
Treasury shares	-	0.4	-	0.4	-	**0.4**
Dividend paid	-	(278.7)	-	(278.7)	-	**(278.7)**
Other movements	-	0.5	-	0.5	1.0	**1.5**
Transactions with the owners of parent recognized directly in equity	-	(280.9)	2.6	(278.3)	(113.6)	**(391.9)**
Balance on December 31, 2017	1.6	7,443.1	155.1	7,599.8	2,151.1	**9,750.9**
Changes in accounting policy (IFRS 9)	-	17.6	(16.1)	1.5	4.0	**5.5**
Balance on January 1, 2018	1.6	7,460.7	139.0	7,601.3	2,155.1	**9,756.4**
Net profit for the year	-	155.3	-	155.3	220.7	**376.0**
Other comprehensive income for the year	-	(2.7)	10.1	7.4	48.8	**56.2**
Total comprehensive income for the year	-	152.6	10.1	162.7	269.5	**432.2**
Capital increase/(decrease)	-	13.1	-	13.1	61.0	**74.1**
Effect of acquisitions and disposals	-	(22.1)	-	(22.1)	55.5	**33.4**
Dividend paid to minority shareholders	-	-	-	-	(144.6)	**(144.6)**
Share-based compensation	-	2.9	-	2.9	0.9	**3.8**
Treasury shares	-	2.4	-	2.4	-	**2.4**
Dividend paid	-	(248.1)	-	(248.1)	-	**(248.1)**
Reclassification*	-	108.3	(108.3)	-	-	**-**
Other movements	-	-	-	-	0.4	**0.4**
Transactions with the owners of parent recognized directly in equity	-	(143.5)	(108.3)	(251.8)	(26.8)	**(278.6)**
Balance on December 31, 2018	1.6	7,469.8	40.8	7,512.2	2,397.8	**9,910.0**

* Reclassifications mainly relate to realized results on the disposal of the shareholding in Chart Industries Inc.

The notes on pages 37 to 146 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31

In millions of euro	Notes	**2018**	2017
Cash flows from operating activities			
Profit before taxes		**539.0**	779.8
Dividend from associates and joint ventures	32	**86.2**	88.5
Changes in working capital	32	**5.9**	(158.3)
Adjustments for non-cash items		**916.2**	669.5
Cash generated from operating activities	32	**1,547.3**	1,379.5
Other financial income received		**9.4**	13.4
Finance cost paid, including effect of hedging		**(135.2)**	(186.6)
Income taxes paid		**(214.8)**	(203.6)
Net cash from operating activities		**1,206.7**	1,002.7
Cash flows from investing activities			
Acquisition of associates, joint arrangements and subsidiaries, net of cash acquired	5	**(399.7)**	(333.1)
Proceeds from divestiture of associates, joint arrangements and subsidiaries		**27.9**	62.5
Proceeds from sale of/(acquisition of) other intangibles		**(83.6)**	(84.2)
Purchase of property, plant, equipment and investment properties	3	**(854.0)**	(618.4)
Proceeds from sale of property, plant, equipment and investment properties		**49.7**	16.4
Proceeds from/(acquisition of) other financial assets	7	**150.5**	(22.8)
Acquisition of marketable securities and deposits		**(79.2)**	(526.2)
Proceeds from marketable securities and deposits		**358.5**	225.6
Settlement of derivatives (net investments hedges)		**(13.6)**	10.0
Net cash from/(used in) investing activities		**(843.5)**	(1,270.2)
Cash flows from financing activities			
Proceeds from debt and other financial liabilities		**721.3**	283.0
Repayment of debt and other financial liabilities		**(553.4)**	(661.8)
Net proceeds from/(repayments of) short-term financing		**(138.1)**	138.4
Capital increase non-controlling interests		**67.3**	4.3
Other non-controlling interest transactions (mainly dividend paid)		**(142.6)**	(136.6)
Movement in treasury shares		**2.4**	0.4
Dividend paid		**(248.1)**	(278.7)
Net cash from/(used in) financing activities		**(291.2)**	(651.0)
Increase/(decrease) in cash and cash equivalents		**72.0**	(918.5)
Cash and cash equivalents at beginning of year		**2,205.0**	3,143.6
Effect of exchange rate changes and reclassifications		**(0.5)**	(20.1)
Cash and cash equivalents retranslated at beginning of year		**2,204.5**	3,123.5
Net increase/(decrease) in cash and cash equivalents		**72.0**	(918.5)
Cash and cash equivalents at end of period		**2,276.5**	2,205.0

The notes on pages 37 to 146 form an integral part of the consolidated financial statements.

Basis of preparation

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 joint ventures and were prepared in accordance with sections 14.2 and 14.3 of the Trust deed. HAL Trust shares are listed and traded on 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. Accordingly, the consolidated financial statements of the Trust are identical to those of HAL Holding N.V.

The consolidated financial statements of the Company were authorized for issue on March 28, 2019, and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated in the accounting policies. The principal accounting policies adopted by the Company in the preparation of its consolidated financial statements are unchanged compared to last year. Certain amounts in prior periods have been reclassified to conform to the current year presentation. These reclassifications had no effect on net income, shareholders' equity or earnings per Share.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported assets and liabilities and the disclosure on contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results ultimately may differ from those estimates. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected. 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. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described in the following notes:

- Deemed control over quoted minority interests – consolidation section;
- Useful life and residual value of property, plant and equipment – note 3;
- Valuation of intangible assets in acquisitions – note 5;
- Allowance for inventory obsolescence – note 11;
- Classifications of non-current assets as held for sale – note 14;
- Recognition of carry-forward losses and tax provisions – notes 17 and 30;
- Assumptions pension benefits – note 18;
- Estimated impairment of non-current assets – note 34.

Recent accounting developments

The significant 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, 2017, except as described below.

New and amended standards and interpretations adopted by the Company
IFRS 9, *Financial Instruments*, came into effect on January 1, 2018. There was no significant impact on the carrying value of financial assets and liabilities as of January 1, 2018. The main impact of the initial application of this standard relates to the classification of financial assets based on the business model under which they are held and the change to an expected loss model for the determination of impairment of financial assets, as described below. In accordance with

the transitional provisions of IFRS 9 on classification, measurement and impairment, comparative figures have not been restated. The updated accounting policies on financial instruments accounting have been included in notes 7, 8 and 20.

Financial assets at amortized cost

The Company's financial assets previously classified as “loans and receivables” (€ 3,513.6 million as of December 31, 2017), these assets do not include the quoted debt instruments included in marketable securities, have been reclassified to “financial assets subsequently measured at amortized cost” in line with the business model applied by the Company, which is focused on the collection of principal repayments and interest. These assets were measured at amortized cost as of December 31, 2017, and satisfied the conditions to be classified as measured at amortized cost under IFRS 9. This change in classification did not have any impact on the carrying value or accounting treatment of these assets.

Equity investments in marketable securities

As a result of the initial application of IFRS 9 the Company's investments in equity securities included in marketable securities (€ 528.6 million as of December 31, 2017), were reclassified from “available for sale” to “financial assets measured at fair value through profit or loss” in line with the business model applied by the Company, which is focused on achieving trading results. This change in classification did not have any impact on the carrying value of these assets. The changes in unrealized results on these instruments as of January 1, 2018, are recorded in the consolidated statement of income whereas these were recorded through other comprehensive income under the previous standard. As a result, the accumulated unrealized gains on these equity securities (€ 19.5 million) were reclassified from other reserves to retained earnings at the date of transition. During 2018, the Company recognized € 24.0 million in fair value losses related to these equity investments in the consolidated statement of income.

Debt instruments in marketable securities

The Company's debt instruments included in marketable securities (€ 56.2 million as of December 31, 2017) were reclassified from “available for sale” to “financial assets measured at fair value through other comprehensive income” in line with the business model applied by the Company, which is aimed at both collecting principal repayments and interest as well as realizing trading results. This change in classification did not have any impact on the carrying value or accounting treatment of these assets. Changes in the fair value of these assets will continue to be recognized in other comprehensive income and recycled through the income statement upon derecognition.

Equity investments in other financial assets

On initial application of IFRS 9 the Company has made an irrevocable election to present in other comprehensive income the subsequent changes in fair value of certain quoted equity investments included in other financial assets. This relates to (strategic) investments which, at inception, are not held for trading. As of December 31, 2017, this mainly related to the investments in SBM Offshore N.V. and Chart Industries Inc. The fair values of these investments as of December 31, 2017, amounted to € 486.6 million and € 107.2 million respectively. These investments were reclassified from “available for sale” to “financial assets measured at fair value through other comprehensive income”. This did not have any impact on the carrying value of these assets. However, the unrealized results on equity investments in this category are no longer recycled through the consolidated statement of income upon sale of the investment. Instead, these results are transferred directly from other reserves to retained earnings. At the date of transition the unrealized result on the relevant equity investments amounted to € 177.7 million. In 2018 an after tax capital gain of € 78.5 million was realized on the sale of certain equity investments in this category, which was not recycled to the consolidated statement of income but, in accordance with IFRS 9, reclassified from the other reserves to retained earnings (refer to the consolidated statement of changes in equity).

The following tables provide a comparison between the classification of financial assets under IAS 39, as included in the 2017 annual report, and at transition to IFRS 9 on January 1, 2018.

January 1, 2018 - IFRS 9	Fair value through other comprehensive income	Financial assets at amortized cost	Fair value through profit and loss	**Total book value**	**Total fair value**
Assets					
Other financial assets					
- Quoted equity securities	593.8	-	-	**593.8**	**593.8**
- Unquoted debt securities	-	198.4	-	**198.4**	**198.4**
Marketable securities					
- Quoted equity securities	-	-	476.8	**476.8**	**476.8**
- Quoted debt securities	56.2	-	-	**56.2**	**56.2**
- Unquoted equity securities	-	-	51.8	**51.8**	**51.8**
Derivatives	-	-	25.6	**25.6**	**25.6**
Other current assets	-	298.5	-	**298.5**	**298.5**
Receivables	-	811.7	-	**811.7**	**811.7**
Cash and cash equivalents	-	2,205.0	-	**2,205.0**	**2,205.0**
Total financial assets	650.0	3,513.6	554.2	**4,717.8**	**4,717.8**

December 31, 2017 - IAS 39	Available-for-sale	Loans and receivables	Derivatives	**Total book value**	**Total fair value**
Assets					
Other financial assets					
- Quoted equity securities	593.8	-	-	**593.8**	**593.8**
- Unquoted debt securities	-	198.4	-	**198.4**	**198.4**
Marketable securities					
- Quoted equity securities	476.8	-	-	**476.8**	**476.8**
- Quoted debt securities	56.2	-	-	**56.2**	**56.2**
- Unquoted equity securities	51.8	-	-	**51.8**	**51.8**
Derivatives	-	-	25.6	**25.6**	**25.6**
Other current assets	-	298.5	-	**298.5**	**298.5**
Receivables	-	811.7	-	**811.7**	**811.7**
Cash and cash equivalents	-	2,205.0	-	**2,205.0**	**2,205.0**
Total financial assets	1,178.6	3,513.6	25.6	**4,717.8**	**4,717.8**

Financial liabilities
The classification and measurement of financial liabilities has not changed with the transition to IFRS 9, except that the derivatives are now included in the “financial liabilities at fair value through profit or loss” class, with no impact on carrying value or accounting treatment.

Impairment of financial instruments *(expected credit loss model)*
As a result of the initial application of IFRS 9 the Company has adopted the expected credit loss approach for impairments. The Company has applied the simplified approach to providing for expected credit losses on trade receivables as described by IFRS 9, which requires the use of a lifetime expected credit loss provision for all trade receivables. The Company uses a provision matrix to determine the expected credit losses for trade receivables. This matrix is based on assessment of risk of default and expected timing of collection. The application of the expected credit loss approach resulted in a negative equity impact at the date of transition of € 0.6 million.

IFRS 15, *Revenue from Contracts with Customers*, came into effect on January 1, 2018. Under IFRS 15, revenue is recognized when control is transferred to the customer, which replaced the notion of transfer of risks and rewards in IAS 18 - Revenue (superseded). The Company has adopted the Standard using the fully retrospective method of adoption. Practical expedients were applied for completed contracts and relating to certain disclosures of the allocation of the transaction price to remaining performance obligations. The implementation of IFRS 15 gave rise to the specification of contract liabilities on the face of the consolidated statement of financial position. Within income, the presentation of prior year revenues and expenses have changed as a result of the implementation of IFRS 15, with a neutral effect on the operating profit. Consequently, total income for 2017 was adjusted from € 7,970 million to € 7,959 million and expenses were conversely adjusted for the same amount. There was no impact on the cash flows of the Company. The updated accounting policies for revenue recognition are included in note 22.

New standards, amendments and interpretations issued but not yet effective
IFRS 16, *Leases*, is effective from January 1, 2019, replacing the standard applied in these financial statements, IAS 17, *Leases*. This standard will result in the majority of the Company's leases being recognized in the statement of financial position as right of use assets, representing the entity's right to use the asset, and a corresponding lease liability, representing the obligation to make lease payments. In addition, the standard introduces stricter criteria for classification of subleases where the entity is a lessor.

With respect to the companies included in the Optical retail, Unquoted and Real estate segments and the corporate entities, the implementation was facilitated by the Company through the distribution of updated accounting policies and a lease accounting tool, training and advise as well as review of impact analyses. For the Unquoted and Real estate segments and the corporate entities the Company also provided discount rates to be used in the calculation of the lease liabilities. Vopak and Safilo performed their own implementation procedures whereby the Company gained comfort over the alignment of transition choices and accounting policies, as well as the adequate initial implementation, within the framework of the existing communication and reporting procedures. These are described in the section Administrative organization, risk management systems and financial reporting of the Report from the Executive Board of HAL Holding N.V. on page 17.

The Company elected to implement IFRS 16 applying the modified retrospective approach, whereby the cumulative effect of adopting the standard will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, without restatement of comparative information. The Company elected to apply the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. Based on the exemptions allowed by IFRS 16, lease contracts for which the lease term ends within 12 months and lease contracts for which the underlying asset is of low value were not and will not be recognized on the consolidated statement of financial position. The carrying amount of the right of use assets for lease contracts of optical retail real estate property (GrandVision) and land leases included in terminal-related assets (Vopak) were calculated as if IFRS 16 had been applied since the commencement date. For all other lease contracts the carrying value was determined at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments that were recognized in the consolidated balance sheet immediately before the date of initial application. Key judgments and estimates to apply IFRS 16 mainly include determining the lease term, taking into account renewal and termination options reasonably certain to be exercised, and the determination of the discount rates used in the calculation of lease liabilities. The implementation of IFRS 16 is currently expected to result in a decrease in other operating expenses of approximately € 400 million to € 600 million, largely offset by an increase in depreciation of right of use assets and interest expense on the lease liability. The actual impact on the consolidated income statement may deviate from the expectation as lease terms are amended and new leases are entered into during the year. The table below shows the expected impact of the new standard, in millions of euro, on the consolidated statement of financial position as per January 1, 2019. The impact assessments may be subject to change as lease contract data collected in the implementation process is undergoing final review.

Impact analysis - statement of financial position	
Right of Use asset	2,382
Reclassification of key money	(213)
Lease liability	(2,342)
Deferred tax, net asset	47
Equity impact, decrease	136
Reclassifications with or gross up of other balance sheet accounts	(10)

As reflected in the table above, IFRS 16 has significant impact on the consolidated balance sheet as rights of use assets and lease liabilities are recognized for contracts in which the Company is a lessee and lease receivables are recognized for most subleases where the Company is a lessor. In addition, key money previously presented as other intangible assets will be reclassified since these qualify as initial direct costs under IFRS 16. In the consolidated statement of income a significant part of current rental costs will be presented as depreciation of right of use assets and interest expenses on the lease liabilities, with a remaining net effect on income. The cash position of the Company will not be impacted; there will be reclassifications within the cash flow statement that increase the cash flow from operating activities as the majority of cash movements related to the Company's lease contracts will be presented as financing cash flows. The application of IFRS 16 has no significant effect on the debt covenants of the group.

The table below provides a reconciliation between the operating lease commitments disclosed in note 39 and the opening position for lease liabilities that will be presented in the 2019 consolidated statement of financial position.

Lease commitments reconciliation	
Undiscounted operating lease commitments at December 31, 2018	2,750
Exempted short-term and low-value lease contracts	(16)
Lease extension options not considered under IAS 17	27
Effect of discounting	(451)
Other effects	32
Lease liability recognized as at January 1, 2019	2,342

The other effects mainly comprise service fees that are included in the calculation of right of use assets, that are not taken into account under the current standard for calculating the off-balance sheet commitment.

There are no other new standards, amendments to existing standards or new IFRIC interpretations that are not yet effective that are expected to have a material impact on the Company.

Supplemental information
As a result of the 2014 implementation of IFRS 10, *Consolidated Financial Statements*, HAL Trust consolidates the financial information of Koninklijke Vopak N.V. (‘Vopak’) and Safilo Group S.p.A. (‘Safilo’). Supplemental information has been included on pages 117 through 146 whereby Vopak and Safilo are accounted for on an unconsolidated basis using the equity method as applied in the years until 2014. The inclusion of this information is considered appropriate and useful as the control model of the Company with respect to Vopak and Safilo is materially different than the model with respect to the other consolidated entities, where the Company’s ownership interest exceeds 50%, and the effect of the inclusion of Vopak and Safilo in the

consolidation has a significant effect on the financial statements. This information also preserves comparability with consolidated financial statements prior to 2014.

Consolidation

Subsidiaries, which are those entities over which the Company is deemed to have control, are consolidated. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In certain circumstances, significant judgment is required to assess if the Company is deemed to have (de facto) control over entities where the Company's ownership interest does not exceed 50%. Subsidiaries are consolidated from the date on which effective control is obtained and are no longer consolidated as from the date the effective control ceases.

The amounts reported by the subsidiaries are based on the Company's accounting policies. Intercompany transactions, balances and unrealized results on transactions between group companies are eliminated on consolidation. Unrealized results arising from transactions with joint arrangements and associates are eliminated to the extent of the interest of the Company in the equity.

Non-controlling interests are disclosed separately. 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 or received and the relevant share acquired or disposed of the carrying value of net assets of the subsidiary is recorded in equity.

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 the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or other 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 the consolidated statement of income.

Critical accounting estimates and judgments
In the preparation of these financial statements, management has applied significant judgment to assess if the Company is deemed to have (de facto) control over entities where the Company's ownership interest does not exceed 50%.

Although the Company's ownership interest in Vopak and Safilo is below 50%, IFRS requires these entities to be consolidated in these financial statements as the company is deemed to have control, as defined in IFRS 10 and more specifically in example 4 of the application guidance in appendix B of this standard, 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 entities, in the past neither operational nor strategic control was exercised. Moreover, Vopak and Safilo are, for example, not part of the Company's 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. The Company has a process in place to obtain information from Vopak and Safilo in order to prepare consolidated financial statements in accordance with IFRS. The Company does not, however, have access to the financial books and records, contracts and related information of Vopak and Safilo in order to independently verify that these are complete, valid and accurate.

Management performed an assessment with respect to the other minority-owned entities and asserted that (de facto) control was not deemed present for these entities.

Accounting policies applicable to acquisitions are described in note 5. A list of the Company's principal subsidiaries is set out on page 113.

Foreign currencies

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, which is the Company's functional and presentation currency.

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 hedges. Any hedge ineffectiveness is recognized in the consolidated statement of income as it arises.

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) the income statement, the cash flow statement and all other movements in assets and liabilities are translated at average rates of exchange as a proxy for the transaction rate, or at the transaction rate itself if more appropriate;
(iii) all resulting exchange differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of net investments in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. Exchange differences on intra-group monetary assets or liabilities that are not part of a net investment in foreign entities are recognized in the consolidated statement of income. When a foreign operation is sold, exchange differences previously recognized through other comprehensive income are reclassified from equity (as a reclassification adjustment) to the consolidated statement of income as part of the gain or loss on sale.

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.

Cash flow statement

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, or at the transaction rate if more appropriate. The effect of exchange rates on cash and cash equivalents is presented separately.

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.

(All amounts in millions of euro, unless otherwise stated)

1. Segmentation

The Company's reportable segments are defined as follows:
- Optical retail
- 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, is identified as the Executive Board. The reportable segments are defined based on differences in products and services as well as differences in the nature of the respective assets and the management thereof.

Optical retail relates to GrandVision, the Company's majority-owned retail company that derives its revenues from the sale of optical retail products to consumers.

Unquoted relates to majority-owned companies as well as non-controlling minority interests in companies that derive their revenues from various products and activities such as construction products, office furniture, staffing, shipping, orthopedic devices, personal protection equipment, media and other activities.

The Quoted minority interests segment comprises both the Company's consolidated and unconsolidated minority interests in publicly traded entities.

The Real estate segment relates to the development and rental of multi-family properties and office buildings.

The segment Liquid portfolio consists of financial assets, included in marketable securities, and cash-equivalent instruments generating interest, dividend and trading results.

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

	2018	2017
Optical retail	**426.2**	415.1
Unquoted	**176.5**	150.2
Quoted minority interests	**354.7**	503.4
Real estate	**9.4**	(0.3)
Liquid portfolio	**(7.7)**	79.5
Total operating income	**959.1**	1,147.9
Reconciling items:		
- Amortization and impairment	**(191.0)**	(199.8)
- Other	**(29.0)**	19.1
Operating result as per the consolidated statement of income	**739.1**	967.2
Financial expense, net	**(200.1)**	(187.4)
Profit before tax as per the consolidated statement of income	**539.0**	779.8

The “other” reconciling items represent mostly corporate overhead and exceptional and non-recurring items (excluding those of Vopak, Safilo and Boskalis).
The segment quoted minority interests includes the operating income (after exceptional items) of Vopak and Safilo, the Company’s share in the net income of Boskalis and dividend income from SBM Offshore.

The composition of depreciation and impairment expense by segment is as follows:

	2018	2017
Optical retail	**124.2**	117.1
Unquoted	**88.6**	79.2
Quoted minority interests	**290.2**	295.2
Real estate	**0.3**	0.5
Reconciling items	**0.2**	0.1
	503.5	492.1

The reconciling items represent the corporate depreciation expense.

The composition of revenues by segment is as follows:

	2018	2017
Optical retail	**3,721.0**	3,449.9
Unquoted	**2,401.8**	2,159.6
Quoted minority interests	**2,230.7**	2,349.2
	8,353.5	7,958.7

The composition of assets by segment is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**3,166.9**	3,214.3
Unquoted	**2,956.2**	2,464.8
Quoted minority interests	**8,191.7**	7,892.7
Real estate	**101.2**	88.0
Liquid portfolio	**1,955.4**	2,303.1
Reconciling items	**104.5**	123.8
	16,475.9	16,086.7

The reconciling items represent corporate assets, including deferred tax, loans and pension benefit assets.

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

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**1.1**	1.2
Unquoted	**330.7**	323.4
Quoted minority interests	**2,201.3**	2,116.4
Real estate	**99.8**	80.6
	2,632.9	2,521.6

The composition of capital expenditures by segment is as follows:

	2018	2017
Optical retail	**214.7**	316.6
Unquoted	**240.7**	137.2
Quoted minority interests	**570.2**	385.8
Real estate	**-**	0.1
Reconciling items	**0.4**	0.1
	1,026.0	839.8

Capital expenditures consist of additions to property, plant and equipment and intangible assets.

The composition of liabilities by segment is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**1,758.8**	1,923.3
Unquoted	**1,538.0**	1,226.3
Quoted minority interests	**3,246.4**	3,160.9
Real estate	**-**	0.3
Liquid portfolio	**0.6**	2.2
Reconciling items	**22.1**	22.8
	6,565.9	6,335.8

The reconciling items represent corporate liabilities, including earn-out liabilities, deferred tax and loans.

The composition of revenues by geographical area is as follows:

	2018	2017
Europe	**6,727.2**	6,242.9
North-America	**807.8**	853.6
Asia	**435.4**	447.9
Other	**383.1**	414.3
	8,353.5	7,958.7

The composition of property, plant and equipment, investment properties, intangible assets and investments in associates and joint ventures by geographical area is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Europe	**7,387.2**	7,093.8
North-America	**821.5**	726.5
Asia	**1,539.2**	1,502.7
Other	**983.4**	804.9
	10,731.3	10,127.9

2. Exceptional items

To increase transparency, exceptional items are disclosed separately when relevant. These items are exceptional, by nature, from a management perspective. Exceptional items may include impairments, reversals of impairments, additions to and releases from provisions for restructuring, gains on the sale of subsidiaries, joint arrangements and associates, any other significant provisions being formed or released and any significant changes in estimates.

Summary of exceptional items is as follows:

	Notes	**2018**	2017
Extraordinary charges at Royal Boskalis Westminster N.V.	6	**(191.7)**	-
Impairment (reversal) associates and joint ventures Vopak, net	6, 24, 34	**-**	(91.8)
Impairments, net of reversal	34	**(55.6)**	(81.6)
Revaluation of previously held equity interest	24	**-**	37.9
Gains on assets held for sale Vopak	14	**-**	26.0
Settlement Dutch defined benefit plan Vopak	34	**19.1**	-
Restructuring		**(12.4)**	(16.3)
Acquisition-related expenses Broadview Holding B.V.		**(8.2)**	-
VAT risk provisions		**(5.3)**	-
Other		**(14.5)**	(17.2)
Effect on operating profit		**(268.6)**	(143.0)
Make-whole payment on early redemption Vopak	20, 29	**-**	(17.2)
Recycling of unrealized currency translation losses (deconsolidation Vopak Venezuela)	5	**(50.2)**	-
Other		**(0.4)**	(9.3)
Effect on profit before income tax		**(319.2)**	(169.5)
Release of deferred taxes due to change in tax rate Vopak	30	**-**	34.6
Release of deferred taxes due to change in tax rate	30	**20.8**	-
Income tax		**7.8**	13.7
Effect on net profit		**(290.6)**	(121.2)

The exceptional items are disclosed separately in the notes when relevant in order to increase transparency.

The low tax effect of the 2017 exceptional items is primarily due to impairments on associates and joint ventures at Vopak and the impairment on goodwill, which are not tax deductible. For 2018 the low effective tax rate is due to the non-deductibility on goodwill impairment and the recycling of the unrealized currency translation with respect to Vopak Venezuela as well as the fact that HAL's share in the extraordinary charges of Boskalis is after tax.

3. Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items (such as unrecoverable taxes and transport) and construction costs that can be allocated directly (such as hours of own employees and advisory fees). Interest during construction is capitalized. To the extent that dismantling obligations exist, these are included in the cost of the assets.

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. The carrying amount of replaced parts is derecognized. 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 10-50 years, vessels 25-30 years, tank storage terminals 10-40 years and equipment and other 2-15 years. Useful lives and residual values are reviewed annually and, if required, amended. Land is not depreciated.

Critical accounting estimates and judgments
Property, plant and equipment of Vopak represent a substantial part of the total assets of the Company and the related depreciation forms a substantial part of the annual operating expenses. The useful life and residual value of these assets, determined by the Board of Vopak based on its estimations and assumptions, have a major impact on the measurement of property, plant and equipment.

Movements for 2018 and 2017 are as follows:

	Land and buildings	Vessels	Tank storage terminals	Equipment and other	**Total**
Cost value	1,368.1	653.0	5,528.3	2,317.3	**9,866.7**
Accumulated depreciation and impairments	(606.4)	(149.1)	(2,302.3)	(1,726.8)	**(4,784.6)**
Balance on January 1, 2017	761.7	503.9	3,226.0	590.5	**5,082.1**
Investments	143.0	31.7	245.1	198.5	**618.3**
Consolidation	15.4	-	-	10.8	**26.2**
Disposals	(6.1)	-	(4.8)	(5.3)	**(16.2)**
Depreciation and impairments	(73.9)	(34.7)	(233.5)	(149.5)	**(491.6)**
Reclassification	2.7	(0.6)	(0.8)	(4.7)	**(3.4)**
Exchange differences	(22.7)	(46.6)	(99.8)	(15.6)	**(184.7)**
Balance on December 31, 2017	820.1	453.7	3,132.2	624.7	**5,030.7**
Cost value	1,462.9	606.1	5,544.6	2,363.2	**9,976.8**
Accumulated depreciation and impairments	(642.8)	(152.4)	(2,412.4)	(1,738.5)	**(4,946.1)**
Balance on December 31, 2017	820.1	453.7	3,132.2	624.7	**5,030.7**
Investments	134.4	73.8	436.5	209.3	**854.0**
Consolidation and purchase price adjustments	31.2	-	(0.1)	63.7	**94.8**
Disposals	(7.3)	-	(1.5)	(8.2)	**(17.0)**
Depreciation and net impairments	(77.3)	(36.8)	(229.0)	(160.2)	**(503.3)**
Reclassification	(76.1)	-	96.3	(23.6)	**(3.4)**
Exchange differences	1.4	15.3	(14.5)	(2.0)	**0.2**
Balance on December 31, 2018	826.4	506.0	3,419.9	703.7	**5,456.0**
Cost value	1,556.8	694.4	6,079.0	2,653.4	**10,983.6**
Accumulated depreciation and impairments	(730.4)	(188.4)	(2,659.1)	(1,949.7)	**(5,527.6)**
Balance on December 31, 2018	826.4	506.0	3,419.9	703.7	**5,456.0**

Tank storage terminals includes assets under construction of € 501.0 million (2017: € 250.7 million). Note 20 details information on pledges.

4. Intangible assets

Intangible assets include goodwill, trademarks, key money, customer relationships, software and other.

Goodwill
Goodwill arises on business combinations and represents the excess of the consideration transferred, 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.

Goodwill is carried at cost less accumulated impairments. Goodwill is subject to annual impairment testing, as described in note 34. If an impairment is recognized, it is not reversed in subsequent periods. Goodwill relating to a business combination in foreign currency is recorded in the respective currency and converted at the exchange rate at the end of the period.

Trademarks
Trademarks acquired in a business combination are initially recognized at fair value, using the relief-from-royalty approach. They are subsequently amortized over an estimated useful life, generally a maximum of 15 years, on a straight-line basis with no residual value.

Key money
Key money is identified as an intangible asset when it is separable and arises from contractual and legal rights. Key money is 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. Key money in other situations is considered prepaid rent and recognized in the consolidated statement of income over the rental period.

Customer relationships
The valuation of customer relationships acquired in a business combination is based on the present value of estimated future cash flows. Customer relationships are initially recognized at fair value and subsequently amortized on a straight-line basis over an estimated useful life of maximum 15 years.

Software
Acquired software licenses are capitalized on the basis of the costs incurred to acquire and to bring to use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company that are expected to generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs (such as software development employee costs and an appropriate portion of relevant overheads) are included in the initial measurement. Costs associated with developing and maintaining computer software that do not meet these criteria are recognized as an expense as incurred. Software acquired in a business combination are initially recognized at their fair value, generally using a cost approach. Software licenses and products are generally amortized on a straight-line basis over an estimated useful life of maximum 5 years.

Movements for goodwill and other intangibles are as follows:

	Goodwill	Key money	Trade-marks	Customer relation-ships	Other	**Total**
Cost value	2,148.4	222.5	510.5	256.3	715.3	**3,853.0**
Accumulated amortization and impairments	(637.0)	(11.3)	(254.9)	(81.6)	(446.4)	**(1,431.2)**
Balance on January 1, 2017	1,511.4	211.2	255.6	174.7	268.9	**2,421.8**
Investments	136.5	3.5	-	0.8	80.6	**221.4**
Consolidation	-	1.7	33.2	122.7	19.1	**176.7**
Disposals	-	(0.6)	-	-	(0.1)	**(0.7)**
Amortization and impairments	(81.6)	(1.3)	(31.6)	(25.1)	(60.2)	**(199.8)**
Reclassification	2.9	(2.2)	0.9	2.9	(3.1)	**1.4**
Exchange differences and other	(34.4)	(0.8)	(4.1)	(3.4)	(9.5)	**(52.2)**
Balance on December 31, 2017	1,534.8	211.5	254.0	272.6	295.8	**2,568.7**
Cost value	2,253.4	220.5	503.4	367.2	678.0	**4,022.5**
Accumulated amortization and impairments	(718.6)	(9.0)	(249.4)	(94.6)	(382.2)	**(1,453.8)**
Balance on December 31, 2017	1,534.8	211.5	254.0	272.6	295.8	**2,568.7**
Investments	86.0	3.8	-	0.7	81.5	**172.0**
Consolidation	-	4.3	6.3	67.1	13.2	**90.9**
Purchase price accounting adjustments	2.3	-	-	-	-	**2.3**
Disposals	(0.2)	(1.2)	-	-	(0.1)	**(1.5)**
Amortization and impairments	(30.7)	(4.8)	(43.6)	(36.0)	(75.9)	**(191.0)**
Reclassification	(3.7)	-	0.2	(3.1)	4.0	**(2.6)**
Exchange differences and other	0.2	(0.5)	0.7	2.1	1.1	**3.6**
Balance on December 31, 2018	1,588.7	213.1	217.6	303.4	319.6	**2,642.4**
Cost value	2,338.0	225.4	509.7	437.2	767.3	**4,277.6**
Accumulated amortization and impairments	(749.3)	(12.3)	(292.1)	(133.8)	(447.7)	**(1,635.2)**
Balance on December 31, 2018	1,588.7	213.1	217.6	303.4	319.6	**2,642.4**

Key money primarily relates to optical retail stores in France and Brazil.

Specification of goodwill is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**1,225.9**	1,250.4
Unquoted	**254.2**	175.0
Vopak	**108.6**	109.4
	1,588.7	1,534.8

The other category consists of:

	Dec. 31, 2018	Dec. 31, 2017
Software	**220.9**	200.9
Other	**98.7**	94.9
	319.6	295.8

Information on impairment testing is included in note 34.

5. Acquisition, divestment and deconsolidation of subsidiaries

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 business combination and the fair value of any contingent consideration to be transferred. 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, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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. The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill. If the total of the consideration transferred, the non-controlling interest recognized and the fair value of the previously held interest is less than the fair value of the net assets of the subsidiary acquired ('badwill'), the difference is directly recognized in the consolidated statement of income. Acquisition-related costs are expensed as incurred. Subsequent changes to the fair value of the contingent consideration are recognized either in the consolidated statement of income 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.

Critical accounting estimates and judgments
When a company is acquired, a value is assigned to intangible assets such as trademarks and the customer relationships. The determination of the value at the time of acquisition and the estimated useful life are subject to judgment. Assumptions by management underlying the estimation of fair value include the future cash flows expected from the asset and discount rates. Useful life is estimated using past experience and relevant industry practices.

Acquisitions

Famed Investments B.V.
On November 1, 2018, HAL Armstrong Beheer B.V. (81% HAL) acquired 100% of the shares of Famed Investments B.V. Famed provides business process outsourcing and factoring services for the Dutch health care sector. Based on the initial purchase price allocation an amount of € 48.6 million is identified as goodwill and represents the future synergies, the workforce and the expected growth and profitability of the business. Due to the limited time between the acquisition and the publication of the financial statements, the purchase price allocation has not yet been finalized.

Westag & Getalit AG
On August 21, 2018, Broadview Holding B.V. ('Broadview', 97.4% HAL) completed its agreement with the Gethalia Foundation to acquire their 75.5% of the voting rights in Westag & Getalit AG ('Westag'). Westag is a leading manufacturer of high-quality wood-based products for interior finishing and building construction. Its product offering includes doors and frames, kitchen worktops and window sills as well as solid surface material and coated plywood panels. Simultaneously, Broadview settled its voluntary public takeover offer to the shareholders of Westag to acquire all ordinary shares and all (non-voting) preference shares. Combined with open-market purchases made, Broadview holds, as of August 21, 2018, 62.3% of the outstanding share capital and 83.4% of the voting rights in Westag.

Based on the purchase price allocation an amount of € 23.2 million is identified as goodwill and represents the future synergies, the workforce and the expected growth and profitability of the business.

Details on the acquisitions performed during the year are as follows:

	Westag & Getalit	Famed	Other	**Total**
Cash paid	103.4	52.9	29.9	**186.2**
Future consideration	-	-	1.7	**1.7**
Fair value of net assets acquired	(142.8)	(4.3)	(17.4)	**(164.5)**
Non-controlling interest recognized	53.8	-	-	**53.8**
Non-controlling interest recognized at fair value	8.8	-	-	**8.8**
Goodwill	23.2	48.6	14.2	**86.0**

For the Westag acquisition, the Company has elected to recognize non-controlling interest applying the full goodwill method. Goodwill is not expected to be deductible for tax purposes.

Details of the net assets acquired are set out below:

	Westag & Getalit	Famed	Other	**Total**
Property, plant and equipment	91.6	0.2	3.0	**94.8**
Intangible assets	19.6	55.3	16.0	**90.9**
Investments in associates and joint arrangements	7.1	-	-	**7.1**
Deferred tax assets	3.6	-	-	**3.6**
Other non-current assets	0.9	-	0.7	**1.6**
Cash	14.8	-	0.5	**15.3**
Non-current debt	-	-	(0.4)	**(0.4)**
Non-current provisions	(28.0)	-	-	**(28.0)**
Deferred tax liabilities	(11.3)	(12.2)	(3.4)	**(26.9)**
Other non-current liabilities	-	-	(1.5)	**(1.5)**
Current debt	-	(22.1)	-	**(22.1)**
Accounts receivable	*32.7*	*112.7*	*2.5*	***147.9***
Inventories	*42.8*	-	*1.3*	***44.1***
Other current assets	-	-	*0.4*	***0.4***
Accounts payable	*(6.7)*	*(127.9)*	*(0.5)*	***(135.1)***
Accrued expenses	*(17.1)*	*(0.1)*	*0.2*	***(17.0)***
Other current liabilities	*(6.4)*	-	*(1.4)*	***(7.8)***
Current provisions	*(0.8)*	*(1.6)*	-	***(2.4)***
Net working capital	44.5	(16.9)	2.5	**30.1**
Fair value of net assets acquired	142.8	4.3	17.4	**164.5**

The above acquisitions generated the following results:

	Westag & Getalit	Famed	Other	**Total**
Contribution to 2018 revenues	82.3	4.1	12.4	**98.8**
Contribution to 2018 operating income	(2.9)	0.2	1.9	**(0.8)**
Contribution to 2018 net income	(2.1)	0.3	1.7	**(0.1)**
2018 full-year revenues	233.2	27.7	38.8	**299.7**
2018 full-year operating income	2.7	10.7	4.5	**17.9**
2018 full-year net income	1.9	8.6	4.7	**15.2**

Acquisition costs charged to the other operating expenses in the consolidated statement of income amounted to € 2.9 million.

Reconciliation to the cash flow statement:

	Total
Cash paid for the above acquisitions	**186.2**
Cash adjustment prior year acquisitions	**0.3**
Cash acquired	**(15.3)**
Cash outflow due to acquisition of subsidiaries, net of cash acquired	**171.2**
Acquisition of associates and joint arrangements	**228.5**
Cash outflow due to acquisition of associates, joint arrangements and subsidiaries, net of cash acquired	**399.7**

Rights issue Safilo Group S.p.A.

On January 2, 2019, Safilo Group S.p.A. (‘Safilo’) concluded its rights issue for up to 213,043,881 shares at an issue price of € 0.704 (€ 150 million in total), which was announced on September 21, 2018. The Company, through its subsidiary Multibrands Italy B.V., subject to certain terms and conditions, had underwritten this rights issue. During the subscription period, from December 3, 2018, through December 17, 2018, rights were exercised representing 171,972,663 (80.7%) of the new shares. The unsubscribed rights were auctioned and on December 28, 2018, further rights were exercised representing 15,877,881 (7.5%) of the new shares. The total of new shares issued and paid up at December 31, 2018, was 187,850,544 for a total consideration of € 132.2 million, of which 88,650,852 shares (€ 62.4 million) were acquired by Multibrands Italy B.V. As a result of these transactions the ownership interest of Multibrands Italy B.V. increased from 41.6% to 45.8% at year-end 2018. This was recorded as an acquisition of non-controlling interest and resulted in an increase in retained earnings of € 12.7 million.

On January 2, 2019, the 25,193,337 (11.8%) new shares that remained unsubscribed at the end of the rights auction have been subscribed and paid in full by Multibrands Italy B.V. pursuant to the commitment undertaken in accordance with the subscription agreement entered into in September 2018. Subsequent to this transaction the Company sold 2.5 million shares. As a result of the commitment and sale, HAL’s ownership interest increased in January, 2019, from 45.8% to 49.8%. Accordingly, Safilo will continue to be included in the segment quoted minority interests. In total, the net investment of the Company in Safilo increased by € 78.2 million from December, 2018, through January, 2019 excluding an underwriting fee of € 1.4 million.

Divestments and deconsolidation

Vopak Venezuela
At the end of September, 2018, Vopak deconsolidated its wholly-owned terminal in Venezuela, reflecting the conclusion that it no longer has control from an accounting perspective. It was observed that the economic, legal, social and political environment in which the terminal operates was continuously deteriorating. Strict currency controls continued to be applicable and inflation exceeded one million percent in 2018. This triggered the reassessment of the accounting treatment of this terminal as per the end of the third quarter of 2018. The deconsolidation of Vopak Venezuela led to recycling of € 50.2 million of historical, unrealized currency translation losses from equity to financial expense in the consolidated statement of income. In addition, € 0.9 million other operating expenses were recorded. Until deconsolidation, hyperinflation accounting was applied for this terminal, with an insignificant effect on the consolidated financial figures. After deconsolidation, the participation in the terminal is accounted for as an investments measured at fair value through other comprehensive income. Vopak remains 100% shareholder in the terminal, which it will continue to operate, and will monitor the situation and periodically assess whether facts and circumstances have changed and whether control has been regained over the terminal.

For further information on divestments we refer to note 14 .

6. Investments in associates and joint arrangements

Associates are entities over which the Company has significant influence, generally presumed to exist at a shareholding of 20% or more of the voting rights, but no (de facto) control.

Joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. All joint arrangements of the Company are considered joint ventures.

Associates and joint ventures are accounted for using the equity method. Under the equity method, the interest in the associate or joint venture is recognized at cost, including goodwill identified upon acquisition. The carrying value is subsequently adjusted to recognize the Company's share of the post-acquisition results and movements in other comprehensive income of the associate or joint venture. Accounting policies of the associates and joint ventures have been amended where necessary to ensure consistency with the policies adopted by the Company. When the Company's share of losses exceeds the carrying amount of an equity-accounted investment, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the company in question. Significant unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in the specific company. Significant unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising on associates and joint ventures are recognized in the income statement.

If the ownership in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is recycled to the consolidated statement of income, where appropriate.

The movements of investments accounted for using the equity method are set out on the following page.

	Associates	Joint ventures	**Total**
Share of net assets	1,478.7	808.4	**2,287.1**
Goodwill	179.4	69.5	**248.9**
Balance on January 1, 2017	1,658.1	877.9	**2,536.0**
Investments	133.9	53.0	**186.9**
Consolidation	0.2	-	**0.2**
Disposals	(14.0)	-	**(14.0)**
Share of results - real estate	-	(0.2)	**(0.2)**
Share of results - other	101.4	109.2	**210.6**
Share of other comprehensive income	(41.4)	11.4	**(30.0)**
Dividends	(6.4)	(94.8)	**(101.2)**
Impairments	-	(91.8)	**(91.8)**
Reclassification*	(59.9)	(5.5)	**(65.4)**
Exchange differences and other	(50.4)	(59.1)	**(109.5)**
Balance on December 31, 2017	1,721.5	800.1	**2,521.6**
Share of net assets	1,468.5	735.7	**2,204.2**
Goodwill	253.0	64.4	**317.4**
Balance on December 31, 2017	1,721.5	800.1	**2,521.6**
Investments	203.4	25.1	**228.5**
Consolidation	7.1	-	**7.1**
Disposals	(3.3)	-	**(3.3)**
Share of results - real estate	-	(0.5)	**(0.5)**
Share of results - other	(139.4)	96.9	**(42.5)**
Share of other comprehensive income	(0.3)	3.1	**2.8**
Dividends	(4.7)	(76.7)	**(81.4)**
Redemption of share capital	(23.9)	-	**(23.9)**
Reclassification	(8.8)	10.4	**1.6**
Exchange differences and other	4.3	18.6	**22.9**
Balance on December 31, 2018	1,755.9	877.0	**2,632.9**
Share of net assets	1,485.7	810.9	**2,296.6**
Goodwill	270.2	66.1	**336.3**
Balance on December 31, 2018	1,755.9	877.0	**2,632.9**

* Reclassifications primarily to assets held for sale and business combinations

In 2018, Vopak realized a one-off gain of € 6.3 million at its associate Vopak Terminal Haiteng (China). This amount related to a prepayment, in view of a settlement of historical positions that is currently being negotiated, and the recognition of previously unrecognized deferred tax balances that are now considered recoverable. Refer to note 34 for details. Joint ventures mainly relate to Vopak and the real estate segment.

The amounts recognized in the statement of financial position comprise:

	Dec. 31, 2018	Dec. 31, 2017
Publicly traded	**1,119.6**	1,147.8
Other	**1,513.3**	1,373.8
	2,632.9	2,521.6

Vopak acquisitions

In December, 2018, Vopak acquired a 29% shareholding in Engro Elengy Terminal Pakistan Ltd. for an amount of € 33.8 million. The shareholding in this associate was increased to 44% on January 23, 2019, against payment of € 15.6 million. This investment consists of a jetty and high-pressure gas pipeline for the import of LNG, and a 15-year time charter of a floating storage and regassification unit.

Other acquisitions

The ownership interest in Koninklijke Boskalis Westminster N.V. increased from 35.7% at the end of 2017 to 40.41% at the end of 2018 due to stock dividend and the purchase of shares for € 129 million. The Company identified € 24.9 goodwill as part of the purchase price allocation.

The investment in joint ventures belonging to the real estate segment increased by € 16 million during 2018. At year-end 2018 the book value of the real estate joint ventures was € 101 million. At the end of 2018, the real estate portfolio included a 50% ownership in a fully leased office property in Seattle (129,000 net rentable square feet (12,000 square meter)). The portfolio also included ownership interests in seven joint ventures for the development and rental of 2,315 apartments in the Seattle metropolitan area. Two projects (438 apartments) were completed by the end of 2018 and are currently being leased. The other projects will be completed during 2019 through 2023. The total estimated cost of the seven apartment projects is $ 570 million (€ 488 million) and the estimated HAL equity commitment is $ 180 million (€ 157 million). The remaining equity to be provided by HAL at the end of 2018 is $ 86 million (€ 75 million).

Principal associate
The principal (non-consolidated) associate of the Company is Koninklijke Boskalis Westminster N.V. (‘Boskalis’) in which the Company has a 40.41% (2017: 35.71%) ownership interest. Boskalis is incorporated in the Netherlands and is listed on Euronext Amsterdam. The company is a leading global service provider operating in the dredging, maritime infrastructure and maritime services sectors.

The difference between the market value of Boskalis and the book value is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Market value	**1,188.7**	1,496.7
Book value	**(1,119.6)**	(1,147.8)
	69.1	348.9

Set out on the next page is summarized financial information for Boskalis. This summary is based on publicly available information.

	Dec. 31, 2018	Dec. 31, 2017*
Current		
Cash and cash equivalents	**336.2**	191.9
Other current assets	**1,269.5**	1,024.7
Total current assets	**1,605.7**	1,216.6
Financial liabilities (excluding trade payables)	**40.0**	43.3
Other current liabilities (including trade payables)	**1,440.1**	1,422.8
Total current liabilities	**1,480.1**	1,466.1
Non-current		
Assets	**2,934.1**	3,613.1
Financial liabilities	**440.2**	270.6
Other liabilities	**71.9**	67.7
Total non-current liabilities	**512.1**	338.3
Non-controlling interest	**3.3**	2.4
Net assets	**2,544.3**	3,022.9

* Revised for the impact of IFRS 15

	2018	2017
Revenue	**2,569.5**	2,342.6
Depreciation and amortization	**(234.6)**	(251.6)
Financial income	**0.4**	0.4
Financial expense	**(13.7)**	(13.4)
Profit before tax	**(413.8)**	172.1
Profit after tax for owners of parent	**(435.9)**	150.5
Other comprehensive income for owners of parent	**11.6**	(138.0)
Total comprehensive income for owners of parent	**(424.3)**	12.5

The Boskalis 2018 financial result was substantially impacted by extraordinary charges of in total € 518.7 million post-tax. Of these charges, € 502.2 million were non-cash impairments, with € 344.8 million relating primarily to goodwill (including goodwill embedded in the book value of joint ventures), € 136.9 million to equipment within the Offshore Energy division and the remainder to equipment and associates within two towage joint ventures. The share of the Company in these extraordinary charges amounted to € 191.7 million and was included in the consolidated statement of income within the line share of results from associates and joint ventures.

Reconciliation of the summarized financial information for Boskalis:

	2018	2017
Net assets January 1*	**3,021.5**	3,121.2
Profit for the period	**(435.9)**	150.5
Other comprehensive income	**11.6**	(138.0)
Transactions with owners	**(52.9)**	(110.8)
Net assets December 31	**2,544.3**	3,022.9
Interest in Boskalis (40.41%, 2017: 35.71%)	**1,028.2**	1,079.5
Elimination part of gain relating to the sale of Dockwise Ltd. (2013)	**(11.3)**	(11.3)
Intangible assets recognized in purchase price allocation	**5.9**	-
Goodwill	**96.8**	79.6
Book value	**1,119.6**	1,147.8

* Including € 1.4 million impact on the opening balance of equity from the implementation of new IFRS

We refer to note 41 with respect to summarized financial information on joint ventures.

7. Derivatives and other financial assets

For the accounting policies for derivative financial instruments, reference is made to note 8. At initial recognition, the Company classifies its non-derivative financial assets as "measured at amortized cost" or as "measured at fair value" (either through profit or loss or other comprehensive income). The classification depends on the business model the Company applies for managing the financial assets and the contractual terms of the cash flows.

Financial assets are first recognized on the trade date, the date on which the Company commits to purchase the asset. Financial assets are derecognized when the right to receive cash flows from the investments has expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets measured at amortized cost
These are assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest. They are initially recognized at fair value plus any directly related transaction costs. Subsequently, these financial assets are carried at amortized cost, less a provision for impairment based on the expected loss model (refer to note 35). Interest income on financial assets measured at amortized cost is recognized using the effective interest method.

Financial assets measured at fair value through other comprehensive income
Financial instruments in this class are initially measured at fair value plus any directly related transaction costs. Reference is made to the accounting policies on fair value measurement in note 35.

Debt instruments
These instruments are held both for collection of contractual cash flows, representing solely payments of principal and interest, and for selling the financial assets. Changes in the fair value of these investments are recorded in other comprehensive income and recycled through the consolidated statement of income upon derecognition. Both interest and the provision for

impairment, based on the expected loss model (refer to note 35), are recognized in the consolidated statement of income.

Equity instruments
Management has made the irrevocable election to present the subsequent changes in fair value of certain quoted equity investments, included in other financial assets, in other comprehensive income. Dividends from these investments are recognized in the consolidated statement of income when the right to receive payment is established. When the equity instrument is sold, the cumulative result recognized in other comprehensive income is reclassified from the other reserves to retained earnings, without recycling through the consolidated statement of income.

Financial assets measured at fair value through profit or loss
Debt instruments that do not qualify for measurement at amortized cost or measurement at fair value through other comprehensive income are measured at fair value through profit or loss. This classification also applies to all equity investments, unless management has made the specific election for measurement throught other comprehensive income. Intial recognition of these assets is at fair value with any directly related transaction costs expensed as incurred. Gains or losses on financial instruments in this category are recognized in the consolidated statement of income.

The specification is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Derivatives		
Asset positions	**56.7**	25.6
Other financial assets		
Investments in quoted securities	**425.1**	593.8
Loans to associates and joint ventures	**2.1**	3.6
Other loans	**81.0**	96.7
Other	**95.2**	98.1
	660.1	817.8
Current		
Derivatives	**32.4**	6.9
Other financial assets	**-**	40.1
Non-current		
Derivatives	**24.3**	18.7
Other financial assets	**603.4**	752.1
	660.1	817.8

The category “other” includes long-term deposits and receivables. For additional information on derivatives reference is made to note 8.

Investments in quoted securities include:

	Dec. 31, 2018	Dec. 31, 2017
Equity interest in SBM Offshore N.V. (15.99%, 2017: 16.13%)	**425.1**	486.6
Equity interest in Chart Industries Inc. (0%, 2017: 8.94%)	**-**	107.2
	425.1	593.8

Amounts included in the cash flow statement comprise:

	Dec. 31, 2018	Dec. 31, 2017
Sale/(purchase) of shares in Chart Industries Inc.	**137.8**	(10.6)
Loans provided to associates and joint ventures	**-**	(1.6)
Repayment of loans by associates and joint ventures	**-**	3.5
Other	**12.7**	(14.1)
Changes in other financial assets in cash flow statement	**150.5**	(22.8)

8. Derivatives

Derivatives are measured at fair value with any related transaction costs expensed as incurred. Reference is made to the accounting policies in note 35 on fair value measurement. The treatment of changes in the fair value of derivatives depends on their use, as explained below.

Cash flow hedge
Derivatives held to hedge the uncertainty in timing or amount of future forecasted cash flows are classified as being part of cash flow hedge relationships. For effective hedges, gains and losses from changes in the fair value of derivatives are recognized through other comprehensive income. Any ineffective elements of the hedge are recognized in the consolidated statement of income. If the hedged cash flow relates to a non-financial asset, the amount accumulated in equity is subsequently included within the carrying value of that asset. For other cash flow hedges, amounts deferred in equity are recycled in the consolidated statement of income at the same time as the related cash flow. When a derivative no longer qualifies for hedge accounting, any cumulative gain or loss remains in equity until the related cash flow occurs. When the cash flow takes place, or if the hedged cash flow is no longer expected to occur, the cumulative gain or loss is taken to the consolidated statement of income immediately.

Net investment hedge
The Company applies hedge accounting to certain investments in foreign operations. For an effective hedge, gains and losses from changes in the fair value of derivatives are recognized through other comprehensive income. Any ineffective elements of the hedge are recognized in the consolidated statement of income. In the event of disposal or partial disposal of an interest in a foreign operation either through sale or as a result of a repayment of capital, the cumulative exchange difference is recognized in the consolidated statement of income.

Fair value hedge
Certain derivatives are held to hedge the risk of changes in value of a specific bond or other loan. In these situations, the Company designates the liability and related derivative to be part of a fair value hedge relationship. The carrying value of the bond is adjusted by the fair value of the risk being hedged, with changes going to the consolidated statement of income. Gains and losses on the corresponding derivative are also recognized in the consolidated statement of income. The amounts recognized are offset in income to the extent that the hedge is effective. When the relationship no longer meets the criteria for hedge accounting, the fair value hedge adjustment made to the bond is amortized using the effective interest method.

Derivatives for which hedge accounting is not applied
Derivatives not classified as hedges are carried at fair value with changes being recognized in the consolidated statement of income.

Derivatives are classified as follows in the statement of financial position:

	Assets		Liabilities	
	2018	2017	**2018**	2017
Equity derivatives	**-**	1.9	**-**	(1.9)
Currency derivatives	**9.0**	6.9	**(5.3)**	(22.2)
Interest rate derivatives	**47.7**	16.8	**(49.8)**	(92.4)
	56.7	25.6	**(55.1)**	(116.5)
Current	**32.4**	6.9	**(22.4)**	(25.8)
Non-current	**24.3**	18.7	**(32.7)**	(90.7)
	56.7	25.6	**(55.1)**	(116.5)

For an overview of the movements in the cash flow hedging reserve in equity, reference is made to note 16. Information on fair value measurement of derivatives is included in note 35, disclosure on risk management and hedge accounting is provided in note 36.

9. Marketable securities and deposits

The accounting policies applied to marketable securities and deposits are the same as those applied to other financial assets (note 7). Marketable securities are measured at fair value through profit or loss except for the fixed income securities which are measured at fair value through other comprehensive income.

Marketable securities consist of equity securities amounting to € 218.9 million (2017: € 528.6 million) and fixed income securities amounting to € 55.8 million (2017: € 56.2 million).

10. Receivables

Trade receivables are initially recognized at the transaction price and subsequently measured at amortized cost using the effective interest method, less a provision for impairment. Trade receivables that include a significant financing component are intially recognized at fair value plus any directly related transaction costs. An allowance is established based on the expected loss model (refer to note 35) with application of the simplified approach. The amount of the provision is the difference between the assets' 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.

	Dec. 31, 2018	Dec. 31, 2017
Trade receivables	**967.7**	852.5
Allowance for doubtful accounts	**(71.8)**	(40.8)
	895.9	811.7

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

	Dec. 31, 2018	Dec. 31, 2017
Up to 3 months	**162.0**	192.7
Between 3 and 6 months	**18.5**	17.7
Between 6 and 9 months	**11.0**	11.3
Over 9 months	**52.0**	28.7
	243.5	250.4

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

	2018	2017
Allowance on January 1	**(40.8)**	(55.1)
Addition to allowance	**(53.6)**	(19.7)
Utilized during the year	**17.8**	19.0
Released	**3.3**	5.0
Other movements	**1.5**	10.0
Allowance on December 31	**(71.8)**	(40.8)

There was no indication as at the statement of financial position date that these receivables will not be recovered, other than as already provided for. The fair value of the receivables approximates their carrying value.

Information on pledges is included in note 20.

11. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is generally determined using the weighted-average cost method. Cost comprises direct costs and a proportion of attributable production overheads, but excludes interest expense. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

Critical accounting estimates and judgments
Finished goods are regularly subjected to specific assessment tests to identify damaged, slow moving or obsolete inventory, taking into consideration past experience, historic results and the probability of sale under normal market conditions. Based on these analyses, management asserts judgment to determine the write-downs required to reduce the value of the inventory to its net realizable value.

The composition of the inventories is set out on the following page.

	Dec. 31, 2018	Dec. 31, 2017
Raw materials	**138.7**	135.3
Work in progress	**36.0**	29.1
Finished goods	**776.5**	811.6
Stock in transit	**7.9**	-
Provision for obsolete inventory	**(127.9)**	(133.3)
	831.2	842.7

The cost of inventory recognized as an expense amounts to € 2,187.9 million (2017: € 2,075.1 million). The total write-down of inventories recognized as an expense amounts to € 62.1 million (2017: € 74.8 million).

Information on pledges is included in note 20.

12. Other current assets

Other current assets generally include prepayments relating to the following year and other receivables to be received within 12 months.

The composition of the other current assets is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Prepaid vendors	**97.3**	83.8
VAT	**39.4**	56.5
Supplier bonus receivable	**51.6**	50.9
Consumer insurance receivable	**47.7**	37.6
Income tax receivable	**72.6**	53.2
Other receivables	**238.3**	210.0
	546.9	492.0

13. Cash and cash equivalents

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

	Dec. 31, 2018	Dec. 31, 2017
Cash	**1,457.4**	1,717.3
Cash equivalents	**819.1**	487.7
	2,276.5	2,205.0

Cash equivalents include time deposits with a maturity of less than three months.

14. Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if their carrying amounts are to be recovered principally through a sales transaction rather than through continuing use and a sale is considered highly probable at the reporting date. Non-current assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are not depreciated nor amortized. In addition, if applicable, equity accounting ceases.

When classifying non-current assets as held for sale, an estimate is made of their fair values and expected costs of disposal. Depending on the nature of the non-current assets, the estimated fair value may be associated with uncertainty and potentially adjusted subsequently.

Critical accounting estimates and judgments
Based on the facts and circumstances at the reporting date, management needs to assess if the value of the assets will be recovered principally through a divestment transaction rather than through continuing use. These facts and circumstances may change and could result in a situation where assets are divested, which were not classified as held for sale at period-end. When classifying non-current assets as held for sale, management makes estimates of their value (sales price and expected costs of disposal). Depending on the nature of the non-current assets, the estimated fair value may be associated with uncertainty and possibly adjusted subsequently. Measurement of the fair value of non-current assets is categorized as level 3 in the fair value hierarchy as measurement is not based on observable market data.

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

	Dec. 31, 2018	Dec. 31, 2017
Property, plant and equipment	**5.1**	4.4
Intangible assets	**3.0**	-
Current assets	**47.6**	-
Total assets held for sale	**55.7**	4.4
Non-current liabilities	**0.2**	-
Current liabilities	**36.7**	-
Total liabilities related to assets held for sale	**36.9**	-
Total net assets held for sale	**18.8**	4.4

The assets and liabilities held for sale as of December 31, 2018, mainly relate to the IEV Group, a subsidiary of Broadview Holding B.V. (97.4% HAL). IEV Group was sold on January 17, 2019, and resulted in a post-tax capital gain of approximately € 40 million. The agreement to sell the IEV Group was signed on December 18, 2018.

In August 2018, Vopak announced it would conduct a strategic review and test the market values of its terminals in Algeciras, Amsterdam, Hamburg and Tallinn. This review is still ongoing. Based on the facts and circumstances as of December 31, 2018, it was at that date not highly probable that these terminals would be divested within 12 months. Accordingly, none of these terminals met the held for sale criteria.

15. 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.

The issued and fully paid up share capital at December 31, 2018, consists of 81,763,062 shares of which 70,309 are held as treasury stock by the Company.

Movements in the number of shares were as follows:

x 1,000	Issued shares	Treasury shares
Balance on January 1, 2017	78,589.6	86.7
Sale and transfer of treasury shares	-	(4.1)
Purchase of treasury shares, including stock dividend	-	1.7
Dividend paid in stock	1,535.0	
Balance on December 31, 2017	80,124.6	84.3
Balance on January 1, 2018	80,124.6	84.3
Sale and transfer of treasury shares	-	(22.5)
Purchase of treasury shares, including stock dividend	-	8.5
Dividend paid in stock	1,638.5	
Balance on December 31, 2018	81,763.1	70.3

	December 31, 2018
Authorized shares	85,000.0
Outstanding shares	81,692.8
Par value (HAL Holding N.V.) *(in euro)*	0.02
Share capital *(in millions of euro)*	1.6

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 2017-related dividend of € 496.2 million (excluding dividend on treasury shares) or € 6.20 per Share was paid on June 19, 2018 (2017: € 557.4 million or € 7.10 per Share), of which € 248.1 million in cash and € 248.1 million in Shares. Shareholders received one new Share for 48.9 existing Shares held. The calculation of the 2017 earnings per Share has been adjusted to take account of this stock dividend (in accordance with IAS 33.64).

The conversion ratio was determined based on the volume-weighted average share price of HAL Trust Shares traded on Euronext in Amsterdam during the period May 23, 2018, through June 12, 2018. Accordingly, 1,638,538 Shares were issued on June 19, 2018.

16. Other reserves

Other reserves include the cumulative valuation reserve, the cash flow hedge reserve and the cumulative currency translation reserve.

The cumulative valuation reserve includes the unrealized results, net of tax, on financial assets classified as fair value through other comprehensive income.

The cash flow hedge reserve contains the effective part of the accumulated change in the fair value of cash flow hedges, net of tax, in respect of which the hedged future transaction has not yet taken place.

The cumulative currency translation reserve includes all exchange differences resulting from the translation of the financial statements of foreign entities. It also includes the exchange differences on liabilities and the effective currency component of fair value changes of derivative financial instruments, net of tax, to the extent that they are part of an effective net investment hedge relationship.

In millions of euro	Cumulative valuation reserve	Cash flow hedge reserve	Cumulative currency translation reserve	**Total other reserves**
Balance on January 1, 2017	181.4	(67.4)	208.6	**322.6**
Change in fair value of financial assets at fair value through other comprehensive income	17.8	-	-	**17.8**
Translation of foreign subsidiaries, including share of associates and joint arrangements	-	-	(185.6)	**(185.6)**
Effective portion of hedging instruments, including share of associates and joint arrangements	-	7.8	-	**7.8**
Other	2.6	-	(10.1)	**(7.5)**
Balance on December 31, 2017	201.8	(59.6)	12.9	**155.1**
Changes in accounting policy (IFRS 9)	(16.1)	-	-	**(16.1)**
Balance on January 1, 2018	185.7	(59.6)	12.9	**139.0**
Change in fair value of financial assets at fair value through other comprehensive income	(25.8)	-	-	**(25.8)**
Translation of foreign subsidiaries, including share of associates and joint arrangements	-	-	35.8	**35.8**
Effective portion of hedging instruments, including share of associates and joint arrangements	-	0.1	-	**0.1**
Reclassification*	(71.9)	(61.8)	25.4	**(108.3)**
Balance on December 31, 2018	88.0	(121.3)	74.1	**40.8**

* Reclassification mainly relates to realized results on the disposal of the shareholding in Chart Industries Inc. and to currency components of cross-currency interest rate swaps.

The cash flow hedge reserve contains the effective part of the accumulated change in the fair value of the cash flow hedges, net of tax, in respect of which the hedged future transaction has not yet taken place. The table below provides an overview of the estimated maturity profile of the cash flow hedge reserve.

Use of cash flow hedge reserve	
< 1 year	(229.0)
1-5 years	(140.0)
> 5 years	247.7
	(121.3)

17. Deferred taxes

Deferred tax is recognized using the liability method on taxable temporary differences between the tax base and the accounting base of items included in the consolidated financial statements. Temporary differences are not provided if they relate to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or differences relating to investments in subsidiaries, associates and joint ventures to the extent that the reversal of the temporary differences are controlled by the Company and it is probable that they will not reverse in the foreseeable future. Withholding tax and any other tax due for unremitted earnings of subsidiaries are not recognized as deferred tax liability unless there is an intention to distribute these earnings in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantively enacted, at the year end. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is recognized in the consolidated statement of income unless it relates to items recognized through other comprehensive income.

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.

Critical accounting estimates and judgments
Deferred tax assets, including those arising from carry-forward losses, are recognized if it is likely that taxable profits will be available against which losses can be set off. Management exercises judgment to establish the extent to which expected future profits substantiate the recognition of a deferred tax asset.

The movement in deferred tax assets and liabilities during the period is set out on the next page:

	Carry-forward losses	PP&E	Intangibles	Inventories	Employee benefits	Other	Offset assets and liabilities	**Total**
Assets	81.3	31.5	10.0	53.1	70.4	85.0	(179.5)	**151.8**
Liabilities	-	(359.4)	(213.5)	(5.8)	(11.6)	(40.0)	179.5	**(450.8)**
Net book value on January 1, 2017	81.3	(327.9)	(203.5)	47.3	58.8	45.0	-	**(299.0)**
Credited/(charged) to net income	(19.0)	33.1	28.6	(7.2)	1.9	(6.6)	-	**30.8**
Credited/(charged) to other comprehensive income	-	-	-	-	(25.6)	(0.3)	-	**(25.9)**
Acquisitions and purchase price accounting adjustments	-	-	(32.6)	0.2	4.4	1.3	-	**(26.7)**
Reclassifications	(0.3)	(0.3)	(1.6)	0.2	(0.1)	2.1	-	**-**
Exchange differences	(4.0)	14.7	3.6	(2.8)	(1.9)	0.1	-	**9.7**
Net book value on December 31, 2017	58.0	(280.4)	(205.5)	37.7	37.5	41.6	-	**(311.1)**
Assets	58.0	27.6	11.6	46.8	53.0	71.0	(154.0)	**114.0**
Liabilities	-	(308.0)	(217.1)	(9.1)	(15.5)	(29.4)	154.0	**(425.1)**
Net book value on January 1, 2018	58.0	(280.4)	(205.5)	37.7	37.5	41.6	-	**(311.1)**
Credited/(charged) to net income	22.8	3.1	27.5	3.6	(7.2)	(8.5)	-	**41.3**
Credited/(charged) to other comprehensive income	-	-	-	-	(2.9)	(11.6)	-	**(14.5)**
Acquisitions and purchase price accounting adjustments	0.2	(5.7)	(21.2)	(0.8)	-	5.7	-	**(21.8)**
Other	-	-	-	-	-	3.0	-	**3.0**
Reclassifications	0.9	(0.4)	(1.4)	-	-	0.8	-	**(0.1)**
Exchange differences	(1.2)	(2.4)	(0.1)	0.5	0.3	1.5	-	**(1.4)**
Net book value on December 31, 2018	80.7	(285.8)	(200.7)	41.0	27.7	32.5	-	**(304.6)**
Assets	80.7	21.4	9.2	45.8	36.9	61.0	(120.2)	**134.8**
Liabilities	-	(307.2)	(209.9)	(4.8)	(9.2)	(28.5)	120.2	**(439.4)**
Net book value on December 31, 2018	80.7	(285.8)	(200.7)	41.0	27.7	32.5	-	**(304.6)**

Withholding tax and any other tax due for unremitted earnings of subsidiaries are not recognized as these earnings are assumed to be permanently invested.

The portion of the deferred tax liabilities that is expected to be recovered within 12 months amounts to € 21.1 million (2017: € 24.7 million), the portion of the deferred tax assets that is expected to be recovered within 12 months amounts to € 75.2 million (2017: € 80.2 million).

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

Expiration	**2018**	2017
2018	**-**	8.7
2019	**6.9**	6.9
2020	**5.7**	11.6
2021	**21.9**	23.5
2022	**30.9**	47.2
2023 and further years	**220.9**	202.3
No expiration date	**540.5**	500.7
	826.8	800.9

Deferred tax assets for which the utilization is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences amount to € 134.8 million (2017: € 114.0 million).

Deferred tax assets of € 58.0 million (2017: € 68.9 million) relate to entities that suffered a loss in either the current or the preceding period. Their recognition is supported by projections of future taxable income. Unused tax losses with no expiration date include tax losses relating to acquired entities. These tax losses relate to business models that were different than the activities of the entity at the moment of acquisition. This is an important reason for the fact that these losses have not been valued.

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

18. Pension 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 and calculated in accordance with 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 independent 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. Current and past service costs, interest components and administrative costs are recognized immediately in the consolidated statement of 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.

Critical accounting estimates and judgments
The defined benefit obligation is determined on the basis of assumptions for future developments in variables such as salary increase, price index increase, life expectancy and discount rate. All assumptions are assessed at the reporting date. Changes in the assumptions may significantly affect the liabilities and pension costs under the defined benefit plans. The weighted average of these assumptions as well as sensitivities of key assumptions are disclosed in this note.

The net amounts recognized in the statement of financial position for pension benefits are as follows:

	Dec. 31, 2018	Dec. 31, 2017
Pension benefit assets	**68.8**	86.4
Pension benefit liabilities	**(207.5)**	(248.2)
	(138.7)	(161.8)

The net pension benefit liability consists of:

	Dec. 31, 2018	Dec. 31, 2017
Present value of funded obligations	**(280.7)**	(1,425.6)
Fair value of plan assets	**293.9**	1,389.8
Surplus/(deficit) of funded obligations	**13.2**	(35.8)
Present value of unfunded obligations	**(149.0)**	(122.3)
Total defined benefit plans	**(135.8)**	(158.1)
Defined contribution plans	**(2.9)**	(3.7)
Net asset/(liability) in the statement of financial position	**(138.7)**	(161.8)

Settlement defined benefit pension plan Vopak
In July 2018, Vopak formalized the agreement regarding a new pension plan in the Netherlands effective per January 1, 2018. The new pension plan qualifies as a defined contribution plan under IAS 19. Going forward, Vopak has the sole obligation to pay a contribution based on a fixed percentage of the pensionable salary. This agreement has resulted in the third quarter of 2018 in an additional cash contribution by the company to the Dutch pension fund of € 18.0 million. The total exceptional (non-cash) net gain before tax for the year from the release of the defined benefit pension provision was € 19.1 million. This amount is the difference between the IFRS defined benefits costs and the actual defined contribution cash outflows for the period that were agreed effective per January 1, 2018.

Pension benefit liabilities
The pension liabilities of € 208 million relate for € 48 million to pension plans of Vopak outside the Netherlands and for € 96 million to GrandVision.
The pension plans of GrandVision represent funded plans for € 26 million and unfunded plans for € 70 million. The net defined benefit obligation of the funded plans of GrandVision mainly relates

to the pension arrangement of Visilab of € 22.5 million (2017: € 23.9 million). The assets of the plan at December 31, 2018, are € 46.0 million (2017: € 40.0 million) and the obligations of the plan at December 31, 2018, are € 68.5 million (2017: € 63.9 million). The pension arrangements (occupational pension plans) of Visilab are funded plans, providing benefits upon retirement, death, disability and termination. The pension plan is governed by a committee which consists of an equal number of employer and employee representatives and is managed by the Foundation. Visilab has no control over investments performed by the Foundation. Pension arrangements are subject to the mandatory insurance requirements according to the Swiss Federal Law. Should the Foundation become underfunded according to Swiss Law, the Foundation Board must decide on recovery measures that will allow the coverage ratio to return to 100% within an appropriate time horizon. The latest known coverage ratio of the Foundation was 110.8% as at December 31, 2017. The unfunded plans of GrandVision mainly relate to a pension arrangement, in addition to the state pension provided in Germany, for employees already employed in Germany prior to 1994 (2018: € 53.2 million, 2017: € 54.6 million). Every service year of the employees in the plan adds 1% of their pensionable salaries to the plan. This occurs for a maximum of 25 years and is maximized in terms of pay-out. In addition there is also an unfunded end-of-employment plan for French employees of GrandVision (2018: € 12.6 million, 2017: € 12.3 million). This is based on service years and calculated according to the estimated remuneration in the last year of employment.

Pension benefit assets
The pension benefit assets of € 68.8 million relates for € 27.1 million to the surplus of a pension plan which currently has no participants and for € 41.7 million to a surplus of a pension fund in the Netherlands (the 'pension fund') that insures its participants against the consequences of old age, death and disability. The Company and its employees currently do not pay contributions to these pension plans. The pension fund has the legal structure of a foundation. The (actuarial) risks related to the pension plan consist of demographic risks (primarily life expectancy) and financial risks (primarily discount rate, future increases in salaries, and return on plan assets) and are regularly reviewed by the board of the pension fund. The board of the pension fund is the most senior governing body of the pension fund and is composed of equal numbers of employer and employee representatives (including pensioners). Modification of the pension plan requires the approval of the Company. The minimum required funding level for the pension fund is 104%. The pension fund had a funded level of 212% at year-end 2017. The funding level at December 31, 2018, was preliminary calculated at 178%. The pension asset is calculated, in accordance with IFRIC 14, as the lower of the surplus and the present value of the future service cost using assumptions (including the discount rate) consistent with those used to determine the defined benefit obligation, taking into account minimum funding requirements.

Pension supervision in the Netherlands
Pension funds in the Netherlands are overseen by the Authority for the Financial Markets (AFM) and the Dutch Central Bank (DNB). An annual report including an actuarial review on the plan is prepared in accordance with legal requirements. Additional reports are prepared periodically in accordance with IFRS requirements.

Multi-employer plans
Multi-employer pension plans are defined benefit plans classified as defined contribution, as the information received from these plans is not detailed per employee and per company. In case of a deficit in the multi-employer plans, future pension premiums may increase.

For one multi-employer plan in the Netherlands the share of premiums contributed by a consolidated subsidiary, as part of total premiums paid to the plan by all participating employers in the plan, is significant. During the fourth quarter of 2018 this plan communicated a funded level of 109% (2017: 108%) compared to a required 118%. The plan has submitted an updated recovery plan to the DNB in 2017 as it continued to hold insufficient buffers. The exposure for the

Company's subsidiary is limited to potential increases in future pension premiums. The expected contribution to this plan by the respective subsidiary in 2019 is approximately € 4 million.

The movement in the provision for defined benefit plans is as follows:

	2018	2017
Balance on January 1	**(158.1)**	(208.7)
Pension charge defined benefit plans	**(31.9)**	(43.2)
Consolidation	**(27.2)**	(23.9)
Contributions	**42.7**	23.5
Remeasurement effects	**13.0**	85.6
Benefits paid for unfunded plans	**4.4**	6.4
Impact of change from defined benefit to defined contribution	**22.9**	-
Exchange differences and other	**(1.6)**	2.2
Balance on December 31	**(135.8)**	(158.1)

In 2018, the remeasurement effects of € 13.0 million are primarily the result of higher discount rates. In 2017, the remeasurement effects of € 85.6 million were primarily the result of higher return on plan assets.

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

	2018	2017
Current service costs	**27.8**	36.7
Past service costs	**-**	1.5
Interest expense/(income)	**2.8**	4.2
Plan amendments, settlements and curtailments	**(22.9)**	(0.7)
Administrative costs	**1.3**	1.5
Total defined benefit costs	**9.0**	43.2
Other costs	**67.3**	56.5
Total, included in employee expenses	**76.3**	99.7

The 2018 impact from plan amendments mainly relates to the settlement of the defined benefit pension plan of Vopak, as disclosed earlier in this note. Other costs mainly include costs related to defined contribution plans and multi-employer plans classified as defined contribution plans, as referred to above.

Movements in the defined benefit obligation, for both funded and unfunded plans, and plan assets are as follows:

	Plan assets		Obligation	
	2018	2017	**2018**	2017
Balance on January 1	**1,389.8**	1,294.2	**1,547.9**	1,502.9
Consolidation	**-**	40.0	**27.2**	63.9
Service cost	**-**	-	**27.8**	38.2
Interest income	**18.0**	25.9	**-**	-
Interest expense	**-**	-	**20.8**	30.1
Employer contributions	**42.7**	23.5	**-**	-
Employee contributions	**2.9**	2.3	**2.9**	2.3
Return on plan assets (excluding amounts included in interest income)	**(19.4)**	68.0	**-**	-
Experience adjustments	**-**	-	**(1.3)**	(18.8)
Change in financial assumptions	**-**	-	**(27.6)**	2.5
Change in demographic assumptions	**-**	-	**(3.5)**	(1.3)
Plan amendments, settlements and curtailments	**(1,113.0)**	(3.5)	**(1,135.9)**	(4.2)
Benefits paid	**(32.6)**	(49.1)	**(37.1)**	(55.5)
Reclassification to held for sale	**(0.2)**	-	**(0.3)**	-
Exchange differences and other	**5.7**	(11.5)	**8.8**	(12.2)
Balance on December 31	**293.9**	1,389.8	**429.7**	1,547.9

The 2018 impact from plan amendments mainly relates to the settlement of the defined benefit pension plan of Vopak, as disclosed earlier in this note. Consolidation relates to the 2017 acquisition of Visilab by GrandVision and, for 2018, to the acquisition of Westag by Broadview.

The Company expects to contribute € 6.7 million to defined benefit plans in 2019. The employer's contribution for defined benefit plans for Vopak increased from € 22.6 million in 2017 to € 40.5 million in 2018. This increase was primarily related to the one-off payment of € 18.0 million related to the settlement of Vopak's defined benefit pension plan in the Netherlands. Based on the latest funding agreements, Vopak's employer’s contribution is expected to be around € 2.5 million in 2019.

The expected maturity analysis of undiscounted pension benefits is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Less than 1 year	**16.1**	49.4
1-2 years	**16.8**	51.1
2-5 years	**49.0**	153.4
> 5 years	**681.6**	2,072.1
	763.5	2,326.0

The principal weighted-average assumptions used were:

	Dec. 31, 2018	Dec. 31, 2017
Discount rate/return on assets	**2.41%**	1.92%
Future inflation rate	**1.81%**	1.80%
Future salary increases	**2.64%**	2.83%
Life expectancy in years:		
Age 65 for men	**20.3**	21.6
Age 65 for women	**22.9**	24.1
Age 65 in 20 years for men	**22.2**	23.9
Age 65 in 20 years for women	**24.6**	26.3

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-rated) with a duration matching the duration of the pension benefit liabilities.

Plan assets include as of December 31, 2018:

	Level 1	Level 2	Level 3	**Total**	**Total (%)**
Equity instruments	111.4	0.1	-	**111.5**	**37.9%**
Debt instruments	25.4	61.3	0.2	**86.9**	**29.6%**
Cash and cash equivalents	47.3	-	-	**47.3**	**16.1%**
Other	0.5	47.5	0.2	**48.2**	**16.4%**
	184.6	108.9	0.4	**293.9**	**100.0%**

Plan assets included as of December 31, 2017:

	Level 1	Level 2	Level 3	Total	Total (%)
Equity instruments	472.8	0.1	-	472.9	34.0%
Debt instruments	420.5	246.9	-	667.4	48.0%
Cash and cash equivalents	121.0	-	-	121.0	8.7%
Other	70.0	58.5	-	128.5	9.3%
	1,084.3	305.5	-	1,389.8	100.0%

Other assets mainly represent assets at insurance companies with respect to vested benefits, real estate and derivatives.

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

		Impact on obligation	
	Change	Increase	Decrease
Discount rate/return on assets	1.00%	(62.6)	82.0
Future inflation rate	1.00%	41.6	(33.4)
Future salary increases	0.25%	4.1	(4.0)
Life expectancy	1 year	12.8	N/A

The plan liabilities are calculated using a discount rate set with reference to high quality corporate bond yields. If plan assets underperform this yield, this will create a deficit. A decrease in corporate 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, therefore increases in life expectancy will result in an increase in the plans' liabilities.

19. Provisions

A provision is recognized for a present legal or constructive obligation as a result of past events, when 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions are presented in the statement of financial position as follows:

	Dec. 31, 2018	Dec. 31, 2017
Current	**68.7**	79.7
Non-current	**83.4**	85.7
	152.1	165.4

The breakdown and movement in provisions is as follows:

	Environmental	Employee related	Warranties	Claims, legal & regulatory	Other	**Total**
Balance on January 1, 2017	22.5	12.8	19.4	66.5	21.5	**142.7**
Addition to provision	0.5	31.9	5.0	25.2	19.8	**82.4**
Consolidation	-	-	-	-	0.3	**0.3**
Utilized during the year	(5.0)	(24.9)	(4.7)	(7.9)	(11.0)	**(53.5)**
Exchange differences	(1.1)	(0.3)	(0.1)	(1.2)	(0.4)	**(3.1)**
Released	(1.0)	(1.5)	(0.2)	(1.8)	(0.8)	**(5.3)**
Reclassifications and other movements	0.1	2.5	-	(2.0)	1.3	**1.9**
Balance on December 31, 2017	16.0	20.5	19.4	78.8	30.7	**165.4**
Balance on January 1, 2018	16.0	20.5	19.4	78.8	30.7	**165.4**
Addition to provision	8.0	27.1	6.0	9.6	8.4	**59.1**
Consolidation	-	-	1.3	-	0.3	**1.6**
Utilized during the year	(3.7)	(24.7)	(5.9)	(11.1)	(16.8)	**(62.2)**
Exchange differences	-	(0.4)	-	(1.0)	-	**(1.4)**
Released	(0.4)	(1.1)	(5.5)	(0.6)	(1.8)	**(9.4)**
Reclassifications and other movements	0.3	(1.7)	(0.4)	3.4	(2.6)	**(1.0)**
Balance on December 31, 2018	20.2	19.7	14.9	79.1	18.2	**152.1**

Claims, legal & regulatory
This category includes a provision for potential fines in connection with an investigation in France by the French Competition Authority (FCA) and relates to GrandVision and Safilo.

In June 2009, the FCA began investigations into certain optical suppliers and optical retailers active in the branded sunglasses and branded frames sector in France, including GrandVision and Safilo. The authorities are investigating whether these parties have entered into vertical restraints in relation to the distribution of branded sunglasses and branded frames. In May 2015, GrandVision and Safilo received a statement of objections ('notification de griefs') from the FCA, which contains the FCA's preliminary position on alleged anti-competitive practices and does not prejudice its final decision. If the FCA concludes that there was a violation, it will impose a fine, which may be contested in court. GrandVision and Safilo have examined the FCA's preliminary findings reported in the statement of objections and a provision has been recorded, determined by an assessment of the probability and amount of potential liability. A report dated July 21, 2016, was received from the FCA, reconfirming the accusation and confirming the assumptions of the probability and amount of the potential liability. On December 15, 2016, a hearing was held before the FCA during which all parties were given the opportunity to defend their case. On February 24, 2017, the FCA decided to refer the entire case back for further investigation to the FCA's investigation services, without imposing any sanction on any of the companies currently under investigation.

20. Debt and other financial liabilities

Debt is initially recognized at fair value, less any directly related transaction costs. Certain debt is designated as being part of a fair value hedge relationship. In these cases, the debt is carried at amortized cost, adjusted for the fair value of the risk being hedged, with changes in value shown in the consolidated statement of income. Other debt is subsequently carried at amortized cost, using the effective interest method. Convertible (equity-linked) borrowings that include a cash-settlement option are carried at amortized cost using an effective interest rate deemed appropriate for the risk profile of an equivalent financial instrument without the conversion component. Other financial liabilities include contingent considerations related to acquisitions and obligations to acquire non-controlling interests from management of certain subsidiaries. These are initially recognized and subsequently measured at fair value with remeasurement differences recorded as financial income or expense in the consolidated statement of income. Refer to note 35 on fair value measurement.

Debt and other financial liabilities are classified as current unless the Company has an unconditional right to defer settlement until at least twelve months after statement of financial position date.

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 drawdown 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.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership. Assets held under finance leases are initially recognized at the lower of fair value at the date of commencement of the lease and the present value of the minimum lease payments. Subsequent to initial recognition, these assets are accounted for in accordance with the accounting policy relating to that specific asset. The corresponding liability is included in other financial liabilities. Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Debt and other financial liabilities is comprised of:

	Dec. 31, 2018	Dec. 31, 2017
Debt	**3,649.9**	3,460.8
Other financial liabilities	**110.4**	106.5
	3,760.3	3,567.3

	Dec. 31, 2018	Dec. 31, 2017
Non-current debt and other financial liabilities		
Mortgage loans	**412.4**	351.7
Private placements	**1,445.5**	1,464.0
Other loans	**736.4**	710.8
Total non-current debt	**2,594.3**	2,526.5
Non-current other financial liabilities	**86.7**	75.9
Total non-current debt and other financial liabilities	**2,681.0**	2,602.4
Current debt and other financial liabilities		
Bank overdrafts	**153.1**	226.3
Bank loans	**90.1**	149.9
Current portion of long-term debt	**256.0**	68.5
Commercial paper	**417.9**	398.9
Other current loans	**138.6**	90.7
Total current debt	**1,055.7**	934.3
Current other financial liabilities	**23.6**	30.6
Total current debt and other financial liabilities	**1,079.3**	964.9
Total debt and other financial liabilities	**3,760.3**	3,567.3

The summary of debt per currency is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Euro	**1,893.2**	1,732.4
U.S. dollar	**1,452.8**	1,429.3
Singapore dollar	**69.0**	68.9
Other currencies	**234.9**	230.2
	3,649.9	3,460.8

Mortgage loans are secured by mortgages and pledges on vessels, real estate, inventory and receivables with a corresponding carrying value of € 717.6 million (2017: € 616.6 million). These are non-possessory pledges, which means that only in case of default under the mortgage loan agreements, the lender will have the right to sell the vessels, real estate or inventory and receive the cash flows from the receivables. The other loans are secured to an amount of € 389.6 million (2017: € 326.1 million) by non-possessory pledges on machinery and equipment, receivables, inventories and other current assets.

The debt position relates for € 1,903 million (52.1%) to Vopak (2017: € 1,664 million, 48.1%). This debt mainly consists of unsecured private placements in the U.S. and Asian markets. The average remaining maturity at the end of 2018 was 6.6 years (2017: 7.7 years). In 2017, Vopak voluntarily prepaid a U.S. private placement of US$ 200 million (€ 169.8 million) with contractual maturity dates in 2019 and 2022. In relation to this repayment, a make-whole amount of € 17.2 million was included in financial expense in the 2017 consolidated statement of income.

Debt also includes a € 150 million unsecured, unsubordinated equity-linked bond issued by Safilo (the 'Bond'), maturing on May 22, 2019, with a coupon of 1.25% per annum.

For 100% of the bank debt, the applicable covenants were complied with during 2017 and 2018. The table below provides details on certain company-specific covenants that applied in 2018.

	Debt	Required	Actual
GrandVision syndicated facility	360.0		
Maximum net debt:EBITDA ratio		3.25	1.29
Minimum interest cover ratio		5.00	31.00
Vopak	1,636.8		
Maximum senior net debt:EBITDA ratio		3.75	2.49
Minimum interest cover ratio		3.50	8.50
Other	1,653.1		
Total debt	3,649.9		

Included in other financial liabilities is the obligation to acquire equity instruments in certain subsidiaries from the management of these subsidiaries and liabilities related to share-based payment plans for an aggregate amount of € 60.7 million (2017: € 24.8 million), of which € 58.0 million (2017: € 13.1 million) is included as non-current liabilities. Reference is made to note 33 on share-based compensation. Also included are earn-out and deferred/contingent payments with respect to acquisitions for € 39.4 million (2017: € 70.5 million). These liabilities expire during 2019 and 2021.

The fair value of debt and other financial liabilities is disclosed in note 35.

21. Accrued expenses

Accrued expenses consist of:

	Dec. 31, 2018	Dec. 31, 2017
Employee-related accruals	**275.5**	273.5
VAT and other tax liabilities	**66.8**	64.9
Other	**403.7**	339.4
Total accrued expenses	**746.0**	677.8

22. Revenues

Revenue is recognized in the period in which the performance obligation from the underlying contract has been satisfied. In most sales transactions this is at the point in time when control over a product or service has been transferred to the customer. Revenue is shown net of sales tax, value-added tax, discounts, rebates, expected returns and amounts collected on behalf of third parties. A contract with a customer may comprise of multiple distinct performance obligations that require separation. In general, the total consideration under the contract is allocated to performance obligations based on stand-alone selling prices. The timing of revenue recognition depends on the type of performance obligation, as described below.

Sale of goods
The group operates physical retail stores and webstores in the Optical retail, Quoted and Unquoted segments. Sales on a wholesale basis are present in the Quoted minority interest and Unquoted segments. The Optical retail segment also includes revenues from sales to franchisees, for which revenue recognition is similar to wholesale revenues. Revenue is recognized when the product is sold to the customer and control over the product has been transferred to the customer in return for (a right to) payment.

For retail sales, revenue recognition generally coincides with the physical transfer of the product to the customer. Revenue is then recognized at the transaction price, gross of (credit card) fees payable for the transaction which are recorded in selling cost. For rights issued under a customer loyalty program, through vouchers and by way of other future discounts or awards, a contract liability is incurred as a reduction to revenue. Revenue is further reduced and a refund liability is recognized for applicable rights of return. An asset reflecting the right to returned goods is recognized, reducing the cost of sales, at the carrying amount of those goods, net of expected refurbishment cost for returns that are not scrapped. In general, when a replacement product is not an acceptable alternative, the transaction price is refunded. An expected-value calculation based on accumulated experience is used to determine the amounts recognized as a refund liability. Where loyalty programs are in place, revenue allocated to the awards is recognized based on (anticipated) expiration and when the awards are redeemed.

For wholesale and franchise sales the timing of revenue recognition depends on when the products are delivered, with full discretion by the customer or franchisee over the sales channel and price to re-sell the products. Revenue recognition depends on individual customer terms and may occur when the products have been shipped or delivered to a specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or objective evidence has been obtained that all criteria for acceptance have been satisfied. Volume incentives apply to various wholesale contracts and reduce related revenues. Depending on the contract, these incentives are either paid at the end of the contract period as a rebate, or provide a right to a discount in the next contractual period. In case of rebates, a refund liability is recorded at the time of the transaction, as a reduction to revenue. The group periodically reviews the expected transaction price for the goods and services provided under the contract and adjusts the revenues from the contract and the refund liability accordingly. Discounts to be provided in future periods based on current year sales are considered a separate performance obligation, reducing current year revenue, and are recognized as a contract liability. The contract liability is recognized as revenue in the consolidated statement of income based on (anticipated) expiration and when the discounts are redeemed

A receivable is recognized for wholesale deliveries when payment has become unconditional. No element of financing is deemed present as payment terms are consistent with market practice. Any prepayments by customers are not considered revenue but are accounted for as contract liabilities.

Obligations to provide a refund under the standard warranty terms are recognized as a provision (refer to note 19). Where warranties exceed these standard terms either in time, extent or through the inclusion of (additional) services it is recognized as distinct performance obligation and part of revenues is allocated and recognized over the period covered by the extended warranties. Extended warranties are considered services to be rendered and included under contract liabilities until revenue is recognized.

Rendering of service
The group provides storage services in its Quoted minority interest segment and a range of other services, including shipping, staffing and financial services, in its Optical and Unquoted segments. Revenue from providing services is recognized in the period in which the services are rendered. Tank storage rentals, including minimum guaranteed throughputs, are recognized on a straight-line basis over the contractual period when these services are rendered, as clients simultaneously consume and benefit from the services at the moment that these are rendered. Revenues from excess throughputs and other services are recognized in the period in which they are provided.

For fixed-price contracts, revenue is recognized based on the actual service provided at the end of the reporting period as a proportion of the total services to be provided. Estimates of revenues, based on costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in in the consolidated statement of income in the period in which the circumstances that give rise to the revision become known by management. Contracts for the rendering of services typically do not exceed a duration of twelve months, except for framework agreements for which prices are variable or periodically renegotiated.

Modifications of property, plant and equipment (primarily gas carriers) paid upfront by customers are accounted for as a contract liability and recognized in the consolidated statement of income over the contractual period on a straight-line basis.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payment, depending on the specific terms of the contract, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized. If the contract includes an hourly fee, revenue is recognized in the amount to which there is a right to invoice. No element of financing is deemed present as payment terms are consistent with market practice.

License revenues
Franchise rights are accounted for as rights to access the franchisor's intellectual property. Any fixed fee allocated to those rights is generally recognized over the term of the franchise agreement. Franchise fees that are based on a percentage of sales are recognized at the time of the sale. Access to (digital) content is recognized over time for subscription contracts and at a point in time for usage-based contracts.

The Company's 2018 revenue can be disaggregated as set out on the following page.

2018	Europe	North-America	Asia	Other	**Total**	Optical retail	Quoted	Unquoted
Revenue from contract with customers								
Sale of goods	5,501.2	505.1	85.0	367.3	**6,458.6**	3,460.1	910.5	2,088.0
Services	1,126.2	280.9	335.2	13.0	**1,755.3**	249.5	1,203.2	302.6
	6,627.4	786.0	420.2	380.3	**8,213.9**	3,709.6	2,113.7	2,390.6
Revenue from other sources								
Other revenue	99.8	21.8	15.2	2.8	**139.6**	11.4	117.0	11.2
Total revenue	6,727.2	807.8	435.4	383.1	**8,353.5**	3,721.0	2,230.7	2,401.8

Revenue from other sources for 2018 included € 39.0 million related to compensation for early termination of the Gucci license at Safilo. The total compensation amounted to € 90.0 million of which € 43.0 million was received in 2017 and € 8.0 million in 2016.

The Company's 2017 revenue can be disaggregated as follows:

2017	Europe	North-America	Asia	Other	**Total**	Optical retail	Quoted	Unquoted
Revenue from contract with customers								
Sale of goods	5,070.1	554.5	75.0	404.6	**6,104.2**	3,223.4	978.3	1,902.5
Services	1,070.6	282.5	353.6	6.8	**1,713.5**	209.7	1,251.4	252.4
	6,140.7	837.0	428.6	411.4	**7,817.7**	3,433.1	2,229.7	2,154.9
Revenue from other sources								
Other revenue	102.2	16.6	19.3	2.9	**141.0**	16.8	119.5	4.7
Total revenue	6,242.9	853.6	447.9	414.3	**7,958.7**	3,449.9	2,349.2	2,159.6

Expected future revenues can be specified as follows:

	2018
Future revenues in order book	113.1
Future revenues from current projects	30.5
	143.6
Future revenues expected to be realized in 2019	135.8
Future revenues expected to be realized in 2020	7.6
Future revenues expected to be realized in 2021 - 2023	0.1
Future revenues expected to be realized in or after 2024	0.1

Future revenues in order book primarily relates to the office furniture and (high-pressure laminates) material technology businesses. Future revenues from current projects mainly relate to the unfulfilled part of extended (service-type) warranties.

The table below provides an overview of the liabilities recognized in relation to contracts with customers and their movements during the periods presented.

	Deferred revenues		Customer prepayments		Refund liability	
	2018	2017	**2018**	2017	**2018**	2017
Balance on January 1	**136.6**	185.0	**61.1**	47.2	**9.4**	10.0
Recognized as revenue in current period	**(137.2)**	(134.8)	**(66.3)**	(64.5)	**-**	(0.2)
Payments	**98.7**	77.9	**76.0**	78.6	**1.3**	(1.1)
Consolidation	**0.1**	7.3	**(1.8)**	-	**-**	-
Exchange differences and other	**2.4**	1.2	**(0.8)**	(0.2)	**0.7**	0.7
Balance on December 31	**100.6**	136.6	**68.2**	61.1	**11.4**	9.4

23. Income from marketable securities and deposits

Income from marketable securities and deposits includes realized and unrealized capital gains and losses, impairment losses, interest, dividends and management fees.

Realized and unrealized capital gains and losses are calculated on an average-cost basis. Interest income on financial instruments recorded at amortized cost is recognized on an accrual basis, using the effective interest rate method. Dividends and interest on financial instruments measured at fair value through other comprehensive income are recognized when the right to receive payment is established.

	2018	2017
Capital gains/(losses)	**(24.0)**	63.4
Interest income	**1.9**	0.3
Dividends	**14.8**	16.7
Management fees	**(0.4)**	(1.1)
	(7.7)	79.3

As a result of the implementation of IFRS 9, effective per January 1, 2018, unrealized results on equity instruments included in marketable securities are now recorded in the consolidated statement of income. In accordance with the transitional provisions of IFRS 9, however, comparative figures were not adjusted and 2017 figures only include realized capital gains.

24. Share of results from associates and joint ventures

Associates and joint ventures are accounted for using the equity method, which involves recognition in the consolidated statement of income the Company's share of the net result of the associate or joint venture. When the Company's share of losses exceeds the carrying amount of an equity-accounted investment, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the company in question. Significant unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in the specific company. Significant unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising on associates and joint ventures are recognized in the income statement.

	2018	2017
Share of results*	**(42.5)**	172.7
Revaluation upon gaining control	**-**	37.9
Impairments	**-**	(91.8)
	(42.5)	118.8

* Share of results from real estate joint ventures (2018: €(0.5) million, 2017: € (0.2) million) is classified as Income from real estate activities in the consolidated statement of income

The 2017 revaluation gain on the step-up acquisition of Visilab includes recycling of € 13.2 million of currency results from equity.

The 2018 share of results from associates and joint ventures included HAL's share in extraordinary charges at Koninklijke Boskalis Westminster N.V. of € 519.5 million. HAL's share is € 191.7 million. These charges consist primarily of impairments on goodwill and vessels.

For details on impairments, reference is made to note 34.

25. Income from other financial assets

Interest income on loans granted is recognized on an accrual basis, using the effective interest method. Interest and dividend income on financial assets measured at fair value through other comprehensive income is recognized when the right to receive payment is established.

	2018	2017
Dividends	**7.6**	8.1
Other	**7.3**	7.3
	14.9	15.4

26. Income from real estate activities

The Company develops, leases and sells residential and office properties in its Real estate segment. Revenue from (operating) lease activities is recognized on a straight-line basis over the lease term. Capital gains from property sales are recognized at the transaction price agreed in the contract when control over the property has been transferred to the buyer. Revenue is recognized at the point in time when the legal title has passed to the buyer and the consideration becomes due.

	2018	2017
Capital gains	**9.7**	-
Rental and residential income	**1.3**	1.9
Share of results from real estate joint ventures	**(0.5)**	(0.2)
Operating expenses	**(0.3)**	(0.7)
	10.2	1.0

27. Employee expenses

Short-term employee benefits
Wages, salaries, social security contributions, annual leave, sickness absenteeism, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognized as an expense as the related service is provided by the employee of the Company. 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.

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 they are discounted to their present value.

Share-based compensation
The compensation cost for share-based payment plans is recognized as an expense on a straight-line basis over the vesting period. The amounts expensed are adjusted over the vesting period for changes in the estimate of number of shares and the equivalent in cash that will eventually vest. Adjustments are made at the end of each reporting period to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions (e.g. profitability growth targets or continued employment over a specified time period). Refer to note 33 for more details on share-based payment plans.

Participation by management of unquoted subsidiaries
Management of certain subsidiaries 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. Obligations to acquire non-controlling interest are fair valued, generally, based on a multiple of EBITA less net debt, with measurement differences recorded as employee expense in the consolidated statement of income in accordance with IAS19. Multiples applied are either contractually determined or, generally, in accordance with those applied in the section on estimated value of the subsidiaries and associates.

	2018	2017
Wages and salaries	**1,772.0**	1,658.2
Social security costs	**328.0**	324.7
Pension costs	**76.3**	99.7
Other	**271.4**	257.2
	2,447.7	2,339.8

The 2018 pension costs include an exceptional gain of € 19.1 million related to the settlement of the Dutch defined benefit pensions plan of Vopak (refer to note 18). The average number of persons employed by the Company and its subsidiaries during 2018 was 52,352 (2017: 49,818) on a full-time equivalent basis.

28. Other operating expenses

Operating expenses, including rent and marketing, are recognized in the consolidated statement of income when incurred.

Other operating expenses include the following:

	2018	2017
Rent	**679.5**	647.6
Marketing and publicity	**317.2**	308.6
Staffing expenses Atlas Professionals B.V.	**161.0**	122.9
Information and communication	**110.9**	99.1
Royalty expenses	**66.6**	68.0
Other	**756.9**	737.3
	2,092.1	1,983.5

Research and development costs expensed, included in other, amounted to € 23.8 million (2017: € 26.6 million).

29. Financial income and expense

Financial income includes income on cash and cash equivalents and income on financial assets not included in marketable securities and deposits or in other financial assets. Financial expense includes net finance costs in relation to financial liabilities. Fair value changes of (embedded) derivatives not included in a hedge relationship, fair value changes of contingent consideration related to acquisitions ('earn-out' liabilities) and results from foreign currency translation of monetary items can be either financial income or expense.

Interest income and expense on financial instruments recorded at amortized cost is recognized on an accrual basis, using the effective interest method.

Financial income and expense include:

	2018	2017
Financial expense	**252.0**	226.4
Other financial income	**51.9**	39.0
Net finance costs	**200.1**	187.4

Financial expense includes:

	2018	2017
Interest expense	**133.3**	144.9
Exchange differences, net of hedges	**102.3**	45.8
Other	**16.4**	35.7
	252.0	226.4

The 2018 finance expense includes a loss of € 50.2 million related to recycling of historical unrealized currency translation losses from equity as a result of the deconsolidation of Vopak Venezuela, refer to note 5 for more details. In 2017, a make-whole payment of € 17.2 million was recognized under the finance expenses relating to the voluntary early redemption of a U.S. private placement by Vopak, refer to note 20 for details.

Other financial income includes:

	2018	2017
Interest income	**9.3**	10.2
Exchange differences	**38.0**	22.9
Other	**4.6**	5.9
	51.9	39.0

30. Income tax expense

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 have operations, taking into account tax-exempt income and tax losses carried forward. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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. Where the final outcome of tax-related provisions 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.

Critical accounting estimates and judgments
Significant judgment is required in determining the worldwide provision for income tax, as subsidiaries are subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Provisions for anticipated tax audit issues are recognized based on management's estimates of whether additional taxes will be due.

	2018	2017
Current income taxes	**204.3**	217.3
Deferred income taxes	**(41.3)**	(30.8)
	163.0	186.5

In 2018, future decreases in (enacted) tax rates and a reduction of the utilization period for carry-forward losses, primarily in the Netherlands, incurred a net reduction in deferred tax liabilities of € 20.8 million, recognized in the income tax line. In 2017, gains were recognized in the income tax line related to (future) decreases in (enacted) tax rates in the United States of America, Belgium and Italy. These rate decreases primarily impacted Vopak (€ 34.6 million).

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:

	2018	2017
Profit before income tax	**539.0**	779.8
Less: after-tax share of results from associates and joint ventures	**42.5**	(118.6)
Less: non-taxable other income (sale of subsidiaries and associates)	**-**	(30.1)
Adjusted profit before income tax	**581.5**	631.1
Income tax expense	**163.0**	186.5
Effective tax rate (%)	**28.0**	29.6

	2018		2017	
Composition	**Amount**	**%**	Amount	%
Weighted-average statutory tax rate	**136.7**	**23.5**	169.5	26.9
Goodwill impairment	**8.1**	**1.4**	21.4	3.4
Recognition of tax losses*	**(1.1)**	**(0.2)**	48.7	7.7
Non-taxable income	**(10.5)**	**(1.8)**	(23.6)	(3.7)
Non-deductible expenses	**43.2**	**7.4**	23.2	3.7
Adjustment tax provisions	**7.4**	**1.3**	(13.9)	(2.2)
Rate changes	**(20.8)**	**(3.6)**	(38.8)	(6.2)
Effective tax (rate)	**163.0**	**28.0**	186.5	29.6

* Current period losses that are not recognized increase the effective tax rate. When previously unrecognized tax losses are recognized, this reduces the effective tax rate.

Taxes recognized in other comprehensive income:

	2018	2017
Deferred tax		
On changes in the fair value of cash flow hedges	**(9.0)**	0.6
On translation and related hedges	**-**	(1.3)
On changes in the fair value of financial assets measured through other comprehensive income	**(2.6)**	0.4
On changes in defined benefit obligations	**(2.9)**	(25.6)
	(14.5)	(25.9)
Current tax		
On changes in the fair value of cash flow hedges	**0.9**	(4.7)
On changes in defined benefit obligations	**(0.5)**	-
	0.4	(4.7)
	(14.1)	(30.6)

31. Earnings per Share

Earnings per Share for profit attributable to the owners of parent are calculated by dividing the profit attributable to the owners of parent by the time-weighted average number of outstanding Shares. The calculation of the previous year earnings per Share is adjusted to take into account the stock dividend paid in the current year, in respect of the previous year, in accordance with IAS 33.64.

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

x 1,000	**2018**	2017
Issued and outstanding Shares at January 1	**80,001**	78,464
Sale and transfer of treasury shares	**13**	2
Purchase of treasury shares	**(3)**	-
Dividend paid in stock	**874**	815
Average number of outstanding Shares at December 31	**80,885**	79,281

There was no dilutive effect on earnings per Share in the years presented.

32. Cash flows from operating activities

Cash flows from operating activities		**2018**	2017
Profit before taxes		**539.0**	779.8
Depreciation and impairments		**503.5**	492.1
Amortization and impairments	4	**191.0**	199.8
(Profit)/loss on sale of property, plant, equipment and investment properties		**(11.4)**	(0.2)
(Profit)/loss on sale of other financial assets and marketable securities	23	**24.0**	(63.4)
Fair value gain on remeasurement of previously held equity interest	24	**-**	(24.7)
Results from associates and joint ventures, net of impairments	6, 24	**43.0**	(93.9)
(Profit)/loss on assets and liabilities held for sale		**-**	(29.9)
Net financial expense	29	**200.1**	187.4
Other movements in provisions and pension benefits		**(34.0)**	2.3
Dividend from associates and joint ventures		**86.2**	88.5
Changes in working capital		**5.9**	(158.3)
Cash generated from operating activities		**1,547.3**	1,379.5

Changes in working capital, excluding exchange differences and the effect of acquisitions:

	2018	2017
Accounts receivable	**38.4**	51.5
Inventories	**40.2**	(68.8)
Other current assets	**(21.9)**	(49.3)
Accounts payable	**(84.0)**	(50.4)
Accrued expenses	**33.2**	(41.3)
	5.9	(158.3)

33. Share-based compensation

The Company and its subsidiaries operate a number of equity-settled and cash-settled share-based compensation plans. Under the plans these entities receive services from employees as consideration for respectively ordinary shares of the respective entity or for the cash equivalent to the value of the underlying ordinary shares of the respective entity.
For equity-settled share-based compensation plans, the fair value is determined at the date of grant and expensed in the consolidated statement of income with a corresponding adjustment directly in equity. For cash-settled share-based compensation plans, the fair value is determined at the date of the grant and is re-measured at each reporting date until the liability is settled.

The compensation is recognized as an expense on a straight-line basis over the vesting period. The amounts expensed are adjusted over the vesting period for changes in the estimate of number of shares and the equivalent in cash that will eventually vest. Adjustments are made at the end of each reporting period to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions (e.g. profitability growth targets or continued employment over a specified time period).

Expenses related to share-based compensation consist of:

	2018	2017
HAL Holding N.V.		
Share Plan*	**1.6**	1.6
GrandVision		
Equity plan*	**0.3**	0.9
Long-Term Incentive Plan**	**2.7**	10.3
Cash Plan***	**0.8**	-
Vopak		
Long-Term Share Plans*	**2.0**	(0.5)
Long-Term Share Plans***	**0.8**	(0.8)
Long-Term Cash Plans***	**1.2**	(0.6)
Safilo		
Stock Option Plans*	**(0.2)**	-
Unquoted subsidiaries		
Cash Plans***	**10.5**	7.9
Total	**19.7**	18.8

* Equity-settled
** Converted to equity-settled in 2015
***Cash-settled

Changes in equity for share-based compensation plans amounted to:

	2018	2017
HAL Holding N.V.		
Share Plan	**1.6**	1.6
GrandVision		
Equity plan	**0.3**	0.9
Long-Term Incentive Plan	**2.7**	10.3
Vopak		
Long-Term Share Plans	**2.0**	(0.5)
Safilo		
Stock Option Plan 2014	**(0.2)**	-
	6.4	12.3

Liabilities recognized in relation to cash-settled share-based compensation are comprised of:

	Dec. 31, 2018	Dec. 31, 2017
GrandVision		
Cash Plan	**0.8**	-
Vopak		
Long-Term Share Plans	**1.0**	1.0
Long-Term Cash Plans	**1.7**	1.2
Unquoted subsidiaries		
Cash Plans	**57.2**	22.6
	60.7	24.8

The current part of this liability of € 2.7 million (2017: € 11.7 million) is included under current other financial liabilities and the non-current part of € 58.0 million (2017: € 13.1 million) under non-current other financial liabilities.

HAL Holding N.V.

The HAL Supervisory Board has the power to grant Executive Board members shares HAL Trust.

The granted, unvested shares can be summarized as follows:

x 1,000	**2018**	2017
Outstanding shares on January 1	**59**	59
Outstanding shares on December 31	**59**	59

On May 18, 2016, the Supervisory Board resolved to grant Mr. M.F. Groot, chairman of the Executive Board, 20,000 shares HAL Trust, under the condition precedent that he is still employed with the Company on June 1, 2021. These shares are restricted until June 1, 2026. The fair value of the shares granted of € 149.40 has been determined based on the HAL Trust share price at the grant date, reduced with the expected discounted future dividends payable during the vesting period since Mr. M.F. Groot is not entitled to receive dividends during the vesting period.

The Supervisory Board resolved, on November 19, 2014, to grant each of Messrs. A.A. van ‘t Hof and J.N. van Wiechen, members of the Executive Board, a one-time allotment of 19,500 shares HAL Trust. The shares need to be returned to the Company if the respective Board member is not employed by the Company on or before November 19, 2019. The above shares are restricted until November 19, 2024.

On May 18, 2011, the Supervisory Board resolved to grant Mr. M.F. Groot, chairman of the Executive Board, 50,000 shares HAL Trust, under the condition precedent that he would still be employed with the Company on May 18, 2016. These shares vested in 2016 and are restricted until May 18, 2021.

GrandVision

Equity plan
The equity plan provides for the sale of GrandVision shares to eligible participants and is subject to a vesting term and holding conditions. Vesting of awards made under the equity plan is subject to a vesting condition that can vary from 3 to 5 years. Awards are no longer granted under the equity plan since February 6, 2015, when the company's shares were listed on Euronext Amsterdam.

The shares granted under the equity plan can be summarized as follows:

x 1,000	**2018**	2017
Outstanding shares on January 1	**460**	1,065
Settled	**(315)**	(605)
Outstanding shares on December 31	**145**	460

Out of the shares outstanding under the equity plan at December 31, 2018, for 145,410 (2017: 168,930) the vesting period has ended.

Long-Term Incentive Plan (LTIP)
The LTIP represents conditional share and option awards. Option awards are in the form of stock-settled share appreciation rights, meaning that at exercise the participant receives shares that are in total equal in value to the total value of the exercised options.

Until the listing of GrandVision's shares in February 2015, eligible participants were granted a combination of (cash-settled) phantom shares and phantom options. Upon the moment of listing, the majority of these plans were converted to equity-settled long-term incentive plans. Since the listing of the GrandVision's shares until 2017, only (equity-settled) conditional share and option awards have been granted to eligible participants.

Cash plan
In 2018 a new cash-settled plan was issued in a subsidiary of GrandVision to qualifying employees, representing conditional option awards. These option awards are in the form of cash-settled share appreciation rights, meaning that at exercise the participant receives cash which is in total equal in value to the total value of the exercised options.

The outstanding conditional shares and options can be summarized as follows:

x 1,000	LTIP shares	LTIP options	Average exercise price
Outstanding on January 1, 2017	1,243	1,056	10.33
Granted	265	363	25.43
Forfeited	(107)	(55)	6.59
Settled	(785)	(715)	24.53
Outstanding on January 1, 2018	616	649	21.71
Granted	415	344	20.61
Forfeited	(142)	(118)	22.77
Settled	(193)	(140)	6.37
Outstanding on December 31, 2018	696	735	24.05

The weighted average fair value of the share awards granted in 2018 at grant date is € 23.50 (2017: € 23.50). The weighted-average fair value of the option awards granted during 2018 at grant date is € 3.32 (2017: € 3.20).

The fair value of these option awards was estimated using the Black-Scholes-Merton option-pricing model. The main market inputs used in the model were annual risk-free rates between (0.36)% and 0.15%, expected volatilities between 24.0% and 25.2%, a dividend yield between 1.4% and 1.9% and a share price of € 22.72 to € 23.50. The expected volatility applied is based on the weighted-average historical volatility of closing prices of GrandVision and a group of comparable, listed companies.

The weighted-average share price of GrandVision at the date of exercise for option awards exercised in 2018 was € 19.42 (2017: € 23.12). The option awards can only be exercised at vesting and at distinct moments, and two years after vesting. Therefore no impact of early exercise is included in the valuation model. Option awards outstanding at December 31, 2018, have an exercise price between € 20.61 and € 27.47. Out of the option awards outstanding at December 31, 2018, none were exercisable (2017: 139,736). As of December 31, 2018, the weighted-average remaining contractual life for all outstanding option awards was 3.4 years (2017: 3.0 years).

Vopak

Long-Term Share Plans (LTSP)
The LTSPs reward participants for the increase in Vopak’s earnings per share (Vopak's EPS) performance during a three-year performance period, from their respective start dates in 2016, 2017 and 2018 at a pre-set Vopak EPS target. If a considerable, ambitious improvement in Vopak's EPS has been achieved during the three-year performance period, a long-term remuneration will be awarded. The 2015 LTSP was vested and settled during 2018.

The conditional awards granted under the LTSPs 2016-2018 can be summarized as follows:

x 1,000	**2018**	2017
Outstanding conditional awards on January 1	**255**	366
Granted	**104**	86
Forfeited	**(1)**	(2)
Settled	**(77)**	(194)
Other changes	**-**	(1)
Outstanding conditional awards on December 31	**281**	255

The weighted-average fair value of the equity-settled LTSP awards granted in 2018 of € 39.00 (2017: € 39.74) has been determined based on Vopak's share price at the grant date, reduced with the expected discounted future dividends payable during the respective vesting periods since the participants are not entitled to receive dividends during the vesting period.

Long-Term Cash Plan (LTCP)
For Vopak senior managers who are not eligible to participate under the LTSP but who contribute significantly to Vopak's shareholder value, three-year cash plans have been granted. These plans provides for additional pay in the form of deferred compensation under the terms and conditions of the plan after the vesting period. The financial performance is measured by Vopak's EPS growth during the three-year performance period.

Unquoted subsidiaries

Cash plans
The cash plans provide eligible participants with a right to participate in unlisted subsidiaries' growth in EBITA, subject to meeting the applicable vesting conditions. Obligations with respect to these plans are fair valued, generally, based on a multiple of EBITA less net debt. Multiples applied are either contractually determined or in accordance with those applied in calculating estimated value of the subsidiaries and associates.

34. Impairment of non-financial, non-current assets

Assets that have an indefinite useful life are tested for impairment annually, while all non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss on non-financial assets is recognized in the consolidated statement of income 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 of disposal and an asset's value in use. 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 it belongs to.

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.

Significant accounting estimates and judgments
The recoverable amounts in impairment testing are determined based on the value in use and fair value less costs of disposal of the asset or cash-generating unit. The calculation of these values require the use of estimates.

Calculation of the value in use is primarily performed through a discounted cash flow model which requires management to apply judgments around future cash flows, discount rates and growth rates. Value-in-use calculations only take into account capital expenditures required to continue the business. In calculating fair value less cost of disposal management may apply a valuation model based on multiples of sales or EBITDA (fair value level 2), for which the selection of relevant market multiples is the primary judgment made by management. Management may also apply a discounted cash flow model (fair value level 3) in which capital expenditures are included that reflect the expansion plans for the business, here the same key judgments apply as in the value in use test. Where preliminary or indicative non-binding offers are used as inputs, management needs to assess that these offers are a good reflection of fair value.

The primary impairment test for the Company relates to annual goodwill impairment testing and the annual impairment test on indefinite-lived key money. Property, plant and equipment (primarily terminals) as well as joint ventures are reviewed and, when required, tested. This primarily occurs at the level of Vopak whereby judgment is exercised by Vopak management.

The following impairment losses, net of reversals, are recognized:

	2018	2017
Property, plant and equipment	**0.5**	5.3
Goodwill	**30.7**	81.6
Other intangibles	**24.4**	3.2
Investments in associates and joint arrangements	**-**	91.8
	55.6	181.9

Impairment losses by segment are as follows:

	2018	2017
Optical retail	**47.5**	41.7
Unquoted	**1.8**	44.5
Quoted minority interests	**6.3**	95.7
	55.6	181.9

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

	2018	2017
Amortization and impairment of intangible assets	**55.1**	84.8
Depreciation and impairment of property, plant, equipment and investment properties	**0.5**	5.3
Share of results of associates and joint arrangements	**-**	91.8
	55.6	181.9

Impairments of property, plant and equipment and associates and joint arrangements primarily related to Vopak and can be detailed as follows.

Property, plant and equipment

In performing the impairment test, Vopak management made an assessment of whether the cash-generating unit (mostly an individual terminal) will be able to generate positive net cash flows that are sufficient to support the value of the intangible assets, property, plant and equipment and financial assets included in the cash-generating unit. For value in use calculations, the assessment is based on estimates of future expected cash flows on the basis of the budget for the coming year and two subsequent plan years, which form the basis for a 15-year discounted cash flow model. Key assumptions applied are the expected occupancy, the estimated storage rate per cbm (for revenues not covered by long-term contracts), sustaining capital expenditures, expected growth rates and the estimated terminal value after the 15-year period, together with the applied discount rates. The discount rates are based on 15-year government bonds, adjusted for a risk premium and specific country risks. The equity market risk premium was assumed 6.0% by Vopak management (2017: 6.0%).

Vopak management has assessed that the value in use for a very limited number of terminals is lower than the carrying amount. For these individual terminals, the fair value less cost of disposal was calculated. Fair value less cost of disposal calculations are primarily based either on comparable market multiples and/or (indicative non-) binding bids or discounted cash flow models from the perspective of a willing buyer in an orderly transaction. When the fair value less cost of disposal of a terminal is based on (preliminary) offers received from interested parties (level 2 fair value), Vopak management has assessed that these offers are a good reflection of the fair value of the terminals concerned and assessed whether it is probable that these terminals will be sold in the near future resulting in a situation where the carrying amount will be recovered principally through a sale instead of by continuing use. For other terminals, the fair value less cost of disposal is primarily based on a combination of the estimated normalized EBITDA and transaction multiples observable in the merger and acquisition (M&A) markets for comparable terminals (level 2 fair value) together with discounted cash flow models (level 3 fair value). The value in use and fair value less cost of disposal assessments may change over time and when applicable could result in future (reversal of recognized) impairments.

2018

Vopak Terminal Kandla (India)
An impairment of € 4.6 million was recognized due to the uncertainty of renewal of the concessions for some of the terminal's land leases. As a result of this situation some of the tank capacity is currently not permitted to be upgraded and is therefore not in operation.

Vopak Terminal Vietnam
A reversal of an impairment of € 6.9 million was recognized for this terminal in 2018, partially offset by depreciation expenses of € 2.1 million. This reversal resulted from the structural improvement in performance of the terminal, driven by favorable market conditions due to strong domestic consumption and a robust manufacturing sector.

Terminals under strategic review
In August, 2018, Vopak announced that it is performing a strategic review on four terminals, of which one included in a joint venture, potentially leading to divestment. This strategic review is progressing on schedule. However, at year-end 2018 it is not highly probable that a transaction will take place. Based on the facts and circumstances available at year-end 2018, including Vopak management’s view on the estimated future cash flows and future market developments, Vopak concluded that for all four terminals the value in use exceeded their carrying value. However, in a situation where these terminals will be divested, the carrying amount of these terminals will be principally recovered through a sale instead of by continuing use. In such a situation, the recoverable value will be based on the consideration received, which represents the fair value of

the terminals at that date. In a situation where this fair value, that a buyer is willing to pay, is lower than the value in use which Vopak expects to be able to create with these terminals, this may potentially lead to an impairment.

2017

Cancelled projects
In 2017, Vopak recognized an impairment of € 2.1 million, related to a scope change of a business development project in the Netherlands.

Joint ventures and associates

The impairment tests performed primarily relate to joint ventures of Vopak that operate terminal assets. Assumptions applied to these cash-generating units align with the assumptions described above.

2018

There were no impairments recognized in 2018 on investments in associates and joint ventures.

Vopak Terminal Haiteng (China)
In April, 2015, an incident occurred at the production facility of the main customer of the associate Vopak Terminal Haiteng, as disclosed in the annual report 2015. This led to a situation where this industrial terminal was not able to recognize most of its revenues since that date. The terminal restarted the normal operations in June, 2018, and its main customer restarted its production in the fourth quarter of 2018. Revenue recognition has recommenced in June, 2018. As a result of the restart of production by the main customer, Vopak started negotiations on the settlement of historical positions related to the period in which the main customer did not make use of the services of the terminal. A prepayment on this settlement was agreed in December, 2018, and led to the recognition of a one-off net result of € 4.8 million. The final settlement of historical positions may lead to additional gains going forward, due to the fact that certain revenues, which were not recognized after the incident, may still be recovered from the associate’s customers. The final outcome of these negotiations is currently unknown. Furthermore, the recommencement of normal operations by the terminal has led to the recognition of previously unrecognized tax positions, resulting in a gain of € 1.5 million. The maximum risk exposure amounts to Vopak's equity investment in the company of € 47.2 million per year-end 2018 (2017: € 44.1 million). As normal operations have been resumed by the terminal and its main customer, Vopak management considers the risk of impairment to be remote.

2017

Vopak E.O.S. (Estonia)
In the fourth quarter of 2017, an impairment of the book value of the equity participation in the joint venture was recognized for the amount of € 52.0 million. The impairment was primarily related to a further structural deterioration of the business environment in which the terminal operates, which was heavily dependent on the flows of Russian oil products. The oil market structure together with structural changes in product flows and the preference to use Russian ports for products flow from Russia, limited demand for terminal services. The overcapacity in the Baltic region has led to a further increase in competition and significant pressure on storage and terminal service rates. It is not expected that these structural adverse market circumstances will reverse in the coming years. The carrying value of Vopak’s investment in the joint venture after impairment amounted to nil at year-end 2018. Vopak has not provided any financial guarantees in relation to this joint venture and does not have any legal obligation to support the joint venture with additional funding. As such, Vopak is not exposed to further losses from this joint venture

going forward. Although currently not foreseen, Vopak may decide to voluntary provide additional funding to the joint venture at a later moment.

Vopak SDIC Yangpu Terminal (China)
During 2017, an impairment was recognized on the joint venture Vopak SDIC Yangpu Terminal for € 39.8 million. Due to uncertainties, market conditions and dependence on short-term trading contracts, an impairment was recognized. The carrying value of Vopak's investment in the joint venture after impairment amounted to nil at year-end 2018. Vopak has not provided any financial guarantees in relation to this joint venture and does not have any legal obligation to support the joint venture with additional funding. However, given that the joint venture Vopak SDIC Yangpu Terminal (China) has been under strategic review since the end of 2017, Vopak had at that time the intention to positively consider a future decision to provide additional funding to the terminal during 2018 for the amount of € 6.3 million. Of this amount € 4.5 million has been spent during 2018. The remaining amount is still expected to be invested. As such, the remaining constructive obligation amounted to € 1.8 million and was recognized under the other provisions as at year-end 2018. Any additional funding at a future date, may result in additional impairments going forward for the maximum amount of the provided additional funding. The terminal is currently still under strategic review.

Goodwill

Vopak and Safilo are both listed entities. There is no goodwill included in the financial statements as of December 31, 2018, relating to Safilo. In its 2018 financial statements, Safilo did not impair goodwill (2017: € 192 million goodwill impairment). Due to the fact that HAL acquired Safilo shares below their book value, the 2018 financial statements include no goodwill relating to Safilo. In context of the sharp decline in the share price of Safilo on the Milan stock exchange, the Company performed an assessment of its investment in Safilo and concluded no other assets require impairment. This assessment is based on certain key assumptions, including, amongst others, revenue growth of own and licensed brands and the renewal of licenses after the contract expiry date. If - in the future - Safilo would be unsuccessful in the renewal of licenses, significant impairments with respect to Safilo may be required. The carrying value of the investment in Safilo in the financial statements of HAL as of December 31, 2018 (net of non-controlling interest) amounted to € 214 million.
The impairment test with respect to the goodwill of Vopak primarily consists of comparing the carrying value of the Company's ownership interest to the stock market value. At the end of 2018, the stock market value of the ownership interest in Vopak exceeded the carrying value by € 1,077.7 million. No impairment was recognized. This stock market value qualifies as level 1 in the fair value hierarchy.

Goodwill for the Optical and Unquoted segments 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 Unquoted business performance on an entity level and for Optical on a country or regional level. Goodwill is also monitored on this level.
The recoverable amount of cash-generating units is generally determined based on the calculation of their value in use. These calculations use cash flow projections covering a five-year period. Cash flows beyond this five-year period are extrapolated using an estimated growth rate of nil. In 2018, the value in use method was applied to most of the goodwill tested. The fair value less cost of disposal method using a multiple of sales, of up to 1.2, was applied to 1.3% (2017: 0.8%) of the goodwill tested. For 21.9% (2017: 9.0%) of the goodwill tested the fair value less cost of disposal was derived through a discounted cash flow model.

In the following table a distinction is made between Optical retail Europe, Optical retail Americas & Asia and unquoted investments as within these groups the assumptions are broadly comparable. Key assumptions used for value in use calculations are as follows:

	2018	2017
Optical retail Europe		
Weighted-average increase in revenues	**3.9%**	5.2%
Weighted-average gross margin	**74.1%**	72.8%
Weighted-average pre-tax discount rate	**9.9%**	10.8%
Growth rate beyond year five	**0.0%**	0.0%
Optical retail Americas & Asia		
Weighted-average increase in revenues	**8.6%**	12.2%
Weighted-average gross margin	**67.5%**	67.5%
Weighted-average pre-tax discount rate	**17.9%**	14.4%
Growth rate beyond year five	**0.0%**	0.0%
Unquoted investments		
Weighted-average increase in revenues	**4.3%**	4.0%
Weighted-average gross margin	**65.0%**	56.3%
Weighted-average pre-tax discount rate	**14.2%**	15.2%
Growth rate beyond year five	**0.0%**	0.0%

Goodwill, excluding amounts related to Vopak, is comprised of the following:

	2018	2017
Optical retail Europe	**1,063.6**	1,088.4
Optical retail Americas & Asia	**162.3**	162.0
Other unquoted investments	**254.2**	175.1
Total	**1,480.1**	1,425.5

The result of the goodwill impairment testing process was that the carrying value of goodwill relating to one cash-generating unit at GrandVision was impaired for € 30.7 million, which is recorded under amortization and impairments of intangible assets in the consolidated statement of income. This includes an impairment of € 11.4 million goodwill paid by HAL on the acquisition of GrandVision (formerly Pearle Europe) that was not in the books of GrandVision.

The impairment charges and recoverable amounts in the segments Optical and Unquoted can be detailed as follows:

	Impairment		Recoverable amount	
	2018	2017	**2018**	2017
GrandVision N.V. - Italy	**30.7**	-	**172.1**	-
GrandVision N.V. - United States	**-**	38.0	**-**	107.1
Koninklijke Ahrend B.V.	**-**	26.2	**-**	64.7
Atlas Professionals B.V.	**-**	17.4	**-**	66.2
	30.7	81.6	**172.1**	238.0

The impairment with respect to GrandVision N.V. - Italy mainly resulted from the lower profitability of the Italian business compared to previous projections, as it took longer than expected to benefit from the integration of the merger of two Italian companies. The fair value less cost of disposal was determined through a discounted cash flow calculation, including deferred tax balances and corresponding tax-related cash flows in the carrying value and the recoverable amount, using a post-tax discount rate of 8.9%. The sensitivity of the impairment charge is detailed below.

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

	2018	2017
Optical retail	**13.5**	16.2
Other unquoted investments	**4.5**	5.2
	18.0	21.4

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

	2018	2017
Optical retail	**24.8**	29.1
Other unquoted investments	**12.0**	9.5
	36.8	38.6

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

	2018	2017
Optical retail	**30.5**	23.0
Other unquoted investments	**19.0**	13.4
	49.5	36.4

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 indicated a potential impairment in the above sensitivity analyses would increase as follows:

	2018	2017
Optical retail	**46.3**	29.5
Other unquoted investments	**36.1**	7.5
	82.4	37.0

For the discounted cash flow model used to calculate the fair value less cost of disposal for GrandVision N.V. - Italy, a 1% decrease in the revenue growth in next year and a 1% increase in the discount rate would result in an additional impairment of € 24.9 million and € 19.0 million respectively. A 1% terminal value growth rate and a 1% decrease in the discount rate would result in a decrease in impairment of € 16.0 million and € 23.9 million respectively.

Where a multiple of sales was used to calculate the fair value less cost of disposal, a 10% reduction of the multiple used would result in an insignificant impairment.

Other intangibles

Indefinite-life rights of use and key money primarily relate to optical retail stores in France and Brazil. These assets are subject to an annual impairment test using cash-flow projections covering a five-year period, using post tax discount rates of 7.3% to 17.1% and revenue growth rates of 1.6% to 13.7%.

The result of this process was that the rights of use and key money relating to optical retail stores were impaired for € 4.7 million (2017: € 1.3 million). This amount is included in the consolidated statement of income under amortization and impairments of intangible assets.

If the revenue growth rate had been set at 0%, an additional impairment could have been required for an amount of € 4.3 million (2017: € 5.3 million).

Trademark valuations are most sensitive to the royalty rate, revenue growth and the discount rate used. Primary inputs for the valuation of customer relationships are the churn rate, EBITA growth and the discount rate. In 2018 impairments were recognized on optical retail chain trademarks for € 14.1 million (2017: € nil), of which € 8.6 million related to a trademark that was recognized upon achieving deemed control (under IFRS 10) over Safilo, that was not in the books of Safilo.

Impairments were recognized for software of € 5.6 million in 2018 (2017: € 1.9 million)

The total amount of impairments recognized on other intangibles was € 24.4 million (2017: € 3.2 million).

35. Financial instruments

Classification
The classification of financial assets is detailed in the notes on derivatives and other financial assets. The classification of financial liabilities is detailed in the notes on debt and other financial liabilities and derivatives.

Fair value measurement
A number of the accounting policies and disclosures require the determination of fair value for financial instruments. The fair values of the financial assets and liabilities are defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The fair values calculated are classified into three categories depending on the inputs used in the valuation technique. Where available, fair values are derived from quoted prices for identical instruments (level 1). In the absence of such information, other observable inputs, either directly or indirectly, are used to estimate fair values (level 2). Where insufficient observable market data is available, the best applicable unobservable inputs are used to perform the valuation (level 3). The valuation techniques used per type of financial instrument are described in more detail below.

Equity securities
The Company holds direct investments in equity securities and indirect investments in equity securities through managed portfolios. When available, the Company uses quoted market (bid) prices in active markets to determine the fair value of its investments in equity securities (level 1). Fair values for unquoted shares are estimated using valuation techniques such as discounted cash flow analysis, using expected future cash flows and a market-related discount rate, or a market-multiples approach (level 2 or 3).

Investment funds
Investment funds include private equity funds. The fair values of investments held in unquoted investment funds are determined by the Company after taking into consideration information provided by the fund managers and the liquidity of the investments. The Company reviews the valuations and performs analytical procedures to ensure the fair values are appropriate (level 2 or 3).

Debt securities and own debt
When available, the Company uses quoted market (bid) prices in active markets to determine the fair value of its debt investments (level 1). When the Company cannot make use of quoted market prices, market prices from indices, corroborating broker quotes or discounted cash flow analysis, using expected future cash flows and a market-related discount rate, are used (level 2).

Other liabilities
Obligations to acquire non-controlling interests are fair valued, generally, based on a multiple of EBITA less net debt. Multiples applied are either contractually determined or in accordance with those applied in calculating estimated value of the subsidiaries and associates (level 3).
Contingent considerations are fair valued based on the expected cash outflows, taking into account the effects of discounting (level 3).

Derivatives
Where quoted market prices (level 1) are not available, other valuation techniques and corroborating broker quotes are used that maximize the use of observable inputs. These valuation techniques include option pricing and discounted cash flow analysis, using expected future cash flows and a market-related discount rate. The models used incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, expected volatility and interest rate curves (generally level 2).

Embedded derivatives
A bifurcated cash-settlement option of a convertible equity-linked bond issued by Safilo is carried at fair value. The fair value of the embedded derivative is calculated using the Black & Scholes option-pricing model. Inputs in the model include risk-free rates and share price, expected volatility and dividend yield data for Safilo (level 2).

Financial instruments for which carrying value approximates fair value
Certain financial instruments that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include cash and cash equivalents, short-term receivables and accrued interest receivable, short-term liabilities and accrued liabilities.

Impairment
The Company applies the expected credit loss model to determine a loss allowance on its financial assets, loan commitments and financial guarantee contracts, except for equity investments and derivative financial instruments. This requires the use of both historical (loss) data and forward-looking information. The allowance is initially calculated as the potential credit loss over the next twelve months.
Should credit risk on the instrument have increased significantly since intial recognition, the loss allowance is determined as the potential credit loss over the remaining lifetime of the instrument. This is calculated using expected cash flows from the instrument at a revised discount rate. To determine whether a significant increase in credit risk or an impairment has occurred the Company takes into account various factors, including actual or expected credit rating downgrades of the instrument or issuer, adverse changes in business, financial or economic conditions of the debtor, covenant breaches, waivers or amendments and past-due information.

For trade receivables and contract assets the Company applies the simplified approach, which uses a lifetime expected loss allowance from inception. The changes in loss allowance recognized by the Company are recorded as impairment gains or losses in the consolidated statement of income with an adjustment to the carrying value for assets measured at amortized cost. For assets measured at fair value through other comprehensive income a corresponding entry is made in other comprehensive income. Any credit loss not yet provided for is recognized in the consolidated statement of income as incurred.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a current, 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. The offset is limited to the amount actually expected to be offset.

The following tables provide an analysis of the Company's financial instruments per line item, stating the classification of the instruments, their fair value and their level within the fair value hierarchy:

December 31, 2018	Fair value level	Fair value through other comprehensive income	Financial assets at amortized cost	Fair value through profit and loss	**Total book value**	**Total fair value**
Assets						
Other financial assets						
- Quoted equity securities	1	425.1	-	-	**425.1**	**425.1**
- Unquoted debt securities	2	-	178.3	-	**178.3**	**178.3**
- Unquoted equity securities	3	-	-	-	**-**	**-**
Marketable securities						
- Quoted equity securities	1	-	-	199.5	**199.5**	**199.5**
- Quoted debt securities	1	55.8	-	-	**55.8**	**55.8**
- Unquoted equity securities	2	-	-	19.4	**19.4**	**19.4**
Derivatives	2	-	-	56.7	**56.7**	**56.7**
Other current assets		-	337.6	-	**337.6**	**337.6**
Receivables		-	895.9	-	**895.9**	**895.9**
Cash		-	2,276.5	-	**2,276.5**	**2,276.5**
Total financial assets		480.9	3,688.3	275.6	**4,444.8**	**4,444.8**

December 31, 2018	Fair value level	Financial liabilities at amortized cost	Fair value through profit or loss	**Total book value**	**Total fair value**
Liabilities					
Debt and other financial liabilities					
- Non-current debt	2	2,594.3	-	**2,594.3**	**2,799.4**
- Current debt	2	1,055.7	-	**1,055.7**	**1,055.7**
- Other financial liabilities	2	10.2	-	**10.2**	**10.2**
- Other financial liabilities	3	-	100.1	**100.1**	**100.1**
Derivatives	2	-	55.1	**55.1**	**55.1**
Accounts payable		861.0	-	**861.0**	**861.0**
Total financial liabilities		4,521.2	155.2	**4,676.4**	**4,881.5**

December 31, 2017	Fair value level	Fair value through other comprehensive income	Financial assets at amortized cost	Fair value through profit and loss	Total book value	Total fair value
Assets						
Other financial assets						
- Quoted equity securities	1	593.8	-	-	593.8	593.8
- Unquoted debt securities	2	-	198.4	-	198.4	198.4
- Unquoted equity securities	3	-	-	-	-	-
Marketable securities						
- Quoted equity securities	1	-	-	476.8	476.8	476.8
- Quoted debt securities	1	56.2	-	-	56.2	56.2
- Unquoted equity securities	2	-	-	51.8	51.8	51.8
Derivatives	2	-	-	25.6	25.6	25.6
Other current assets		-	298.5	-	298.5	298.5
Receivables		-	811.7	-	811.7	811.7
Cash		-	2,205.0	-	2,205.0	2,205.0
Total financial assets		650.0	3,513.6	554.2	4,717.8	4,717.8

December 31, 2017	Fair value level	Financial liabilities at amortized cost	Fair value through profit or loss	Total book value	Total fair value
Liabilities					
Debt and other financial liabilities					
- Non-current debt	2	2,526.5	-	2,526.5	2,600.3
- Current debt	2	934.3	-	934.3	934.3
- Other financial liabilities	2	11.2	-	11.2	11.2
- Other financial liabilities	3	-	95.3	95.3	95.3
Derivatives	2	-	116.5	116.5	116.5
Accounts payable		800.1	-	800.1	800.1
Total financial liabilities		4,272.1	211.8	4,483.9	4,557.7

Valuation techniques used to value level 2 financial instruments include, for unquoted securities, quoted market prices or dealer quotes for similar instruments. Derivatives and debt instruments are valued using present value calculations of estimated future cash flows, based on observable yield curves and forward exchange rates. These calculations include credit spreads based on recent borrowing contracts and observable credit information on counterparties.

Level 3 financial instruments include contingent considerations that are remeasured based on the achievement of agreed business targets, taking into account the effect of discounting.

There were no transfers between levels 1, 2 and 3 during the period. The Company’s policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the beginning of the period.

A reconciliation of level 3 financial liabilities for the period is given below:

	2018	2017
Balance on January 1	**95.3**	120.2
Additions	**30.0**	52.2
Settlements	**(39.8)**	(78.2)
(Gains)/losses through income	**12.6**	6.6
Exchange differences	**2.0**	(5.5)
Balance on December 31, 2018	**100.1**	95.3

36. Financial risk management

The Company is exposed to credit risk, liquidity risk and market risk. Market risk primarily relates 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 and controlled minority interests. For managing these risks, both derivative and non-derivative financial instruments are used.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, including committed credit facilities extended to the Company. Credit risk on trade receivables is generally monitored and managed on the level of each subsidiary and on the level of the controlled minority interests (Vopak and Safilo). These receivables generally have short payment periods, reference is made to note 10 for more information on trade receivables.

Credit risk with respect to bonds included in marketable securities, loans, derivatives, other financial instruments, cash and cash equivalents and credit facilities is managed by the Company for the Real estate and Liquid portfolio segments. For credit risk on bonds, the Company tracks the credit ratings assigned to these instruments or their issuers and periodically reviews the related provision for impairment. Loans provided are generally secured and derivatives are entered into under ISDA master agreements, which provide certain credit protection. The Company mitigates its credit risk on cash and cash equivalents by spreading these assets over highly rated counterparties, applying regularly reviewed counterparty exposure limits that take into account their credit rating. A similar approach applies to credit facilities. The credit risk on the aforementioned financial instruments with respect to the other segments is managed by the respective subsidiary or controlled minority interest. The expected credit losses recognized in the consolidated statement of income for these financial instruments is insignificant for both years presented. There was no indication as at the statement of financial position date that these financial instruments will not be recovered, other than as already provided for.

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:

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**421.7**	465.9
Unquoted	**800.9**	594.0
Quoted minority interests	**839.9**	759.1
Real estate	**2.1**	2.0
Liquid portfolio	**1,736.2**	1,774.4
	3,800.8	3,595.4

These financial assets can be further specified as follows:

	Dec. 31, 2018	Dec. 31, 2017
Loans	**83.1**	100.3
Trade receivables	**895.9**	811.7
Marketable securities and deposits	**55.8**	56.2
Derivative financial instruments	**56.7**	25.6
Other financial assets	**95.2**	98.1
Other current assets	**337.6**	298.5
Cash and cash equivalents	**2,276.5**	2,205.0
	3,800.8	3,595.4

Cash and cash equivalents can be specified by segment as follows:

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**138.3**	164.7
Unquoted	**201.9**	115.8
Quoted minority interests	**255.7**	206.2
Real estate	**-**	0.1
Liquid portfolio	**1,680.6**	1,718.2
	2,276.5	2,205.0

For the Liquid portfolio and Real estate segments, cash and cash equivalents were held by counterparties with the following short-term Standard & Poor's credit ratings:

	Dec. 31, 2018	Dec. 31, 2017
A-1+	**252.2**	-
A-1	**1,419.2**	1,716.5
Not rated	**9.2**	1.8
	1,680.6	1,718.3

The bonds held by the company have been assigned the following Standard & Poor’s (equivalent) credit ratings:

	Dec. 31, 2018	Dec. 31, 2017
BBB+	**37.2**	42.8
B	**12.7**	13.3
B-	**5.9**	-
	55.8	56.1

The Company is not exposed to any significant concentration of credit risk. During the years presented no material impairments were recognized on financial receivables.

Liquidity risk
Liquidity risk is the risk that the financial obligations associated with financial instruments and off-balance sheet commitments cannot be met.

The risks with respect to the individual entities belonging to the Optical retail, Unquoted and Quoted minority interests segments are managed by these entities. The Company has no ability to transfer cash (or other assets) from the entities belonging to the segment Quoted minority interests that may be consolidated in these financial statements (i.e. Vopak and Safilo).

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, both under normal and stressed conditions, without incurring unacceptable losses or risk damaging the Company's reputation. The Company seeks to mitigate liquidity risk through its cash reserves held in the Liquid portfolio segment and committed credit facilities entered into at corporate level. Reference is made to the table on cash and cash equivalents per segment above. At the end of 2018, unused committed credit facilities were available to an amount of € 2,080.1 million (2017: € 2,492.7 million).

The following tables categorize the consolidated, undiscounted cash flows of non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining lifetime of the contract at the end of the reporting periods. The financial guarantee contracts are contingent liabilities.

	December 31, 2018			
	< 1 year	1-2 years	3-5 years	> 5 years
Non-derivative liabilities				
Redemption of debt	1,055.7	363.3	1,151.9	1,079.0
Redemption of other financial liabilities	23.6	34.4	49.0	3.4
Interest payments	95.8	81.3	181.3	177.2
Accounts payable	861.0	-	-	-
Other financial liabilities	4.9	-	-	-
Financial guarantee contracts	177.3	0.7	2.1	0.3
Total undiscounted non-derivative financial liabilities	2,218.3	479.7	1,384.3	1,259.9
Derivative liabilities				
Gross-settled derivative liabilities outflow	643.8	53.2	-	-
Gross-settled derivative liabilities inflow	(625.4)	(39.6)	-	-
Total gross-settled derivative liabilities	18.4	13.6	-	-
Net-settled derivative liabilities	9.2	8.8	2.6	2.4
Total undiscounted derivative liabilities	27.6	22.4	2.6	2.4
Total undiscounted financial liabilities	2,245.9	502.1	1,386.9	1,262.3

	December 31, 2017			
	< 1 year	1-2 years	3-5 years	> 5 years
Non-derivative liabilities				
Redemption of debt	934.3	355.7	969.6	1,201.2
Redemption of other financial liabilities	30.6	33.9	25.6	23.0
Interest payments	92.1	81.9	177.2	152.0
Accounts payable	800.1	-	-	-
Financial guarantee contracts	213.8	3.3	1.0	0.6
Total undiscounted non-derivative financial liabilities	2,070.9	474.8	1,173.4	1,376.8
Derivative liabilities				
Gross-settled derivative liabilities outflow	935.1	221.3	163.6	346.3
Gross-settled derivative liabilities inflow	(912.9)	(239.0)	(180.7)	(337.6)
Total gross-settled derivative liabilities	22.2	(17.7)	(17.1)	8.7
Net-settled derivative liabilities	6.3	3.7	10.2	76.9
Total undiscounted derivative liabilities	28.5	(14.0)	(6.9)	85.6
Total undiscounted financial liabilities	2,099.4	460.8	1,166.5	1,462.4

The total debt as of December 31, 2018, amounted to € 3,649.9 million (2017: € 3,460.8 million). For 100% of the bank debt, the applicable covenants were complied with during 2017 and 2018. Refer to note 20 for details on applicable covenants.

The movements during 2018 in the net debt position were as follows:

	Cash and cash equivalents	Marketable securities and deposits	Total debt	**Net (debt) / cash**
Balance on January 1, 2017	3,143.6	229.9	(3,891.4)	**(517.9)**
Cash flows	(918.5)	300.6	201.4	**(416.5)**
Foreign exchange adjustments	(20.1)	(12.6)	265.5	**232.8**
Fair value movements	-	66.9	-	**66.9**
Other non-cash movements	-	-	(36.3)	**(36.3)**
Balance on December 31, 2017	2,205.0	584.8	(3,460.8)	**(671.0)**
Cash flows	72.0	(279.3)	(66.2)	**(273.5)**
Foreign exchange adjustments	(0.5)	9.1	(73.6)	**(65.0)**
Fair value movements	-	(39.9)	-	**(39.9)**
Other non-cash movements	-	-	(49.3)	**(49.3)**
Balance on December 31, 2018	2,276.5	274.7	(3,649.9)	**(1,098.7)**

This net debt position represents a ratio of 0.7 (2017: 0.5) when compared to the operating result before depreciation, amortization and impairments, less income from marketable securities and share of profit of associates and joint ventures. The differences between the debt cash flows in the table above and those in the cash flow statement relate to cash flows on other financial liabilities, which are not part of the net debt definition.

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, Unquoted and Quoted minority interests segments are managed by these entities. From time to time the Company hedges foreign currency exchange risk arising from significant, highly probable forecast transactions, including acquisitions of subsidiaries. The Company primarily uses foreign currency derivative financial instruments to hedge this risk, matching the critical terms of the hedged item, and applies a hedge ratio of 1:1.

The table on the following page shows the net assets per currency, taking into account debt instruments denominated in foreign currency and related hedging instruments. Vopak applies hedge accounting to net investments in foreign operations (hedged item) for a nominal amout of € 1,206.5 million (2017: € 1,234.8 million), of which € 535.1 million (2017: € 397.3 million) was hedged via foreign currency interest bearing debt and € 671.1 million (2017: € 837.5 million) via derivative financial instruments. The remaining currency exposures relate mainly to investments in foreign operations that the Company does not hedge.

	Dec. 31, 2018	Dec. 31, 2017
U.S. dollar	**1,031.6**	924.9
Singapore dollar	**354.1**	60.2
Chinese yuan renminbi	**350.7**	389.9
Swiss franc	**209.5**	208.4
Brazilian real	**107.8**	119.1
U.K. pound sterling	**98.1**	121.7
Canadian dollar	**91.8**	83.0
Danish krone	**78.0**	64.6
Hong-Kong dollar	**75.4**	70.3
Mexican peso	**68.6**	63.6
Swedish krona	**68.4**	68.9
Australian dollar	**57.6**	70.4
South African Rand	**55.1**	30.5
Other	**550.1**	521.7
	3,196.8	2,797.2

An average change in value of these currencies by 10% would have a pre-tax effect on equity of € 319.7 million.

The market value of the currency derivative financial instruments per the consolidated financial statements were as follows.

		December 31, 2018			December 31, 2017		
	Maturity	**Assets**	**Liabilities**	**Notional amount**	Assets	Liabilities	Notional amount
Cash flow hedge	< 1 year	**7.2**	**(4.4)**	**985.9**	4.0	(19.3)	685.0
		7.2	**(4.4)**	**985.9**	4.0	(19.3)	685.0
Net investment hedge	< 1 year	**1.3**	**(0.3)**	**234.0**	0.6	(0.8)	340.3
		1.3	**(0.3)**	**234.0**	0.6	(0.8)	340.3
No hedge accounting	< 1 year	**0.5**	**(0.6)**	**293.0**	2.3	(2.1)	303.6
		0.5	**(0.6)**	**293.0**	2.3	(2.1)	303.6
Total currency derivative financial instruments		**9.0**	**(5.3)**	**1,512.9**	6.9	(22.2)	1,328.9

In addition, one of the Company's consolidated minority interests holds cross-currency interest rate swaps to hedge fixed rate debt denominated in U.S. dollar. These interest rate swaps, with a notional amount of € 685.7 million (2017: € 731.3 million), are included under interest rate derivatives.

Sensitivity of profit and equity to financial instruments, with respect to exchange rate changes
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. This primarily relates to instruments denominated in Chinese yuan renminbi, U.S. dollar and Singapore dollar. The aggregate effect on net profit of a 10% depreciation in exchange rates is € (35.2) million (2017: € (29.5) million), with an equal but opposite effect of a 10% appreciation in exchange rates. The aggregate effect on equity of a 10% appreciation of the foreign currencies against the

euro is € 129.8 million (2017: € 80.6 million). The aggregate effect on equity of a 10% depreciation of the foreign currencies against the euro is € (109.5) million (2017: € (65.2) million).

Sensitivity of revenues and profit to the translation of the revenues and results of foreign operations, with respect to exchange rate changes
The result is impacted by translating the result of foreign currency operations. The translation risk of converting the net result of foreign entities into euro mainly concerns the British pound, the Singapore dollar and the U.S. dollar. The sensitivity to these currencies is as follows:

	EUR/USD Δ $10ct		EUR/GBP Δ £10ct		EUR/SGD Δ $10ct	
	2018	2017	**2018**	2017	**2018**	2017
Impact on revenues	**76.9**	79.3	**63.1**	52.7	**15.7**	17.3
Impact on net profit	**6.9**	2.3	**0.5**	4.6	**4.5**	6.0

Market risk – interest rate risk
The risks with respect to the individual entities belonging to the Optical retail, Unquoted and Quoted minority interests segments are managed by these entities. There is no debt at other segments.

Fixed income investments that are part of the Liquid portfolio are subject to fair value interest rate risk. In view of the short average duration of this portfolio, this risk is limited.

As of December 31, 2018, taking into account interest rate swaps, 80% (2017: 81%) of the total debt of € 3,649.9 million (2017: € 3,460.8 million) was at fixed rates for an average period of 4.9 years (2017: 5.7 years).

The market value of the interest rate derivative financial instruments per the consolidated financial statements is shown below.

		December 31, 2018			December 31, 2017		
	Maturity	**Assets**	**Liabilities**	**Notional amount**	Assets	Liabilities	Notional amount
Cash flow hedge	< 1 year	**23.4**	**(17.1)**	**288.8**	-	(1.7)	37.4
Cash flow hedge	1-5 years	**24.0**	**(24.7)**	**631.8**	11.4	(2.0)	796.5
Cash flow hedge	> 5 years	**0.3**	**(7.3)**	**300.5**	5.4	(88.4)	821.3
		47.7	**(49.1)**	**1,221.1**	16.8	(92.1)	1,655.2
No hedge accounting	1-5 years	**-**	**(0.7)**	**63.0**	-	(0.3)	92.8
		-	**(0.7)**	**63.0**	-	(0.3)	92.8
Total interest rate derivative financial instruments		**47.7**	**(49.8)**	**1,284.1**	16.8	(92.4)	1,748.0

The weighted-average interest rate on total debt was 2.8% (2017: 2.5%).

If variable interest rates in 2017 or 2018 had decreased/increased by 25%, the impact on the consolidated statement of income for the year would have been insignificant.

An increase of 25% in interest rates underlying the calculation of the valuation of interest rate swaps would have had a pre-tax positive impact on equity of € 9.9 million (2017: € 9.0 million).

An equal but opposite change would have had a pre-tax negative impact on equity of € 9.6 million (2017: € 3.3 million negative).

Market risk – price risk
At the end of 2018, the Company had investments in equity securities (included in marketable securities and deposits and other financial assets) amounting to € 644.0 million (2017: € 1,122.4 million), based on quoted market prices at the statement of financial position date. Following the implementation of IFRS 9, these investments are classified as fair value through other comprehensive income for € 425.1 million with the remainder being classified as fair value through profit or loss. If at December 31, 2018, equity markets had fallen 10% overall, the portfolio value could have decreased by 10%, which would have resulted in a negative impact on other reserves of € 42.5 million (2017: € 112.2 million) and a negative impact on income of € 21.9 million. A 10% increase would have had the equal but opposite effect.

The Company has not identified additional financial risk exposures in 2018 compared to the previous year, and its approach to financial risk management remained unchanged.

37. 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 at the end of the reporting periods is summarized in the table below:

	Dec. 31, 2018	Dec. 31, 2017
Equity	**7,512.2**	7,599.8
Non-current debt	**2,594.3**	2,526.5
Current debt	**1,055.7**	934.3
Cash and cash equivalents	**(2,276.5)**	(2,205.0)
Total capital employed	**8,885.7**	8,855.6

38. Related-party transactions

A related party is a person or entity that is related to the Company. These include both people and entities that have, or are subject to, the influence or control of the Company.

Employment benefits for the Executive Board, charged to the income statement, are as follows:

	2018	2017
Members of the Executive Board		
Short-term employee benefits	**3.2**	3.3
Post-employment benefits	**0.9**	0.6
Share-based compensation	**1.6**	1.6
	5.7	5.5

For details on share-based compensation plans refer to note 33.

The fixed 2018 remuneration for the Supervisory Directors of HAL Holding N.V. was € 0.4 million (2017: € 0.4 million) in total.

39. Capital and financial commitments, contingent liabilities

Contingent liabilities are either possible obligations that will probably not require a transfer of economic benefits, or present obligations that may, but probably will not, require a transfer of economic benefits. It is not appropriate to make provisions for contingent liabilities, but there is a chance that they will result in an obligation in the future.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases. Lease payments under operating leases are charged to the income statement on a straight-line basis over the term of the lease. For finance leases refer to note 20

Capital commitments
On December 31, 2018, capital commitments in respect of property, plant and equipment amounted to € 466.0 million (2017: € 329.3 million).

Financial commitments

Formica acquisition
On December 17, 2018, Broadview Holding B.V. (97.4% HAL) reached an agreement with Fletcher Building Ltd. to acquire the Formica Group (‘Formica’) for $ 840 million, on a debt and cash free basis. Closing of the transaction is subject to customary regulatory approvals. Formica was founded in 1913 and is linked to the invention of the original high-pressure laminate. The company has grown to become a leading provider of branded, designed surfacing solutions with a global presence and production locations in America, Asia and Europe. Formica employs around 3,400 FTE and reported 2017/2018 sales of $ 713 million.

Operating lease and similar commitments
The future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
No later than 1 year	**483.4**	441.0
Later than 1 year and no later than 5 years	**1,165.8**	1,000.1
Later than 5 years	**1,100.4**	1,152.4
	2,749.6	2,593.5

The lease commitments are mainly in respect of the leasehold on land and the lease of stores, offices and other buildings. Similar commitments that did not qualify as commitments from lease contracts at year-end amounted to € 18.0 million (2017: € 9.7 million)

Operating leases recognized as expenses in the consolidated statement of income amounted to € 535.1 million (2017: € 537.3 million).

At year end, Safilo had contracts with licensors for the production and sale of branded sunglasses and frames. These contracts include guarantees for a minimum amount of production as well as commitments for advertising. These licensing commitments can be summarized as follows:

	2018	2017
No later than 1 year	**114.8**	113.2
Later than 1 year and no later than 5 years	**235.2**	312.4
Later than 5 years	**12.1**	36.3
	362.1	461.9

Contingent liabilities
The Company and its subsidiaries and controlled minority interests entered into various commitments to provide debt and equity financing. These commitments mainly relate to Vopak and the real estate segment. In addition, guarantees and commitments were provided by Vopak on behalf of its associates and joint ventures. The total estimated amount of these commitments not recognized in the statement of financial position comprises of:

	2018	2017
Commitments to provide debt or equity funding	**131.1**	176.3
Guarantees and securities provided	**163.5**	209.9
	294.6	386.2

The 2018 commitments of Vopak related primarily to expansion projects in Asia, the Middle East and Canada.

The 2017 commitments for joint ventures and associates mainly relate to Vopak, in respect of the expansion in Asia and Canada. In 2017, guarantees and securities provided on behalf of participating interests in joint ventures and associates mainly increased due to a guarantee provided by Vopak for Ridley Island LPG Export (RIPET) in Canada of € 89.3 million.

The amount of guarantees and securities provided can potentially be called within one year.

Environmental obligations Vopak
Vopak is exposed to risks regarding environmental obligations arising from past activities. For example, a number of sites has to be decontaminated before being handed back at the end of the contractual period. Under current legislation, environmental plans and any other measures to be adopted have to be agreed with local, regional and national authorities as appropriate. As soon as such plans are approved or other legal obligations arise, a provision is formed based on the most reliable estimate possible of future expenses. Vopak management is of the opinion that the provisions are adequate, based on information currently available. However, given the degree of difficulty in making estimates, this does not guarantee that no additional costs will arise going forward.

Legal proceedings Vopak
As a result of its day-to-day activities, Vopak is involved in a number of legal proceedings. Vopak management is of the opinion that for the legal cases and risks for which no provision has been recognized, it is not probable that the final outcome will result in a cash outflow, therefore no provisions have been recognized. In addition, Vopak can be held liable for any non-compliance with laws and regulations, including for potential compliance shortfalls.

As part of divestments of terminals and assets, Vopak has provided certain customary representations and warranties in the relevant sales purchase agreements. These representations and warranties will generally terminate, depending on their specific features, a number of years after the date of the relevant transaction completion date. Based on the current facts and circumstances, Vopak management has determined that for the items for which no provision is currently recognized, the likelihood of a cash outflow relating to these items is considered to be remote.

GrandVision

In November, 2015, GrandVision received a report from the German tax authorities following their tax audit covering Apollo-Optik for the years 2008-2012. This report included findings and viewpoints of the tax authorities on German VAT aspects. GrandVision is contesting the viewpoints of the German tax authorities on the tax position and will defend its position vigorously, if needed in court. As GrandVision is sufficiently confident to sustain its position on this matter, no provision has been recognized in the consolidated financial statements. If GrandVision is unsuccessful in resolving this matter, the exposure, including the period after 2012, is estimated at € 26 million. Formalities are proceeding at this stage and did not result in changes in 2018.

40. Non-controlling interests

Non-controlling interests with respect to Vopak, Safilo and GrandVision are significant to the Company and can be detailed as follows:

	Vopak 2018	Vopak 2017	**Safilo 2018**	Safilo 2017	**GrandVision 2018**	GrandVision 2017	**Total 2018**	Total 2017
Profit / (loss) allocated to the non-controlling interest during the year	**167.5**	161.4	**(27.9)**	(39.9)	**68.7**	74.1	**208.3**	195.6
Accumulated non-controlling interest at December 31	**1,548.0**	1,437.7	**261.5**	227.4	**399.7**	365.1	**2,209.2**	2,030.2

Set out below is the summarized financial information for Vopak, Safilo and GrandVision. These are the financial statements as reported by these companies including purchase price accounting adjustments made by the Company.

	Vopak		Safilo		GrandVision	
	2018	2017	**2018**	2017	**2018**	2017
Summarized balance sheet						
As of December 31						
Current						
Assets	**422.0**	413.1	**653.3**	604.6	**784.9**	850.5
Liabilities	**(610.3)**	(501.1)	**(484.2)**	(420.5)	**(1,197.3)**	(1,320.9)
	(188.3)	(88.0)	**169.1**	184.1	**(412.4)**	(470.4)
Non-current						
Assets	**5,161.1**	4,770.9	**419.5**	472.2	**2,229.2**	2,205.7
Liabilities	**(2,060.3)**	(1,977.8)	**(100.5)**	(253.0)	**(564.3)**	(614.9)
	3,100.8	2,793.1	**319.0**	219.2	**1,664.9**	1,590.8
Net assets	**2,912.5**	2,705.1	**488.1**	403.3	**1,252.5**	1,120.4
Summarized income statement						
For the year						
Revenue	**1,286.4**	1,329.2	**1,001.9**	1,078.3	**3,721.0**	3,449.9
Profit before tax	**347.8**	299.3	**(50.5)**	(50.7)	**319.0**	349.9
Income tax expense	**(58.2)**	(25.0)	**1.0**	(21.6)	**(81.7)**	(101.1)
Profit after income tax	**289.6**	274.3	**(49.5)**	(72.3)	**237.3**	248.8
Other comprehensive income	**82.4**	(30.8)	**11.9**	(52.2)	**(6.5)**	(58.9)
Total comprehensive income (CI)	**372.0**	243.5	**(37.6)**	(124.5)	**230.8**	189.9
CI allocated to non-controlling interest	**38.1**	31.4	**-**	-	**21.6**	18.5
Dividend paid to non-controlling interest	**37.6**	38.9	**-**	-	**16.0**	11.5
Summarized cash flow statement						
For the year						
Cash from operating activities	**687.0**	713.8	**4.1**	(18.9)	**585.3**	460.3
Interest paid net	**(85.5)**	(136.7)	**(6.1)**	(2.1)	**(10.0)**	(7.2)
Income tax paid	**(52.4)**	(51.7)	**4.7**	(10.1)	**(137.0)**	(119.3)
Net cash from operating activities	**549.1**	525.4	**2.7**	(31.1)	**438.3**	333.8
Net cash from investing activities	**(589.4)**	(320.6)	**(28.3)**	(39.0)	**(239.5)**	(312.5)
Net cash from financing activities	**(11.2)**	(376.4)	**126.4**	45.4	**(214.9)**	(32.4)
Increase/(decrease) in cash and cash equivalents	**(51.5)**	(171.6)	**100.8**	(24.7)	**(16.1)**	(11.1)
Cash and cash equivalents at beginning of year	**130.0**	306.0	**76.2**	109.0	**164.7**	181.1
Effect of exchange rate changes and reclassifications	**(1.0)**	(4.4)	**1.2**	(8.1)	**(10.3)**	(5.3)
Increase/(decrease) in cash and cash equivalents	**(51.5)**	(171.6)	**100.8**	(24.7)	**(16.1)**	(11.1)
Cash and cash equivalents at end of year	**77.5**	130.0	**178.2**	76.2	**138.3**	164.7

41. Summarized financial information on joint ventures

The summarized financial information of the joint ventures of Vopak is as follows.

Summarized statements of financial position on a 100% basis:

	Europe & Africa		Asia & Middle East		LNG		Americas & Other		Total	
	Dec. 31, 2018	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017
Non-current assets	**87.0**	83.3	**1,766.6**	1,699.2	**1,044.9**	1,076.9	**154.8**	145.8	**3,053.3**	3,005.2
Cash and cash equivalents	**14.9**	15.2	**168.6**	175.0	**66.5**	73.4	**2.8**	2.6	**252.8**	266.2
Other current assets	**14.1**	15.1	**135.6**	63.2	**15.3**	23.8	**2.2**	0.5	**167.2**	102.6
Total assets	**116.0**	113.6	**2,070.8**	1,937.4	**1,126.7**	1,174.1	**159.8**	148.9	**3,473.3**	3,374.0
Financial non-current liabilities	**33.1**	34.8	**547.1**	613.4	**570.9**	638.3	**-**	-	**1,151.1**	1,286.5
Other non-current liabilities	**3.3**	3.9	**36.4**	39.4	**193.7**	205.6	**0.9**	1.6	**234.3**	250.5
Financial current liabilities	**12.2**	12.2	**64.4**	76.1	**71.3**	67.8	**-**	-	**147.9**	156.1
Other current liabilities	**24.5**	21.0	**308.3**	138.1	**23.3**	37.2	**2.6**	1.7	**358.7**	198.0
Total liabilities	**73.1**	71.9	**956.2**	867.0	**859.2**	948.9	**3.5**	3.3	**1,892.0**	1,891.1
Net assets	**42.9**	41.7	**1,114.6**	1,070.4	**267.5**	225.2	**156.3**	145.6	**1,581.3**	1,482.9
Vopak's share of net assets	**19.8**	19.4	**488.1**	469.6	**145.3**	122.7	**47.5**	43.4	**700.7**	655.1
Goodwill on acquisition	**-**	-	**6.0**	5.6	**60.1**	58.8	**-**	-	**66.1**	64.4
Vopak's carrying amount of net assets	**19.8**	19.4	**494.1**	475.2	**205.4**	181.5	**47.5**	43.4	**766.8**	719.5

Summarized statements of total comprehensive income on a 100% basis:

	Europe & Africa		Asia & Middle East		LNG		Americas & Other		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenues	**56.1**	74.9	**403.2**	473.9	**224.2**	223.9	**6.1**	4.2	**689.6**	776.9
Operating expenses	**(40.7)**	(56.4)	**(133.8)**	(134.2)	**(39.0)**	(42.1)	**(5.2)**	(2.9)	**(218.7)**	(235.6)
Depreciation, amortization and impairment	**(7.8)**	(130.2)	**(94.3)**	(180.1)	**(46.7)**	(45.6)	**(0.6)**	(0.8)	**(149.4)**	(356.7)
Operating profit (EBIT)	**7.6**	(111.7)	**175.1**	159.6	**138.5**	136.2	**0.3**	0.5	**321.5**	184.6
Net finance costs	**(0.8)**	(1.7)	**(9.6)**	(30.7)	**(36.5)**	(41.1)	**2.6**	2.6	**(44.3)**	(70.9)
Income tax	**(0.9)**	10.5	**(40.8)**	(42.3)	**(27.7)**	(26.7)	**(0.4)**	(0.4)	**(69.8)**	(58.9)
Net profit	**5.9**	(102.9)	**124.7**	86.6	**74.3**	68.4	**2.5**	2.7	**207.4**	54.8
Other comprehensive income	**-**	0.2	**2.4**	(4.6)	**4.1**	21.1	**-**	-	**6.5**	16.7
Total comprehensive income	**5.9**	(102.7)	**127.1**	82.0	**78.4**	89.5	**2.5**	2.7	**213.9**	71.5
Vopak's share of net profit	**2.3**	(50.9)	**54.4**	30.4	**39.8**	36.5	**1.2**	1.4	**97.7**	17.4
Vopak's share of OCI	**-**	3.0	**1.1**	(2.2)	**2.0**	10.6	**-**	-	**3.1**	11.4
Vopak's share of total comprehensive income	**2.3**	(47.9)	**55.5**	28.2	**41.8**	47.1	**1.2**	1.4	**100.8**	28.8

42. Events after the reporting period

In March, 2019, Safilo Group S.p.A. ('Safilo') entered into a non-binding agreement to sell its retail operations in the United States of America for a cash consideration combined with a multi-year supply agreement for Safilo products. Safilo management considers it may recognize a loss on this sale, if completed, given the performance trajectory of the retail operations and the deal valuation currently under discussion.

On January 2, 2019, Safilo completed the € 150 million rights issue which was announced on September 21, 2018. HAL had committed, subject to certain terms and conditions, to fully underwrite the rights issue. HAL's ownership interest increased from 41.6% as of December 31, 2017 to 45.8% as of December 31, 2018. Reference is made to Note 5. Following the completion of the rights issue and the underwriting agreement in 2019 (and the sale of 2.5 million shares), HAL's ownership interest increased from 45.8% to 49.8% for a net amount of € 16 million.

On December 18, 2018, Broadview Holding B.V. (97.4% HAL) reached an agreement to sell IEV Group (Intersafe/Elacin) to Lyreco SAS. This transaction was completed on January 17, 2019 and resulted in a post-tax capital gain of approximately € 40 million.

On February 20, 2019, GrandVision signed an agreement for the acquisition of Óptica2000. Óptica2000 is the fourth largest optical retailer in Spain and reported 2017 revenues of € 83 million.

List of Principal subsidiaries and minority interests

as of December 31, 2018

Name	Country of incorporation	Nature of business	Interest in common shares	Interest in preferred shares	Non-controlling interest
Subsidiaries					
HAL Holding N.V.	Curaçao	Holding company	100.0%	0.0%	0.0%
HAL International N.V.	Curaçao	Holding company	100.0%	0.0%	0.0%
HAL International Investments N.V.	Curaçao	Holding company	100.0%	0.0%	0.0%
HAL Investments N.V.	Curaçao	Holding company	100.0%	0.0%	0.0%
HAL Real Estate Inc.	U.S.A.	Real estate	100.0%	0.0%	0.0%
HAL Investments B.V.	The Netherlands	Holding company	100.0%	0.0%	0.0%
FD Mediagroep B.V.	The Netherlands	Media	100.0%	100.0%	0.0%
Koninklijke Ahrend B.V.	The Netherlands	Office furniture	100.0%	100.0%	0.0%
Orthopedie Investments Europe B.V.	The Netherlands	Orthopedic devices	100.0%	100.0%	0.0%
Broadview Holding B.V.	The Netherlands	Industrial	97.4%	0.0%	2.6%
Flight Simulation Company B.V.	The Netherlands	Flight simulators	96.8%	100.0%	3.2%
Floramedia Group B.V.	The Netherlands	Communication	96.0%	100.0%	4.0%
Sports Timing Holding B.V.	The Netherlands	Timing equipment	95.5%	100.0%	4.5%
AN Direct B.V.	The Netherlands	Hearing aids	85.1%	0.0%	14.9%
Famed Investments B.V.	The Netherlands	Financial services	81.0%	0.0%	19.0%
Infomedics Groep B.V.	The Netherlands	Financial services	81.0%	0.0%	19.0%
Timber and Building Supplies Holland N.V.	The Netherlands	Building materials	78.1%	0.0%	21.9%
GrandVision N.V.	The Netherlands	Optical retail	76.7%	0.0%	23.3%
Atlas Professionals B.V.	The Netherlands	Staffing	70.0%	0.0%	30.0%
Anthony Veder Group N.V.	Curaçao	Shipping	62.9%	0.0%	37.1%
Controlled minority interests					
Koninklijke Vopak N.V.	The Netherlands	Tank terminals	48.15%	0.00%	51.85%
Safilo Group S.p.A.	Italy	Optical products	45.80%	0.00%	54.20%

All the above entities are included in the consolidation. The proportion of the effective voting rights in the respective entity are virtually equal to the proportion of the ordinary shares held.

Non-controlled minority interests	
Publicly traded	
Koninklijke Boskalis Westminster N.V.	40.41%
SBM Offshore N.V.	15.99%
Other	
Coolblue B.V.	30.07%
DMF Investment Management B.V.	25.00%

Information relating to estimated value of the subsidiaries and minority interests of HAL Holding N.V.

As of December 31, 2018

General

This section provides additional information about the investment portfolio of HAL Holding N.V. ('the Company').

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 unquoted 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 the Company'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 bases:

- 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 twelve-month 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 can be 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 the Company 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

	Estimated value	Book value	**Difference**
Quoted investments	7,870.5	4,144.4	**3,726.1**
Unquoted investments	1,528.0	1,230.8	**297.2**
	9,398.5	5,375.2	**4,023.3**
Unquoted investments			
Value based on an earnings multiple	1,213.0	940.2	**272.8**
Valued using other methods	315.0	290.5	**24.4**
	1,528.0	1,230.8	**297.2**

Estimated value less book value of the unquoted investments amounted to € 297 million at the end of 2018 (2017: € 253 million) or € 3.64 per Share (2017: € 3.16 per Share).

The EBITA multiples applied vary from 7 to 8. Realized multiples may be materially different. With respect to Broadview Holding B.V. and Timber and Building Supplies Holland N.V. a multiple of 7 was applied, consistent with 2017. The investment in Coolblue was valued at cost.

Quoted investments

	December 31, 2018		
	Interest in common shares	Share price	Market value
Share price in euro			
GrandVision N.V.	76.72%	19.13	3,734.2
Koninklijke Vopak N.V.	48.15%	39.68	2,442.2
Koninklijke Boskalis Westminster N.V.	40.41%	21.73	1,188.7
Safilo Group S.p.A.	45.80%	0.70	80.3
SBM Offshore N.V.	15.99%	12.93	425.1
			7,870.5

No discount was applied to the above market prices.

Supplemental information

General

The consolidated financial statements of HAL Trust include the financial statements of Koninklijke Vopak N.V. ('Vopak') and Safilo Group S.p.A. ('Safilo'). This section provides supplemental information where Vopak and Safilo are accounted for on an unconsolidated basis using the equity method. This was the accounting treatment until the application of IFRS 10, effective January 1, 2014, which requires consolidation of these entities. In all other respects, the accounting policies applied are consistent with those applied to the consolidated financial statements. The inclusion of this supplemental information is considered appropriate and useful as the control model of the Company with respect to the entities where its ownership interest exceeds 50% is materially different from the model with respect to Vopak and Safilo. Moreover, the inclusion of Vopak and Safilo in the consolidation has a significant effect on the financial statements. The following supplemental information also preserves comparability with consolidated financial statements prior to 2014.

The following pro forma consolidated statements are included as supplemental information:

- Statement of Financial Position
- Statement of Income
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows

The pro forma consolidated statements of financial position and income as well as the statement of changes in equity, include a bridge from the consolidated financial statements (including consolidation of Vopak and Safilo) to these pro forma statements.

A number of notes has been added to the above statements in order to provide additional information on the effect of the inclusion of Vopak and Safilo in the consolidated financial statements. These notes are based on the notes to the consolidated financial statements on pages 37 through 112. Certain notes are summarized for practical purposes.

Pro forma Consolidated Statement of Financial Position

As of December 31

In millions of euro	Notes	**Consolidated 2018**	Effect exclusion Vopak/Safilo	**Pro forma 2018**	Pro forma 2017
Non-current assets					
Property, plant and equipment	2	**5,456.0**	(3,938.5)	**1,517.5**	1,327.5
Investment properties		**-**	-	**-**	6.9
Intangible assets	3	**2,642.4**	(366.6)	**2,275.8**	2,176.1
Investments in associates and joint arrangements	5	**2,632.9**	456.1	**3,089.0**	2,949.1
Derivatives and other financial assets	6	**627.7**	(122.9)	**504.8**	667.4
Pension benefits	10	**68.8**	-	**68.8**	86.4
Deferred tax assets	9	**134.8**	(70.9)	**63.9**	40.0
Total non-current assets		**11,562.6**	(4,042.8)	**7,519.8**	7,253.4
Current assets					
Inventories	8	**831.2**	(220.4)	**610.8**	604.4
Receivables	7	**895.9**	(279.7)	**616.2**	529.2
Marketable securities and deposits		**274.7**	-	**274.7**	584.8
Derivatives and other financial assets	6	**32.4**	(28.8)	**3.6**	5.4
Other current assets		**546.9**	(264.5)	**282.4**	269.8
Cash and cash equivalents		**2,276.5**	(255.7)	**2,020.8**	1,998.8
Assets held for sale		**55.7**	-	**55.7**	3.2
Total current assets		**4,913.3**	(1,049.1)	**3,864.2**	3,995.6
Total assets		**16,475.9**	(5,091.9)	**11,384.0**	11,249.0
Equity					
Share capital		**1.6**	-	**1.6**	1.6
Other reserves		**40.8**	22.1	**62.9**	155.1
Retained earnings		**7,469.8**	(63.1)	**7,406.7**	7,415.9
Equity attributable to owners of parent		**7,512.2**	(41.0)	**7,471.2**	7,572.6
Non-controlling interest		**2,397.8**	(1,809.4)	**588.4**	485.6
Total equity		**9,910.0**	(1,850.4)	**8,059.6**	8,058.2
Non-current liabilities					
Deferred tax liabilities	9	**439.4**	(257.6)	**181.8**	182.2
Pension benefits	10	**207.5**	(76.9)	**130.6**	107.1
Derivatives	7	**32.7**	(22.6)	**10.1**	6.9
Contract liabilities		**8.2**	-	**8.2**	5.1
Provisions	11	**83.4**	(57.1)	**26.3**	28.8
Debt and other financial liabilities	12	**2,681.0**	(1,758.6)	**922.4**	877.8
Total non-current liabilities		**3,452.2**	(2,172.8)	**1,279.4**	1,207.9
Current liabilities					
Provisions	11	**68.7**	(42.2)	**26.5**	27.9
Contract liabilities		**172.0**	(31.2)	**140.8**	126.9
Accrued expenses	13	**746.0**	(197.7)	**548.3**	504.4
Income tax payable		**127.4**	(70.2)	**57.2**	61.5
Accounts payable		**861.0**	(323.5)	**537.5**	468.5
Derivatives	7	**22.4**	(19.9)	**2.5**	8.2
Debt and other financial liabilities	12	**1,079.3**	(384.0)	**695.3**	785.5
Liabilities related to assets held for sale		**36.9**	-	**36.9**	-
Total current liabilities		**3,113.7**	(1,068.7)	**2,045.0**	1,982.9
Total equity and liabilities		**16,475.9**	(5,091.9)	**11,384.0**	11,249.0

Pro forma Consolidated Statement of Income

For the year ended December 31

In millions of euro	Notes	**Consolidated 2018**	Effect exclusion Vopak/Safilo	**Pro forma 2018**	Pro forma 2017
Revenues	14	**8,353.5**	(2,230.8)	**6,122.7**	5,609.5
Income from marketable securities and deposits		**(7.7)**	-	**(7.7)**	79.5
Share of results from associates and joint ventures	15	**(42.5)**	(12.6)	**(55.1)**	184.5
Income from other financial assets		**14.9**	(8.2)	**6.7**	7.5
Income from real estate activities		**10.2**	-	**10.2**	1.0
Other income		**2.7**	-	**2.7**	4.1
Total income		**8,331.1**	(2,251.6)	**6,079.5**	5,886.1
Usage of raw materials, consumables and other inventory		**2,357.7**	(296.9)	**2,060.8**	1,901.2
Employee expenses	16	**2,447.7**	(595.1)	**1,852.6**	1,679.7
Depreciation and impairment of property, plant, equipment and investment properties		**503.5**	(290.2)	**213.3**	196.9
Amortization and impairment of intangible assets		**191.0**	(56.8)	**134.2**	156.4
Other operating expenses	17	**2,092.1**	(661.5)	**1,430.6**	1,298.7
Total expenses		**7,592.0**	(1,900.5)	**5,691.5**	5,232.9
Operating profit		**739.1**	(351.1)	**388.0**	653.2
Financial expense		**(252.0)**	199.2	**(52.8)**	(50.0)
Other financial income		**51.9**	(46.1)	**5.8**	6.2
Profit before income tax		**539.0**	(198.0)	**341.0**	609.4
Income tax expense	18	**(163.0)**	57.7	**(105.3)**	(136.9)
Net profit		**376.0**	(140.3)	**235.7**	472.5
Attributable to:					
Owners of parent		**155.3**	(0.6)	**154.7**	391.2
Non-controlling interest		**220.7**	(139.7)	**81.0**	81.3
		376.0	(140.3)	**235.7**	472.5
Average number of Shares outstanding *(in thousands)*		**80,885**	-	**80,885**	79,281
Earnings per Share for profit attributable to owners of parent during the period *(in euro)*					
- basic and diluted		**1.92**	(0.01)	**1.91**	4.84
Dividend per Share*(in euro)*		**5.30***	-	**5.30***	6.20

* Proposed

Pro forma Consolidated Statement of Comprehensive Income

For the year ended December 31

In millions of euro	**Pro forma 2018**	Pro forma 2017
Net profit	**235.7**	472.5
Other comprehensive income (OCI)		
Items that will not be reclassified to statement of income in subsequent periods		
Change in fair value of financial assets through OCI	**(15.6)**	-
Income tax on change in fair value	**(2.9)**	-
Actuarial results on post-employment benefit obligations	**(9.0)**	18.7
Income tax on actuarial results	**2.3**	(4.8)
Associates and joint ventures - share of OCI, net of tax	**6.7**	19.4
	(18.5)	33.3
Items that may be reclassified to statement of income in subsequent periods		
Change in fair value of financial assets through OCI	**(7.1)**	10.1
Income tax on change in fair value	**0.3**	0.4
Effective portion of hedging instruments	**2.3**	(3.7)
Income tax related to hedging instruments	**(0.7)**	1.5
Translation of foreign subsidiaries, net of hedges	**(3.1)**	(91.3)
Other movements	**(0.5)**	(13.2)
Associates and joint ventures - share of OCI, net of tax	**37.1**	(95.1)
	28.3	(191.3)
Other comprehensive income for the year, net of tax	**9.8**	(158.0)
Total comprehensive income for the year, net of tax	**245.5**	314.5
Total comprehensive income for the year, attributable to:		
- Owners of parent*	**162.1**	254.1
- Non-controlling interest	**83.4**	60.4
	245.5	314.5

* For both reporting periods there are no differences in other comprehensive income attributable to the owner of parent between the consolidated and the pro forma consolidated statements of comprehensive income.

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, 2017	1.6	7,275.2	322.6	7,599.4	436.2	**8,035.6**
Net profit for the year	-	391.2	-	391.2	81.3	**472.5**
Other comprehensive income for the year	-	33.0	(170.1)	(137.1)	(20.9)	**(158.0)**
Total comprehensive income for the year	-	424.2	(170.1)	254.1	60.4	**314.5**
Capital increase/(decrease)	-	-	-	-	0.2	**0.2**
Effect of acquisitions and disposals	-	(4.5)	-	(4.5)	19.6	**15.1**
Dividend paid to minority shareholders	-	-	-	-	(30.8)	**(30.8)**
Share-based compensation	-	1.7	-	1.7	-	**1.7**
Treasury shares	-	0.4	-	0.4	-	**0.4**
Dividend paid	-	(278.7)	-	(278.7)	-	**(278.7)**
Reclassification	-	(2.6)	2.6	-	-	**-**
Other	-	0.2	-	0.2	-	**0.2**
Transactions with the owners of parent recognized directly in equity	-	(283.5)	2.6	(280.9)	(11.0)	**(291.9)**
Balance on December 31, 2017	1.6	7,415.9	155.1	7,572.6	485.6	**8,058.2**
Changes in accounting policy (IFRS 9)	-	17.5	(16.1)	1.4	-	**1.4**
Balance on January 1, 2018	1.6	7,433.4	139.0	7,574.0	485.6	**8,059.6**
Net profit for the year	-	154.7	-	154.7	81.0	**235.7**
Other comprehensive income for the year	-	(2.7)	10.1	7.4	2.4	**9.8**
Total comprehensive income for the year	-	152.0	10.1	162.1	83.4	**245.5**
Reclassification*	-	86.2	(86.2)	-	-	**-**
Capital increase/(decrease)	-	-	-	-	1.0	**1.0**
Effect of acquisitions and disposals	-	(21.6)	-	(21.6)	56.0	**34.4**
Dividend paid to minority shareholders	-	-	-	-	(37.6)	**(37.6)**
Share-based compensation	-	2.4	-	2.4	-	**2.4**
Treasury shares	-	2.4	-	2.4	-	**2.4**
Dividend paid	-	(248.1)	-	(248.1)	-	**(248.1)**
Transactions with the owners of parent recognized directly in equity	-	(178.7)	(86.2)	(264.9)	19.4	**(245.5)**
Balance on December 31, 2018	1.6	7,406.7	62.9	7,471.2	588.4	**8,059.6**

* Reclassifications mainly relate to realized results on the disposal of the shareholding in Chart Industries Inc.

The difference in equity attributable to owners of parent (€ 41.0 million) between the pro forma consolidated statement of financial position and the consolidated statement of financial position is due to the retrospective application of IFRS 10 to Vopak and Safilo.

Pro forma Consolidated Statement of Cash Flows

For the year ended December 31

In millions of euro	Notes	**Pro forma 2018**	Pro forma 2017
Cash flows from operating activities			
Profit before taxes		**341.0**	609.4
Dividend from associates and joint ventures		**69.8**	71.2
Changes in working capital	19	**40.9**	(89.9)
Adjustments for non-cash items		**458.5**	142.4
Cash generated from operating activities	19	**910.2**	733.1
Other financial income received		**4.4**	6.6
Finance cost paid, including effect of hedging		**(38.6)**	(41.0)
Income taxes paid		**(167.1)**	(141.8)
Net cash from operating activities		**708.9**	556.9
Cash flows from investing activities			
Acquisition of associates and subsidiaries, net of cash acquired	4	**(378.9)**	(309.8)
Proceeds from divestiture of associates, joint arrangements and subsidiaries		**4.1**	14.0
Proceeds from sale of/(acquisition of) other intangibles		**(55.0)**	(46.9)
Purchase of property, plant, equipment and investment properties		**(313.5)**	(269.9)
Proceeds from sale of property, plant, equipment and investment properties		**33.1**	13.9
Proceeds from/(acquisition of) other financial assets	6	**144.2**	(8.7)
Acquisition of marketable securities and deposits		**(79.2)**	(526.2)
Proceeds from marketable securities and deposits		**358.5**	225.6
Net cash from/(used in) investing activities		**(286.7)**	(908.0)
Cash flows from financing activities			
Proceeds from debt and other financial liabilities		**394.3**	256.0
Repayment of debt and other financial liabilities		**(456.9)**	(326.9)
Net proceeds from/(repayments of) short-term financing		**(51.5)**	7.9
Capital increase non-controlling interests		**1.0**	0.2
Other non-controlling interest transactions (mainly dividend paid)		**(40.7)**	(30.0)
Movement in treasury shares		**2.4**	0.4
Dividend paid		**(248.1)**	(278.7)
Net cash from/(used in) financing activities		**(399.5)**	(371.1)
Increase/(decrease) in cash and cash equivalents		**22.7**	(722.2)
Cash and cash equivalents at beginning of year		**1,998.8**	2,728.6
Effect of exchange rate changes, reclassifications and accounting policy change		**(0.7)**	(7.6)
Cash and cash equivalents retranslated at beginning of year		**1,998.1**	2,721.0
Net increase/(decrease) in cash and cash equivalents		**22.7**	(722.2)
Cash and cash equivalents at end of period		**2,020.8**	1,998.8

All amounts in millions of euro, unless otherwise stated

1. Segmentation

The consolidated financial statements are significantly affected by the consolidation of Vopak and Safilo. Accordingly, the segmented information on a basis whereby Vopak and Safilo are not consolidated is materially different. This section provides segmented information excluding the effect of the consolidation of Vopak and Safilo.

Operating income by segment

	2018	2017
Optical retail	**426.2**	415.1
Unquoted	**176.5**	150.2
Quoted minority interests	**(53.3)**	145.9
Real estate	**9.4**	(0.3)
Liquid portfolio	**(7.7)**	79.5
Total operating income	**551.1**	790.4
Reconciling items:		
- Amortization and impairment	**(134.2)**	(156.4)
- Other	**(28.9)**	19.2
Operating result as per the pro forma consolidated statement of income	**388.0**	653.2
Financial expense, net	**(47.0)**	(43.8)
Profit before tax as per the pro forma consolidated statement of income	**341.0**	609.4

The “other” reconciling items include corporate general and administrative expenses as well as non-recurring gains and losses (excluding those of Vopak, Safilo and Boskalis).

The composition of revenues by segment is as follows:

	2018	2017
Optical retail	**3,721.0**	3,449.9
Unquoted	**2,401.7**	2,159.6
	6,122.7	5,609.5

The composition of assets by segment is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**3,184.2**	3,238.9
Unquoted	**2,956.2**	2,464.8
Quoted minority interests	**3,082.5**	3,030.5
Real estate	**101.2**	88.0
Liquid portfolio	**1,955.4**	2,303.1
Reconciling items	**104.5**	123.7
	11,384.0	11,249.0

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

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**1.1**	1.2
Unquoted	**330.7**	323.4
Quoted minority interests	**2,657.4**	2,543.9
Real estate	**99.8**	80.6
	3,089.0	2,949.1

The composition of capital expenditures by segment is as follows:

	2018	2017
Optical retail	**214.7**	316.6
Unquoted	**240.7**	137.2
Real estate	**-**	0.1
Reconciling items	**0.4**	0.1
	455.8	454.0

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:

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**1,763.6**	1,938.7
Unquoted	**1,538.0**	1,226.3
Real estate	**-**	0.3
Liquid portfolio	**0.6**	2.2
Reconciling items	**22.2**	23.3
	3,324.4	3,190.8

The composition of revenues by geographical area is as follows:

	2018	2017
Europe	**5,635.7**	5,129.4
North-America	**155.2**	145.3
Asia	**34.1**	24.0
Other	**297.7**	310.8
	6,122.7	5,609.5

The composition of property, plant and equipment, investment properties, intangible assets and investment in associates and joint ventures by geographical area is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Europe	**6,545.9**	6,112.2
North-America	**137.1**	136.3
Asia	**30.7**	36.5
Other	**168.6**	174.6
	6,882.3	6,459.6

2. Property, plant and equipment

The amount of property, plant and equipment as per the consolidated financial statements (€ 5,456.0 million) is significantly affected by the consolidation of Vopak and Safilo and in particular the tank storage terminals of Vopak (€ 3,419.9 million at the end of 2018).

The table on the next page provides information on property, plant and equipment excluding the assets of Vopak and Safilo.

	Land and buildings	Vessels	Equipment and other	**Total**
Cost value	809.1	653.1	1,585.8	**3,048.0**
Accumulated depreciation	(408.0)	(149.2)	(1,189.3)	**(1,746.5)**
Balance on January 1, 2017	401.1	503.9	396.5	**1,301.5**
Investments	79.8	31.7	158.3	**269.8**
Consolidation	15.4	-	10.8	**26.2**
Disposals	(5.6)	-	(4.4)	**(10.0)**
Depreciation and impairments	(56.3)	(34.7)	(105.4)	**(196.4)**
Reclassification	(0.8)	(0.6)	(2.0)	**(3.4)**
Exchange differences	(6.9)	(46.6)	(6.7)	**(60.2)**
Balance on December 31, 2017	426.7	453.7	447.1	**1,327.5**
Cost value	865.5	606.1	1,621.8	**3,093.4**
Accumulated depreciation	(438.8)	(152.4)	(1,174.7)	**(1,765.9)**
Balance on December 31, 2017	426.7	453.7	447.1	**1,327.5**
Investments	69.4	73.8	170.3	**313.5**
Consolidation and purchase price adjustments	31.2	-	63.6	**94.8**
Disposals	(6.9)	-	(7.0)	**(13.9)**
Depreciation and impairments	(60.7)	(36.8)	(115.6)	**(213.1)**
Reclassification	3.1	-	(6.5)	**(3.4)**
Exchange differences	(1.0)	15.3	(2.2)	**12.1**
Balance on December 31, 2018	461.8	506.0	549.7	**1,517.5**
Cost value	977.3	694.4	1,932.0	**3,603.7**
Accumulated depreciation	(515.5)	(188.4)	(1,382.3)	**(2,086.2)**
Balance on December 31, 2018	461.8	506.0	549.7	**1,517.5**

3. Intangible assets

The intangible assets are significantly affected by the consolidation of Vopak and Safilo. This section provides information on the intangible assets excluding those of Vopak and Safilo.

Movements for goodwill and other intangibles are as follows:

	Goodwill	Key money	Trade-marks	Customer relationships	Other	**Total**
Cost value	2,014.0	222.5	343.7	164.8	445.6	**3,190.6**
Accumulated amortization and impairments	(613.8)	(11.3)	(196.0)	(42.0)	(313.3)	**(1,176.4)**
Balance on January 1, 2017	1,400.2	211.2	147.7	122.8	132.3	**2,014.2**
Investments	136.5	3.5	-	0.8	43.3	**184.1**
Consolidation	-	1.7	33.2	122.7	19.1	**176.7**
Purchase price accounting adjustments	-	-	-	-	0.1	**0.1**
Disposals	-	(0.6)	-	-	(0.1)	**(0.7)**
Amortization and impairments	(81.6)	(1.3)	(20.9)	(15.2)	(37.4)	**(156.4)**
Reclassification	2.2	(2.2)	0.3	2.9	(2.5)	**0.7**
Exchange differences and other	(31.8)	(0.8)	(4.1)	(3.4)	(2.5)	**(42.6)**
Balance on December 31, 2017	1,425.5	211.5	156.2	230.6	152.3	**2,176.1**
Cost value	2,120.9	220.5	336.1	275.7	394.0	**3,347.2**
Accumulated amortization and impairments	(695.4)	(9.0)	(179.9)	(45.1)	(241.7)	**(1,171.1)**
Balance on December 31, 2017	1,425.5	211.5	156.2	230.6	152.3	**2,176.1**
Investments	86.0	3.8	-	0.7	51.8	**142.3**
Consolidation	-	4.3	6.3	67.1	13.2	**90.9**
Purchase price accounting adjustments	2.3	-	-	-	-	**2.3**
Disposals	(0.2)	(1.2)	-	-	(0.1)	**(1.5)**
Amortization and impairments	(30.7)	(4.8)	(24.2)	(26.1)	(48.4)	**(134.2)**
Reclassification	(3.0)	-	(0.3)	(3.1)	4.5	**(1.9)**
Exchange differences and other	0.2	(0.5)	0.7	2.1	(0.7)	**1.8**
Balance on December 31, 2018	1,480.1	213.1	138.7	271.3	172.6	**2,275.8**
Cost value	2,206.2	225.4	341.9	345.7	452.3	**3,571.5**
Accumulated amortization and impairments	(726.1)	(12.3)	(203.2)	(74.4)	(279.7)	**(1,295.7)**
Balance on December 31, 2018	1,480.1	213.1	138.7	271.3	172.6	**2,275.8**

The “other” category consists of:

	Dec. 31, 2018	Dec. 31, 2017
Software	**130.7**	115.0
Other	**41.9**	37.3
	172.6	152.3

4. Acquisitions

Below a summary is included of the acquisitions during 2018, excluding the acquisitions made by Vopak and Safilo.

	Westag & Getalit	Famed	Other	**Total**
Cash paid	103.4	52.9	29.9	**186.2**
Future consideration	-	-	1.7	**1.7**
Fair value of previously held equity interests	-	-	-	**-**
Fair value of net assets acquired	(142.8)	(4.3)	(17.4)	**(164.5)**
Non-controlling interest recognized	53.8	-	-	**53.8**
Non-controlling interest recognized at fair value	8.8	-	-	**8.8**
Goodwill	23.2	48.6	14.2	**86.0**

Reconciliation to cash flow statement:

	Total
Cash paid for the above acquisitions	**186.2**
Cash adjustment prior year acquisitions	**0.3**
Cash acquired	**(15.3)**
Cash outflow due to acquisition of subsidiaries, net of cash acquired	**171.2**
Acquisition of associates and joint arrangements	**207.7**
Cash outflow due to acquisition of associates, joint arrangements and subsidiaries, net of cash acquired	**378.9**

5. Investments in associates and joint arrangements

The amount of investments in associates and joint arrangements in the consolidated financial statements is significantly affected by the consolidation of Vopak. Vopak has a significant amount of associates and joint arrangements on its balance sheet (€ 1,081.7 million at the end of 2018).

This section provides information about the investments in associates and joint arrangements excluding the investments in associates and joint arrangements of Vopak and Safilo.

The movement of investments accounted for using the equity method is as follows:

	Associates	Joint ventures	**Total**
Share of net assets	2,591.3	36.9	**2,628.2**
Goodwill	225.9	-	**225.9**
Balance on January 1, 2017	2,817.2	36.9	**2,854.1**
Investments	110.7	52.9	**163.6**
Consolidation	0.2	-	**0.2**
Disposals	(14.0)	-	**(14.0)**
Share of results - real estate	-	(0.2)	**(0.2)**
Share of results - other	184.5	-	**184.5**
Share of other comprehensive income	(75.7)	-	**(75.7)**
Dividends	(71.0)	(0.2)	**(71.2)**
Reclassification*	(61.0)	-	**(61.0)**
Exchange differences and other	(22.4)	(8.8)	**(31.2)**
Balance on December 31, 2017	2,868.5	80.6	**2,949.1**
Share of net assets	2,569.2	80.6	**2,649.8**
Goodwill	299.3	-	**299.3**
Balance on December 31, 2017	2,868.5	80.6	**2,949.1**
Investments	190.6	17.1	**207.7**
Consolidation	7.1	-	**7.1**
Disposals	(3.4)	-	**(3.4)**
Share of results - real estate	-	(0.5)	**(0.5)**
Share of results - other	(54.3)	(0.8)	**(55.1)**
Share of other comprehensive income	43.8	-	**43.8**
Dividends	(68.8)	(1.0)	**(69.8)**
Reclassification	(8.8)	10.4	**1.6**
Exchange differences	0.2	4.4	**4.6**
Changes in accounting policy (IFRS 9)	3.9	-	**3.9**
Balance on December 31, 2018	2,978.8	110.2	**3,089.0**
Share of net assets	2,673.3	110.2	**2,783.5**
Goodwill	305.5	-	**305.5**
Balance on December 31, 2018	2,978.8	110.2	**3,089.0**

* Reclassifications primarily to business combinations

The 2018 financial result was substantially impacted by extraordinary charges at Boskalis of in total € 518.7 million post-tax. Of these charges, € 502.2 million were non-cash impairments, with

€ 344.8 million relating primarily to goodwill (including goodwill embedded in the book value of joint ventures), € 136.9 million to equipment within the Offshore Energy division and the remainder to equipment and associates within two towage joint ventures. The share of the Company in these extraordinary charges amounted to € 191.7 million and was included in the consolidated statement of income within the line share of results from associates and joint ventures.

The amounts recognized in the statement of financial position consist of:

	Dec. 31, 2018	Dec. 31, 2017
Publicly traded	**2,657.4**	2,543.9
Other	**431.6**	405.2
	3,089.0	2,949.1

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

	Dec. 31, 2018	Dec. 31, 2017
Market value	**3,711.2**	3,871.8
Book value	**(2,657.4)**	(2,543.9)
	1,053.8	1,327.9

6. Other financial assets and derivatives

The table below provides information on other financial assets and derivative assets, excluding the assets of Vopak and Safilo.

	Dec. 31, 2018	Dec. 31, 2017
Derivatives		
Asset positions	**4.5**	6.5
Other financial assets		
Investments in quoted securities	**425.1**	593.8
Loans to associates and joint ventures	**0.1**	1.6
Other loans	**30.0**	40.9
Other	**48.7**	30.0
	508.4	672.8
Current		
Derivatives	**3.6**	4.1
Other financial assets	**-**	1.3
Non-current		
Derivatives	**0.9**	2.4
Other financial assets	**503.9**	665.0
	508.4	672.8

The category “other” includes non-current deposits and receivables.

Investments in quoted securities include:

	Dec. 31, 2018	Dec. 31, 2017
Equity interest in SBM Offshore N.V. (15.99%, 2017: 16.13%)	**425.1**	486.6
Equity interest in Chart Industries Inc. (0%, 2017: 8.94%)	**-**	107.2
	425.1	593.8

Amounts included in the cash flow statement comprise:

	2018	2017
Sale/(purchase) of shares in Chart Industries Inc.	**137.8**	(10.6)
Loans provided to associates	**-**	(1.6)
Repayment of loans	**-**	3.5
Other	**6.4**	-
Changes in other financial assets in cash flow statement	**144.2**	(8.7)

7. Receivables

The amount of receivables in the consolidated financial statements (€ 895.9 million at the end of 2018) is significantly affected by the consolidation of Vopak and Safilo.

This section provides information on the receivables, excluding those of Vopak and Safilo.

	Dec. 31, 2018	Dec. 31, 2017
Trade receivables	**673.2**	553.2
Allowance for doubtful accounts	**(57.0)**	(24.0)
	616.2	529.2

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

	Dec. 31, 2018	Dec. 31, 2017
Up to 3 months	**114.5**	128.2
Between 3 and 6 months	**13.4**	9.7
Between 6 and 9 months	**8.3**	5.4
Over 9 months	**51.1**	14.1
	187.3	157.4

8. Inventories

The amount of inventories in the consolidated financial statements (€ 831.2 million at the end of 2018) is significantly affected by the consolidation of Vopak and Safilo. This section provides information on the inventories, excluding those of Vopak and Safilo.

The composition of the inventories is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Raw materials	**62.8**	39.6
Work in progress	**28.8**	23.8
Finished goods	**547.4**	577.5
Stock in transit	**7.9**	-
Provision for obsolete inventory	**(36.1)**	(36.5)
	610.8	604.4

9. Deferred taxes

The movement in deferred tax assets and liabilities during the period are set out on the following page.

	Carry-forward losses	PP&E	Intangibles	Inventories	Employee benefits	Other	Offset assets and liabilities	**Total**
Assets	70.0	10.5	6.9	6.6	17.8	25.7	(98.2)	**39.3**
Liabilities	-	(64.7)	(152.8)	(14.0)	(11.4)	(16.9)	98.2	**(161.6)**
Net book value on January 1, 2017	70.0	(54.2)	(145.9)	(7.4)	6.4	8.8	-	**(122.3)**
Credited/(charged) to net income	(22.3)	0.8	21.0	0.2	1.0	4.3	-	**5.0**
Credited/(charged) to other comprehensive income	-	-	-	-	(4.8)	1.9	-	**(2.9)**
Acquisitions and purchase price accounting adjustments	-	-	(32.6)	0.2	4.4	1.3	-	**(26.7)**
Other movements	0.8	-	-	-	-	0.7	-	**1.5**
Reclassifications	(0.3)	(0.1)	(1.6)	0.2	(0.1)	1.9	-	**-**
Exchange differences	(1.8)	2.7	3.2	(0.1)	(0.2)	(0.6)	-	**3.2**
Net book value on December 31, 2017	46.4	(50.8)	(155.9)	(6.9)	6.7	18.3	-	**(142.2)**
Assets	46.4	11.1	8.9	7.4	22.1	27.2	(83.1)	**40.0**
Liabilities	-	(61.9)	(164.8)	(14.3)	(15.4)	(8.9)	83.1	**(182.2)**
Net book value on January 1, 2018	46.4	(50.8)	(155.9)	(6.9)	6.7	18.3	-	**(142.2)**
Credited/(charged) to net income	17.4	7.4	15.5	5.4	3.5	(3.7)	-	**45.5**
Credited/(charged) to other comprehensive income	-	-	-	-	2.3	(3.3)	-	**(1.0)**
Acquisitions	0.2	(5.7)	(21.2)	(0.8)	-	5.7	-	**(21.8)**
Other movements	-	-	-	-	-	2.7	-	**2.7**
Reclassifications	0.7	(0.6)	(1.4)	-	-	1.3	-	**-**
Exchange differences	(0.2)	(1.1)	-	-	0.1	0.1	-	**(1.1)**
Net book value on December 31, 2018	64.5	(50.8)	(163.0)	(2.3)	12.6	21.1	-	**(117.9)**
Assets	64.5	10.1	6.6	7.1	21.6	31.8	(77.8)	**63.9**
Liabilities	-	(60.9)	(169.6)	(9.4)	(9.0)	(10.7)	77.8	**(181.8)**
Net book value on December 31, 2018	64.5	(50.8)	(163.0)	(2.3)	12.6	21.1	-	**(117.9)**

Unused tax losses, excluding those of Vopak and Safilo, for which deferred tax assets have not been recognized are as follows:

Expiration	**2018**	2017
2018	**-**	0.2
2019	**6.9**	6.3
2020	**4.2**	10.2
2021	**12.1**	13.6
2022	**16.3**	28.2
2023 and further years	**201.0**	194.7
No expiration date	**288.3**	289.6
	528.8	542.8
Amounts including Vopak and Safilo	**826.8**	800.9

10. Pension benefits

The pension obligations are significantly affected by the consolidation of Vopak. The present value of the funded obligations and the fair value of the plan assets as per the consolidated financial statements are € (280.7) million, respectively € 293.9 million whereas excluding Vopak these amounts are significantly lower. This section therefore provides additional information on the pension obligations, excluding those of Vopak and Safilo.

The amounts recognized on the pro forma statement of financial position comprise:

	Dec. 31, 2018	Dec. 31, 2017
Pension benefit assets	**68.8**	86.4
Pension benefit liabilities	**(130.6)**	(107.1)
	(61.8)	(20.7)

The net pension benefits consist of:

	Dec. 31, 2018	Dec. 31, 2017
Present value of funded obligations	**(153.4)**	(157.8)
Fair value of plan assets	**196.4**	212.4
Surplus/(deficit) of funded obligations	**43.0**	54.6
Present value of unfunded obligations	**(104.8)**	(75.3)
Net asset/(liability) in the statement of financial position	**(61.8)**	(20.7)

The movement in the net liability is as follows:

	2018	2017
Balance on January 1	**(20.7)**	(11.8)
Pension charge defined benefit plans	**(8.7)**	(6.8)
Consolidation	**(27.2)**	(23.9)
Contributions	**2.2**	0.9
Remeasurement effects	**(9.0)**	18.7
Benefits paid for unfunded plans	**2.5**	1.7
Exchange differences and other	**(0.9)**	0.5
Balance on December 31	**(61.8)**	(20.7)

The increase of € 27.2 million included in the line consolidation in 2018 related to the acquisition of Westag & Getalit AG by Broadview Holding B.V. The 2017 increase of 23.9 million included in the line consolidation was due to the acquisition of Visilab S.A. by GrandVision N.V.

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

	2018	2017
Current service costs	**7.6**	4.6
Past service costs	**-**	1.5
Interest expense/(income)	**0.7**	0.6
Administrative costs	**0.4**	0.1
Total defined benefit costs	**8.7**	6.8
Other costs	**42.9**	39.7
Total, included in employee expenses	**51.6**	46.5

Other costs mainly relate to defined contribution plans and multi-employer pension plans classified as defined contribution plans.

The principal, weighted-average assumptions used were:

	Dec. 31, 2018	Dec. 31, 2017
Discount rate/return on assets	**1.87%**	1.63%
Future inflation rate	**1.38%**	1.54%
Future salary increases	**1.79%**	2.43%

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-rated) with a duration matching the duration of the pension liabilities.

As of December 31, 2018, the plan assets consist of:

	Level 1	Level 2	Level 3	**Total**	**Total (%)**
Equity instruments	76.2	0.1	-	**76.3**	**38.8%**
Debt instruments	15.6	9.7	0.2	**25.5**	**13.0%**
Cash and cash equivalents	46.3	-	-	**46.3**	**23.6%**
Other*	0.5	47.6	0.2	**48.3**	**24.6%**
	138.6	57.4	0.4	**196.4**	**100.0%**

* Other financial instruments in level 2 relate to the indirect right to the assets held by a Swiss foundation related to GrandVision Switzerland (Visilab).

As of December 31, 2017, the plan assets consisted of:

	Level 1	Level 2	Level 3	Total	Total (%)
Equity instruments	91.1	0.1	-	91.2	42.9%
Debt instruments	29.4	0.5	-	29.9	14.1%
Cash and cash equivalents	49.7	-	-	49.7	23.4%
Other*	0.5	41.1	-	41.6	19.6%
	170.7	41.7	-	212.4	100.0%

* Other financial instruments in level 2 relate to the indirect right to the assets held by a Swiss foundation related to GrandVision Switzerland (Visilab).

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

		Impact on obligation	
	Change	Increase	Decrease
Discount rate/return on assets	1.00%	(42.7)	57.1
Future inflation rate	1.00%	34.4	(27.1)
Future salary increases	0.25%	2.5	(2.5)
Life expectancy	1 year	8.5	N/A

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 corporate 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.

11. Provisions

The provisions (current and non-current) as per the consolidated financial statements amount to € 152.1 million. This amount is significantly affected by the consolidation of Vopak and Safilo.

This section provides information on provisions excluding the amounts relating to Vopak and Safilo.

The composition and movement of the provisions is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Current	**26.5**	27.9
Non-current	**26.3**	28.8
	52.8	56.7

The breakdown and movement in provisions is as follows:

	Environmental	Employee related	Warranties	Claims, legal & regulatory	Other	**Total**
Balance on January 1, 2017	4.1	12.9	11.7	22.4	3.6	**54.7**
Addition to provision	-	27.6	4.2	2.8	4.8	**39.4**
Consolidation	-	-	-	-	0.3	**0.3**
Utilized during the year	(0.6)	(24.9)	(3.6)	(2.9)	(2.9)	**(34.9)**
Exchange differences	-	(0.3)	-	(0.4)	(0.2)	**(0.9)**
Released	(0.3)	(1.5)	(0.2)	(1.2)	(0.8)	**(4.0)**
Reclassifications and other movements	0.1	2.5	-	(2.0)	1.5	**2.1**
Balance on December 31, 2017	3.3	16.3	12.1	18.7	6.3	**56.7**
Balance on January 1, 2018	3.3	16.3	12.1	18.7	6.3	**56.7**
Addition to provision	0.1	27.0	4.9	2.3	5.6	**39.9**
Consolidation	-	-	1.3	-	0.3	**1.6**
Utilized during the year	(0.6)	(24.4)	(4.4)	(1.4)	(3.3)	**(34.1)**
Exchange differences	-	(0.4)	-	(0.5)	-	**(0.9)**
Released	-	(1.1)	(5.5)	(0.6)	(1.1)	**(8.3)**
Reclassifications and other movements	-	(0.1)	(0.4)	-	(1.6)	**(2.1)**
Balance on December 31, 2018	2.8	17.3	8.0	18.5	6.2	**52.8**

12. Debt and other financial liabilities

The amount of debt and other financial liabilities in the consolidated financial statements (€ 3,760.3 million) is significantly affected by the consolidation of Vopak and Safilo. The amount excluding Vopak and Safilo is significantly lower as set out below.

Debt and other financial liabilities excluding Vopak and Safilo consists of:

	Dec. 31, 2018	Dec. 31, 2017
Debt	**1,530.6**	1,583.2
Other financial liabilities	**87.1**	80.1
	1,617.7	1,663.3

	Dec. 31, 2018	Dec. 31, 2017
Non-current debt and other financial liabilities		
Mortgage loans	**412.4**	351.7
Other loans	**445.0**	475.1
Total non-current debt	**857.4**	826.8
Non-current other financial liabilities	**65.0**	51.0
Total non-current debt and other financial liabilities	**922.4**	877.8
Current debt and other financial liabilities		
Bank overdrafts	**92.8**	197.8
Bank loans	**54.3**	91.2
Current portion of long-term debt	**108.2**	68.5
Commercial paper	**417.9**	398.9
Total current debt	**673.2**	756.4
Current other financial liabilities	**22.1**	29.1
Total current debt and other financial liabilities	**695.3**	785.5
Total debt and other financial liabilities	**1,617.7**	1,663.3

The summary of debt per currency is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Euro	**1,320.4**	1,338.8
U.S. dollar	**194.8**	225.0
Other currencies	**15.4**	19.4
	1,530.6	1,583.2

13. Accrued expenses

Accrued expenses in the consolidated financial statements amount to € 746.0 at the end of 2018, which is significantly influenced by the consolidation of Vopak and Safilo. The accrued expenses excluding the amounts related to Vopak and Safilo consist of:

	Dec. 31, 2018	Dec. 31, 2017
Employee-related accruals	**234.5**	228.2
VAT and other tax liabilities	**66.8**	64.9
Other	**247.0**	211.3
Total accrued expenses	**548.3**	504.4

14. Revenues

Revenues included in the consolidated financial statements amount to € 8.4 billion of which € 2.3 billion is related to Vopak and Safilo.

The 2018 revenues excluding those of Vopak and Safilo can be disaggregated as follows:

2018	Europe	North-America	Asia	Other	**Total**	Optical retail	Unquoted
Revenue from contracts with customers							
Sale of goods	5,101.6	133.8	29.7	282.9	**5,548.0**	3,460.1	2,087.9
Services	518.8	16.2	4.1	13.0	**552.1**	249.5	302.6
	5,620.4	150.0	33.8	295.9	**6,100.1**	3,709.6	2,390.5
Revenue from other sources	15.3	5.2	0.3	1.8	**22.6**	11.4	11.2
Total revenue	5,635.7	155.2	34.1	297.7	**6,122.7**	3,721.0	2,401.7

The 2017 revenues excluding those of Vopak and Safilo can be disaggregated as follows:

2017	Europe	North-America	Asia	Other	**Total**	Optical retail	Unquoted
Revenue from contracts with customers							
Sale of goods	4,669.4	132.2	21.4	302.8	**5,125.8**	3,223.4	1,902.4
Services	441.5	11.3	2.5	6.8	**462.1**	209.7	252.4
	5,110.9	143.5	23.9	309.6	**5,587.9**	3,433.1	2,154.8
Revenue from other sources	18.5	1.8	0.1	1.2	**21.6**	16.8	4.8
Total revenue	5,129.4	145.3	24.0	310.8	**5,609.5**	3,449.9	2,159.6

15. Share of results from associates and joint ventures

Results from associates and joint ventures as per the consolidated financial statements is affected by the inclusion of the results of Vopak and Safilo, in particular by the results of the joint ventures of Vopak.

The table below provides information on the results from associates excluding those of Vopak and Safilo.

	2018	2017
Share of results*	**(55.1)**	146.6
Revaluation upon gaining control	**-**	37.9
	(55.1)	184.5

* Share of results from real estate joint ventures is classified as Income from real estate activities in the consolidated statement of income

16. Employee expenses

The table below provides information on the employee expenses excluding the employee expenses of Vopak and Safilo.

	2018	2017
Wages and salaries	**1,344.7**	1,213.1
Social security costs	**245.7**	236.9
Pension costs	**51.6**	46.5
Other	**210.6**	183.2
	1,852.6	1,679.7

The average number of persons employed by the Company and its subsidiaries, excluding Vopak and Safilo, during 2018 was 41,604 (2017: 38,652) on a full-time equivalent basis.

Reference is made to note 10 for details of the pension costs.

17. Other operating expenses

The table below provides information on the other operating expenses excluding the other operating expenses of Vopak and Safilo.

	2018	2017
Rent	**576.5**	538.8
Marketing and publicity	**218.7**	198.8
Staffing expenses Atlas Professionals B.V.	**161.0**	122.9
Information and communication	**77.1**	66.8
Other	**397.3**	371.4
	1,430.6	1,298.7

Research and development costs expensed, excluding Vopak and Safilo, during 2018 was € 7.4 million (2017: € 7.5 million).

18. Income tax expense

Income taxes in the consolidated financial statements, and in particular the analysis of the effective tax rate, are significantly affected by the consolidation of Vopak and Safilo.

The tax charge excluding the consolidation of Vopak and Safilo can be detailed as follows:

	2018	2017
Current income taxes	**150.8**	141.9
Deferred income taxes	**(45.5)**	(5.0)
	105.3	136.9

The table below provides an analysis of the effective tax rate excluding the consolidation of Vopak and Safilo.

	2018	2017
Profit before income tax	**341.0**	609.4
Less: after-tax share of results from associates and joint ventures	**55.1**	(184.3)
Less: non-taxable other income (sale of subsidiaries and associates)	**-**	(4.1)
Adjusted profit before income tax	**396.1**	421.0
Income tax expense	**105.3**	136.9
Effective tax rate (%)	**26.6**	32.5

	2018		2017	
Composition	**Amount**	**%**	Amount	%
Weighted-average statutory tax rate	**100.6**	**25.4**	113.7	27.0
Goodwill impairment	**8.1**	**2.0**	21.4	5.1
Recognition of tax losses*	**(12.2)**	**(3.1)**	21.5	5.1
Non-taxable income	**(8.6)**	**(2.2)**	(22.8)	(5.4)
Non-deductible expenses	**18.6**	**4.7**	13.4	3.2
Rate changes	**(9.6)**	**(2.4)**	(5.4)	(1.3)
Adjustment tax provisions	**8.4**	**2.2**	(4.9)	(1.2)
Effective tax (rate)	**105.3**	**26.6**	136.9	32.5

* Current period losses that are not recognized increase the effective tax rate. When previously unrecognized tax losses are recognized, this reduces the effective tax rate.

The decrease in the effective tax rate is primarily due to rate changes in the Netherlands, recognition of deferred tax assets for unused tax losses from the past which became available due to changes in the legal and financing structure in certain jurisdictions, lower non-taxable income due to changes in financing structures and lower goodwill impairments (non-tax deductible).

19. Cash flows from operating activities

Cash flows from operating activities		**2018**	2017
Profit before taxes		**341.0**	609.4
Depreciation and impairments		**213.3**	196.9
Amortization and impairments	3	**134.2**	156.4
(Profit)/loss on sale of property, plant and equipment and investment properties		**(12.3)**	(3.9)
(Profit)/loss on sale of other financial assets and marketable securities		**24.0**	(63.4)
Fair value gain on remeasurement of previously held equity interest	15	**-**	(24.7)
Results from associates and joint ventures, net of impairments	15	**55.6**	(159.6)
Net financial expense		**47.0**	43.8
Other movements in provisions and pension benefits		**(3.3)**	(3.1)
Dividend from associates and joint ventures	5	**69.8**	71.2
Changes in working capital		**40.9**	(89.9)
Cash generated from operating activities		**910.2**	733.1

20. Share-based compensation

The amount of expenses and liabilities related to share-based compensation in the consolidated financial statements (€ 19.6 million and € 60.7 million, respectively) is also affected by the consolidation of Vopak and Safilo. The amounts excluding Vopak and Safilo are lower, as set out below.

Expenses related to share-based compensation consist of:

	2018	2017
HAL Holding N.V.		
Share Plan*	**1.6**	1.6
GrandVision		
Equity plan*	**0.3**	0.9
Long-Term Incentive Plan*	**2.7**	10.3
Cash Plan**	**0.8**	-
Unquoted subsidiaries		
Cash Plans**	**10.5**	7.8
Total	**15.9**	20.6

* Equity-settled
** Cash-settled

Increases in equity for share-based compensation plans amounted to:

	2018	2017
HAL Holding N.V.		
Share Plan	**1.6**	1.6
GrandVision		
Equity plan	**0.3**	0.9
Long-Term Incentive Plan	**2.7**	10.3
	4.6	12.8

Liabilities recognized in relation to cash-settled share-based compensation are comprised of:

	Dec. 31, 2018	Dec. 31, 2017
GrandVision		
Cash Plan	**0.8**	-
Unquoted subsidiaries		
Cash Plans	**57.2**	22.6
	58.0	22.6

The current part of this liability of € nil (2017: € 0.6 million) is included under current debt and the non-current part of € 58.0 million (2017: € 22.0 million) under non-current debt.

21. Financial risk management

The financial risk management of the Company is set out in note 36 to the consolidated financial statements. In this note it is set out that the financial risks of Vopak, Safilo and the companies belonging to the optical retail and unquoted segment are not managed by the Company but by these entities.

As the financial risks of Vopak and Safilo are, in aggregate, substantial, the tables below provide quantitative information with respect to the financial risks of the Company excluding the amounts relating to Vopak and Safilo.

Credit risk
The maximum exposure to credit risk can be specified by segment as follows:

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**421.7**	465.9
Unquoted	**800.9**	594.2
Real estate	**2.1**	2.0
Liquid portfolio	**1,736.4**	1,774.4
	2,961.1	2,836.5

These financial assets can be further specified as follows:

	Dec. 31, 2018	Dec. 31, 2017
Loans	**30.1**	42.5
Trade receivables	**616.2**	529.2
Marketable securities and deposits	**55.8**	56.2
Derivative financial instruments	**4.5**	6.5
Other financial assets	**48.7**	30.0
Other current assets	**185.0**	173.3
Cash and cash equivalents	**2,020.8**	1,998.8
	2,961.1	2,836.5

At the end of 2018, cash and cash equivalents can be specified by segment as follows:

	Dec. 31, 2018	Dec. 31, 2017
Optical retail	**138.3**	164.7
Unquoted	**201.9**	115.8
Real estate	**-**	0.1
Liquid portfolio	**1,680.6**	1,718.2
	2,020.8	1,998.8

Liquidity risk
The following tables categorize the undiscounted cash flows of non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting periods to the contractual maturity date, excluding the amounts relating to Vopak and Safilo. The financial guarantee contracts are contingent liabilities.

	December 31, 2018			
	< 1 year	1-2 years	3-5 years	> 5 years
Non-derivative liabilities				
Redemption of debt	673.2	111.7	552.2	193.5
Redemption of other financial liabilities	22.1	21.2	40.4	3.4
Interest payments	24.7	20.5	36.0	23.7
Accounts payable	537.5	-	-	-
Financial guarantee contracts	1.1	0.7	2.1	0.3
Total undiscounted non-derivative financial liabilities	1,258.6	154.1	630.7	220.9
Derivative liabilities				
Gross-settled derivative liabilities outflow	225.5	-	-	-
Gross-settled derivative liabilities inflow	(223.7)	-	-	-
Total gross-settled derivative liabilities	1.8	-	-	-
Net-settled derivative liabilities	3.2	2.8	2.6	2.4
Total undiscounted derivative liabilities	5.0	2.8	2.6	2.4
Total undiscounted financial liabilities	1,263.6	156.9	633.3	223.3

	December 31, 2017			
	< 1 year	1-2 years	3-5 years	> 5 years
Non-derivative liabilities				
Redemption of debt	756.4	120.5	605.3	101.0
Redemption of other financial liabilities	29.1	26.8	17.8	11.5
Interest payments	23.3	14.3	23.8	10.0
Accounts payable	468.5	-	-	-
Financial guarantee contracts	6.9	3.3	1.0	0.6
Total undiscounted non-derivative financial liabilities	1,284.2	164.9	647.9	123.1
Derivative liabilities				
Gross-settled derivative liabilities outflow	245.2	-	-	-
Gross-settled derivative liabilities inflow	(240.6)	-	-	-
Total gross-settled derivative liabilities	4.6	-	-	-
Net-settled derivative liabilities	5.9	3.0	1.5	0.3
Total undiscounted derivative liabilities	10.5	3.0	1.5	0.3
Total undiscounted financial liabilities	1,294.7	167.9	649.4	123.4

The total debt, excluding the debt of Vopak and Safilo, as of December 31, 2018, amounted to € 1,530.6 million (2017: € 1,583.2 million). For 100% of the bank debt, the applicable covenants were complied with during 2017 and 2018. At the end of 2018, unused committed credit facilities were available to an amount of € 1,207.1 million (2017: € 1,204.2 million). These exclude the facilities of Vopak and Safilo.

Market risk - currency risk
The table below shows the net assets per currency (taking into account debt and hedging instruments denominated in foreign currency), excluding the exposures of Vopak and Safilo.

	Dec. 31, 2018	Dec. 31, 2017
U.S. dollar	**380.9**	485.1
Swiss franc	**198.4**	197.8
U.K. pound sterling	**96.4**	108.9
Swedish krona	**78.0**	69.3
Danish krone	**68.3**	64.6
Mexican peso	**67.1**	62.2
Chilean peso	**54.9**	58.8
Hungarian forint	**52.7**	53.9
Norwegian krone	**50.1**	47.8
Turkish lira	**29.3**	29.3
Other	**212.1**	248.9
	1,288.2	1,426.6

An average change in value of these currencies by 10% would have a pre-tax effect on the pro forma consolidated equity of € 128.8 million. The market value of the currency derivative financial instruments at December 31, 2018, per the consolidated financial statements is a net asset of € 3.7 million on a notional amount of € 1,512.9 million (2017: net liability € 15.3 million, notional amount € 1,328.9 million). These amounts are primarily comprised of derivatives of Vopak. The amount excluding Vopak and Safilo is a net asset of € 1.7 million on a notional amount of € 410.8 million (2017: net liability € 0.5 million, notional amount € 356.8 million).

Market risk - interest rate risk
As of December 31, 2018, taking into account interest rate swaps, 75% (2017: 69%) of the total debt, excluding the bank debt of Vopak and Safilo, of € 1,530.6 million (2017: € 1,583.2 million) was at fixed rates for an average period of 3.2 years (2017: 3.1 years). The weighted-average interest rate was 1.2% (2017: 0.8%).

22. Capital risk management

The table below summarizes the capital structure excluding the impact from the consolidation of Vopak and Safilo.

	Dec. 31, 2018	Dec. 31, 2017
Equity	**7,471.2**	7,572.6
Non-current debt	**857.4**	826.8
Current debt	**673.2**	756.4
Cash and cash equivalents	**(2,020.8)**	(1,998.8)
Total capital employed	**6,981.0**	7,157.0

The net asset value based on the market value of the ownership interests in quoted companies and the liquid portfolio and on the book value of the unquoted companies amounted to € 11,238 million on December 31, 2018 (2017: € 12,122 million). The net asset value consists of the sum of the shareholders' equity attributable to the owners of the parent (€ 7,471 million) and the difference between the market value of the ownership interests in quoted companies and their book value (as disclosed on page 115), calculated based on equity accounting and excluding the difference due to purchase price accounting adjustments (€ 3,767 million).

23. Capital and financial commitments

Capital commitments

The capital commitments in respect of property, plant and equipment under construction, excluding those of Vopak and Safilo, amounted to € 7.4 million (2017: € 63.5 million).

Financial commitments

The future minimum lease payments under non-cancellable operating leases and other commitments, excluding those of Vopak and Safilo, are as follows:

	2018	2017
No later than 1 year	**404.4**	359.8
Later than 1 year and no later than 5 years	**928.9**	733.1
Later than 5 years	**0.8**	258.1
	1,680.8	1,360.7

The lease commitments are mainly in respect of the lease of stores, offices and other buildings.

Financial Statements HAL Trust

Statement of Financial Position HAL Trust *(in millions of euro)*

	2018	2017
Assets		
Shareholding in HAL Holding N.V.	**69.3**	69.3
Trust Property	**69.3**	69.3

Statement of Comprehensive Income HAL Trust *(in millions of euro)*

	2018	2017
Dividend received from HAL Holding N.V.	**496.8**	558.0
Net Income	**496.8**	558.0

Statement of Changes in Trust Property *(in millions of euro)*

Balance on January 1, 2018	**69.3**
Dividend received from HAL Holding N.V. (in cash and in shares)	**496.8**
Distributed to Unit Holders (in cash and in shares)	**(496.8)**
Balance on December 31, 2018	**69.3**

Statement of Cash Flows HAL Trust *(in millions of euro)*

	2018	2017
Dividend received from HAL Holding N.V.	**(248.1)**	(278.7)
Distributed to Unit Holders	**248.1**	278.7
Net change	**-**	-

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, 2018, HAL Trust owned 81,763,062 shares of HAL Holding N.V. (2017: 80,124,524)

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 favor of the proposals to approve the Financial Statements for 2018 and to pay a dividend of € 5.30 per Share outstanding of which € 2.65 per Share shall be payable in Shares in the share capital of HAL Holding N.V. and € 2.65 per Share in cash.

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, the number of Shares held by such HAL Trust Shareholder and the dividend per HAL Trust Share of € 2.65 payable in shares (refer to the explanatory notes to the agenda items 2(d) and 4 of the Notice to Trust Shareholders);
- to pay a cash dividend of € 2.65 per HAL Trust Share;
  and
- to convey to HAL Holding N.V. prior to June 18, 2019, 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.

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 and Shareholders of HAL Trust

Report on the financial statements

Our opinion

In our opinion the accompanying consolidated financial statements and stand-alone financial statements give a true and fair view of the consolidated financial position of HAL Trust (the 'Trust') and its subsidiaries (together: the 'Group') and the stand-alone financial position of the Trust as at December 31, 2018, and of their consolidated and stand-alone financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

What we have audited
The consolidated financial statements and the stand-alone financial statements (collectively referred to as the 'financial statements') are included on pages 21 to 147.

The financial statements comprise:

- the consolidated and stand-alone statements of financial position as at December 31, 2018;
- the consolidated statement of income for the year ended December 31, 2018;
- the consolidated and stand-alone statements of comprehensive income for the year ended December 31, 2018;
- the consolidated statement of changes in equity and the stand-alone statement of changes in trust property for the year ended December 31, 2018;
- the consolidated and stand-alone statements of cash flows for the year ended December 31, 2018; and
- the notes to the consolidated and stand-alone financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

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

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

Our audit approach

Overview and context
The Group is comprised of several components and therefore we considered our Group audit scope and approach as set out in the "How we tailored our group audit scope" section of our report. We paid specific attention to the areas of focus driven by the operations of the Group, as set out on the following page.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Executive Board of HAL Holding N.V. made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

In the “Basis of preparation” section on page 29 of the financial statements, the Executive Board of HAL Holding N.V. describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the higher inherent risks of material misstatement in the impairment testing of goodwill, valuation of intangible assets in acquisitions and impairment testing of tank terminal assets and joint ventures and associates, we continued to consider these to be key audit matters in 2018. A new key audit matter this year is the Group’s disclosure of the estimated impact of IFRS 16, Leases, at adoption on January 1, 2019. We considered this a key audit matter in view of the magnitude of the amounts involved, the implementation process required to identify and process all relevant data associated with these leases and management’s judgment applied in estimating matters such as discount rates and lease terms. Each of these key audit matters have been set out in the section “Key audit matters” of this report.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Executive Board of HAL Holding N.V., that may represent a risk of material misstatement due to fraud. Another area of focus that was not considered to be a key audit matter was the risk of fraud in revenue recognition.

We ensured that the audit teams both at Group and at component levels included the appropriate skills and competencies which were needed for the audit. We included specialists in the areas of IT, taxes, valuation, pensions and share-based compensation in the audit teams.

The outline of our audit approach was as follows:

Materiality	• Overall materiality: € 30.9 million which represents 5% of profit before tax (adjusted for specific non-recurring items and non-controlling interest).
Group scoping	• We conducted our audit work at the Trust and HAL’s corporate entities and 17 components, as described in the section “How we tailored our group audit scope”. • Each of the 17 components was audited by a local component audit team with whom the group audit team has been in frequent contact. Site visits were conducted for 10 components including the individually financially significant components Koninklijke Vopak N.V. (‘Vopak’), Safilo Group S.p.A. (‘Safilo’) and GrandVision N.V. (‘GrandVision’). • Audit coverage: 100% of consolidated revenue, 91% of consolidated total assets and 83% of consolidated profit before tax.
Key audit matters	• Impairment testing of goodwill • Valuation of intangible assets in acquisitions • Impairment testing of tank terminal assets and joint ventures and associates • Disclosure of the expected impact of IFRS 16, Leases

Materiality

The scope of our audit was influenced by our application of materiality which is further explained in the section "Auditor's responsibilities for the audit of the financial statements" of our report. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall group materiality	€ 30.9 million
How we determined it	5% of adjusted profit before tax
Rationale for the materiality benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Group. We adjusted profit before tax to exclude the effect of specific non-recurring items from our benchmark. Adjusted profit before tax therefore excludes specific non-recurring items including impairments of € (247.3) million, deconsolidation of Vopak Venezuela € (50.2) million and certain other items of € (21.7) million as disclosed in note 2 to the consolidated financial statements. At the request of the Executive Board of HAL Holding N.V., we further reduced materiality by excluding the effect of profits attributable to non-controlling interest from our benchmark insofar as they are not already excluded by the specific non-recurring items above. In 2018 this amount totals to € 240.3 million.
Component materiality	To each component in our audit scope, we, based on our judgment, allocated materiality that is less than our overall group materiality. The materiality allocated across components was in the range of € 0.2 million to € 16.0 million.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Executive Board and the Supervisory Board of HAL Holding N.V. that we would report to them misstatements identified during our audit above € 250,000 other than for Vopak and Safilo as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. In relation to Vopak and Safilo, we agreed with the Executive Board and Supervisory Board of HAL Holding N.V. that we would report to them misstatements identified during our audit above € 800,000 and € 250,000, respectively.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have communicated the key audit matters and a summary of the audit procedures we performed on those matters, to the Supervisory Board of HAL Holding N.V. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill *See notes 4 and 34 of the consolidated financial statements for the Executive Board's disclosures of related accounting policies, judgments and estimates.*	
The goodwill on the consolidated statement of financial position of the Group totals to € 1,588.7 million. Of this amount, € 1,225.9 million relates to the segment 'Optical retail', € 254.2 million to the segment 'Unquoted' and the remainder relates to the segment 'Quoted minority interests'. In assessing whether these amounts are recoverable, management used the higher of the value in use (VIU) and the fair value less cost of disposal (FVLCOD). We considered this to be an area of focus given the level of management judgment involved in assessing the recoverable amounts through either continued use or sale. In relation to discounted cash flow assumptions within the VIU and FVLCOD assessments, the growth rates of revenue, anticipated gross margin improvements and discount rates are considered to be the most sensitive assumptions. For the FVLCOD assessment based on the sales multiple, the key assumption applied is the determination of the sales multiple applied to a particular market. Management's annual impairment assessment resulted in the recognition of an impairment of goodwill of € 30.7 million (note 34).	Our audit procedures included, amongst others, an evaluation of the Group's policies and procedures applied in the annual impairment of goodwill test performed to identify potential impairments of goodwill balances. For management's VIU and FVLCOD calculations using the discounted cash flow method, we have evaluated and challenged component management's key cash flow assumptions, including but not limited to growth rates of revenue and anticipated gross margin improvements, and corroborated them by comparing to internal forecasts and long-term and strategic plans that were approved by component management and the respective local supervisory boards. We also performed historic trend analyses to assess the quality of the component's forecasting process and – with the assistance of our valuation experts – evaluated the discount rate applied for each cash-generating unit. For the FVLCOD calculations based on the sales multiple, we evaluated the reasonableness of management's applied sales multiples by comparing them with recent market transactions and listed peer companies. Based on our procedures, we consider management's key assumptions used to be reasonable and the related disclosures in note 34 to the consolidated financial statements to be adequate.

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets in acquisitions *See notes 4, 5 and 6 of the consolidated financial statements for the Executive Board's disclosures of related accounting policies, judgments and estimates.*	
During 2018 certain entities controlled by the Trust entered into various acquisition agreements with several unrelated parties. The combined purchase amount of these acquisitions totals to € 399.7 million. We considered this to be an area of focus given that the valuation of intangible assets in acquisitions requires significant judgment by management in allocating the purchase consideration to assets acquired and liabilities assumed based on their respective fair values. This included, but was not limited to, assessing the fair value of intangible non-current assets acquired including customer relationships and trademarks totaling to € 90.9 million. The remaining unallocated balance determined the value of goodwill, which totaled to € 86.0 million for the segment "Unquoted" and € 24.9 million for the segment "Quoted minority interests". As part of the valuation process, management utilizes valuation experts to assist in the determination of the total consideration and valuation of identified assets.	Our audit procedures on acquisitions included an assessment of the purchase agreements, the process that management has undertaken to determine the allocation of purchase consideration including contingent adjustments, including but not limited to, understanding the scope of work, assessing the qualifications, competence and objectivity of the valuation experts engaged by the Group and evaluating the process and oversight performed by the Group's finance team on harmonizing the accounting policies. Furthermore, with the assistance of our valuation experts we tested the fair value measurements prepared by management and their valuation experts, including evaluating the key valuation assumptions used. We corroborated and, where appropriate, benchmarked key data used in the valuation model, such as the pre-acquisition carrying values, discount rates, royalty rates and retention rates for the valuation of customer relationships and trademarks Based on our procedures, we considered management's allocation of purchase consideration including contingent adjustments and fair value measurements to be appropriate. Further, we consider the related disclosures in notes 5 and 6 to the consolidated financial statements to be adequate.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of tank terminal assets and joint ventures and associates *See notes 3, 6 and 34 of the consolidated financial statements for the Executive Board's disclosures of related accounting policies, judgments and estimates.*	
Vopak controls a number of tank storage terminals with a total carrying value of € 3,419.9 million. Furthermore, Vopak has an interest in a number of joint ventures and associates, with a total carrying value of € 1,081.7 million (note 5 Supplemental Information). We considered this to be an area of focus as the determination as to whether or not these assets are carried at more than their recoverable amounts is subject to significant management judgment. Such judgment focuses predominantly on future cash flows, which are, amongst others, dependent on economic conditions, the continued attractiveness of the terminal location for users along the major shipping routes and local market circumstances and is inherently surrounded with uncertainty. As described in note 34 of the consolidated financial statements, Vopak recognized impairments on tank terminal assets and joint ventures and associates in an amount totaling € 4.6 million. The Group has also provided disclosures for the uncertainties in relation to the recoverable value of the tank terminal assets under strategic review.	We evaluated the policies and procedures to identify triggering events for potential impairments of terminal assets, joint ventures and associates. For the tank terminal assets, joint ventures and associates that triggered impairment testing, we evaluated the impairment testing policies and procedures, we challenged primary cash flow assumptions and corroborated them by comparing to commercial contracts, customer relationship management information, available market reports, historic trend analyses and, where available, market multiples from recent tank terminal sales transactions in the region. Valuation experts were involved to evaluate the weighted-average cost of capital by country as applied by Vopak and the appropriateness of certain assumptions in the applied value in use calculations or, when applicable, the fair value less cost of disposal calculations. Based on our procedures, we consider management's key assumptions used in measuring the recoverable amount to be within a reasonable range of our own expectations and the related disclosures on key estimates, uncertainties and impairments in note 34 to the consolidated financial statements to be adequate. By nature, the assumptions applied in measuring the recoverable amount are subject to developments and change in later periods. This could potentially lead to (reversal of) impairments of individual tank terminal assets going forward.

Key audit matter	How our audit addressed the key audit matter
Disclosure of the expected impact of IFRS 16, Leases *See “Recent accounting developments” as part of “Basis of preparation” of the consolidated financial statements.*	
IFRS 16, Leases becomes effective for annual reporting periods beginning on or after January 1, 2019. The application of this new standard is estimated to give rise to a right of use asset of € 2.4 billion and a corresponding increase in lease liabilities of € 2.3 billion for the Group. We considered this to be a key audit matter because of the magnitude of the amounts involved and the implementation process required to identify and process all relevant data associated with these leases (including IT software and internal controls). In addition, management’s judgment is applied in determining matters such as discount rates and lease terms as well as applying policy elections.	We evaluated the design effectiveness of management’s internal controls around the (local) implementation of IFRS 16 including completeness and accuracy of the contractual lease agreements recognized in the lease calculation tool. We challenged management on their accounting policy choice judgments and they provided us with explanations and evidence supporting these judgments. Furthermore, we challenged management's assumptions used in determining the discount rates and lease terms. With the assistance of valuation experts we tested the discount rates applied by the Group. On a sample basis we agreed the key inputs to supporting documentation such as lease agreements. We also recalculated the right of use asset and lease liability calculated by the system for each material type lease contract. We considered the disclosure on the implementation of IFRS 16, including the estimated impact on the consolidated financial statements at implementation date, to be adequate.

How we tailored our group audit scope
HAL Trust holds 100% of the shares of HAL Holding N.V., a Curaçao-based limited liability company, that manages the group of entities included in the financial statements. The financial information of HAL Holding N.V. and this group of entities are included in the financial statements of HAL Trust. As indicated on pages 167 to 170, the Executive Board and the Supervisory Board reside at the level of HAL Holding N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to provide an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate.

We conducted audit work at HAL Trust, HAL’s corporate entities and 17 of its components. A full-scope audit was performed at three components as we determined these components to be individually financially significant to the Group. These three components are: Vopak (The Netherlands), Safilo (Italy) and GrandVision (The Netherlands). Additionally, two components were selected for full scope audit procedures based on our scoping determinations. At the request of the Executive Board and the Supervisory Board of HAL Holding N.V., we undertook full scope audits at 11 additional components and furthermore subjected 1 component recently acquired by

HAL to specific risk-focused audit procedures. For HAL Trust and HAL's corporate entities including HAL Holding N.V., the group engagement team performed the audit work. For all other components that are in scope of the Group audit, the group audit team used component auditors, who are familiar with the local laws and regulations, to perform this audit work.

In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor. Where the work was performed by component auditors, the group audit team determined the level of involvement it needed to have in the audit work at those components, to be able to conclude whether sufficient appropriate audit evidence had been obtained, to support our opinion on the financial statements as a whole. The group engagement team visited local management and the component auditors of Vopak (The Netherlands), Safilo (Italy) and GrandVision (The Netherlands) given the significance of these components. For each of these components the group audit team reviewed all reports regarding the audit approach and audit findings of the component auditors, has held several meetings with and reviewed the selected working papers of the component auditors and assessed the sufficiency and appropriateness of the work performed by the component auditors.

The group audit team also attended the meetings of the component auditors with local management where the outcome of the component audit was discussed for Timber and Building Supplies Holland N.V. (The Netherlands), Broadview Holding B.V. (The Netherlands), Koninklijke Ahrend B.V. (The Netherlands), Floramedia Group B.V. (The Netherlands), Sport Timing Holding B.V. (The Netherlands), Infomedics Groep B.V. (The Netherlands) and Orthopedie Investments Europe B.V. (The Netherlands). The group audit team reviewed all reports regarding the audit approach and audit findings of the component auditors.

In total, by performing these procedures, we achieved the following coverage on the financial line items:

Audit coverage per financial statements line item*	
Revenue	**100%**
Total assets	**91%**
Profit before tax	**83%**

* In our audit coverage percentages we included the portions of the full scope components on a 100% basis. Taken together, and excluding our group analytical procedures, our audit coverage defined in percentages in the table above is based on the full scope audits performed as described above.

None of the remaining components represented more than 1% of total group revenue or 7% of total group assets. For those remaining components the group audit team performed analytical procedures to corroborate the assessment that there were no significant risks of material misstatements within those components. In instances where the remaining component was a quoted entity, the group audit team also performed reconciliations to the audited financial statements.

By performing these procedures, sufficient and appropriate audit evidence has been obtained on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Other information

The Executive Board of HAL Holding N.V. is responsible for the other information, which comprises the Corporate Administration, the Highlights and Financial Calendar, the report of the Trust Committee, the report of the Supervisory Board of HAL Holding N.V., the report of the

Executive Board of HAL Holding N.V., Five-Year Summary Consolidated Statement of Financial Position, Five-Year Summary Consolidated Statement of Income, Financial Statements HAL Holding N.V., Distribution of Profits, HAL Trust Organization, Description Corporate Governance HAL Holding N.V., Information in respect of members of the Supervisory Board and Notice to Trust Shareholders.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Board of HAL Holding N.V. is responsible for the preparation of the financial statements that give a true and fair view in accordance with EU-IFRS, and for such internal control as the Executive Board of HAL Holding N.V. determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Board of HAL Holding N.V. is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for supervising the procedures followed by the Executive Board of HAL Holding N.V. in the preparation of the financial statements.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures of the Group and of the Trust, made by the Executive Board of HAL Holding N.V.
- Conclude on the appropriateness of the HAL Holding N.V. Executive Board's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the Group's consolidated financial statements.

We communicate with the Supervisory Board of HAL Holding N.V. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board of HAL Holding N.V. with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board of HAL Holding N.V., we determine those matters that were of most significance in the audit of the financial statements of the Trust for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Scott Watson-Brown.

Hamilton, Bermuda, March 28, 2019

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Five-Year Summary Consolidated Statement of Financial Position

In millions of euro	**2018***	2017*	2016*	2015*	2014*
Non-current assets					
Property, plant and equipment	**1,517.5**	1,327.5	1,301.5	1,229.9	1,084.7
Investment properties	**-**	6.9	8.3	13.3	1.4
Intangible assets	**2,275.8**	2,176.1	2,014.2	2,231.8	2,065.7
Investments in associates and joint arrangements	**3,089.0**	2,949.1	2,854.1	2,727.0	2,419.6
Derivatives and other financial assets	**504.8**	667.4	653.8	474.1	399.7
Pension benefits	**68.8**	86.4	72.1	74.7	64.8
Deferred tax assets	**63.9**	40.0	39.3	67.4	71.6
Total non-current assets	**7,519.8**	7,253.4	6,943.3	6,818.2	6,107.5
Current assets					
Inventories	**610.8**	604.4	521.9	500.8	410.0
Receivables	**616.2**	529.2	521.0	446.1	382.1
Marketable securities and deposits	**274.7**	584.8	229.9	164.6	141.1
Derivatives and other financial assets	**3.6**	5.4	8.9	23.3	0.9
Other current assets	**282.4**	269.8	241.8	192.0	203.5
Cash and cash equivalents	**2,020.8**	1,998.8	2,728.6	2,029.7	876.8
Assets held for sale	**55.7**	3.2	-	50.0	-
Total current assets	**3,864.2**	3,995.6	4,252.1	3,406.5	2,014.4
Total assets	**11,384.0**	11,249.0	11,195.4	10,224.7	8,121.9
Equity attributable to owners of parent	**7,471.2**	7,572.6	7,599.4	6,698.0	5,034.5
Non-controlling interest	**588.4**	485.6	436.2	345.8	88.9
Non-current liabilities					
Deferred tax liabilities	**181.8**	182.2	161.6	180.6	133.0
Provisions	**156.9**	135.9	102.3	99.5	119.2
Contract liabilities	**8.2**	5.1	-	-	-
Debt and other financial liabilities	**932.5**	884.7	986.3	1,244.1	1,488.4
Total non-current liabilities	**1,279.4**	1,207.9	1,250.2	1,524.2	1,740.6
Current liabilities					
Provisions	**26.5**	27.9	36.3	49.9	28.6
Contract liabilities	**140.8**	126.9	-	-	-
Accrued expenses	**548.3**	504.4	607.1	665.3	599.5
Income tax payable	**57.2**	61.5	57.1	45.3	27.2
Accounts payable	**537.5**	468.5	470.9	301.0	289.6
Debt and other financial liabilities	**697.8**	793.7	738.2	595.2	313.0
Liabilities related to assets held for sale	**36.9**	-	-	-	-
Total current liabilities	**2,045.0**	1,982.9	1,909.6	1,656.7	1,257.9
Total equity and liabilities	**11,384.0**	11,249.0	11,195.4	10,224.7	8,121.9
Equity per share *(in euro)*	**91.45**	94.61	96.80	87.82	68.00
Net asset value per share at market value of quoted companies *(in euro)*	**137.57**	151.45	162.46	172.80	103.71

* Figures used are based on the pro forma consolidated financial statements

Five-Year Summary Consolidated Statement of Income

In millions of euro	**2018***	2017*	2016*	2015*	2014*
Revenues	**6,122.7**	5,609.5	5,497.5	5,174.7	4,546.5
Earnings from marketable securities and deposits	**(7.7)**	79.5	18.5	6.8	2.8
Share of results of associates and joint ventures	**(55.1)**	184.5	73.7	293.6	316.6
Income from other financial assets	**6.7**	7.5	10.2	25.5	9.1
Income from real estate activities	**10.2**	1.0	2.1	2.3	10.9
Other income	**2.7**	4.1	561.7	34.8	-
Total Income	**6,079.5**	5,886.1	6,163.7	5,537.7	4,885.9
Raw materials, consumables used and changes in inventories	**2,060.8**	1,901.2	1,864.9	1,702.6	1,426.4
Employee expenses	**1,852.6**	1,679.7	1,672.3	1,602.8	1,416.0
Depreciation and impairments property, plant and equipment and investment properties	**213.3**	196.9	189.8	189.3	166.2
Amortization and impairments intangible assets	**134.2**	156.4	70.0	79.5	75.2
Other operating expenses	**1,430.6**	1,298.7	1,251.1	1,131.9	1,103.1
Total expenses	**5,691.5**	5,232.9	5,048.1	4,706.1	4,186.9
Operating profit	**388.0**	653.2	1,115.6	831.6	699.0
Financial income and (expense)	**(47.0)**	(43.8)	(31.8)	3.5	(25.1)
Profit before income tax	**341.0**	609.4	1,083.8	835.1	673.9
Income tax expense	**(105.3)**	(136.9)	(123.2)	(120.5)	(97.8)
Profit before non-controlling interest	**235.7**	472.5	960.6	714.6	576.1
Non-controlling interest	**(81.0)**	(81.3)	(89.9)	(85.0)	(19.7)
Net profit	**154.7**	391.2	870.7	629.6	556.4
Earnings per Share *(in euro)*	**1.91**	4.84	10.98	8.13	7.40
Dividend per Share *(in euro)*	**5.30****	6.20	7.10	6.50	5.05

* Figures used are based on the pro forma consolidated financial statements
** Proposed

Financial Statements
HAL Holding N.V.

Statement of Financial Position HAL Holding N.V. *(in millions of euro)*

	2018	2017
Non-current assets		
Financial assets	**6,058.9**	6,059.2
Current assets		
Other current assets	**0.2**	2.4
Cash and deposits	**1,455.9**	1,540.8
Total assets	**7,515.0**	7,602.4
Equity	**7,512.2**	7,599.8
Current liabilities		
Accrued expenses	**2.8**	2.6
Total equity and liabilities	**7,515.0**	7,602.4

Statement of Income HAL Holding N.V. *(in millions of euro)*

	2018	2017
Income from financial assets	**168.6**	391.6
General and administrative expenses	**(9.9)**	(9.9)
	158.7	381.7
Financial income/(expense)	**(3.4)**	8.8
Net income	**155.3**	390.5

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

The company financial statements of HAL Holding N.V. have been prepared in accordance with book 2 of the Civil Code applicable for Curaçao. 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 (which are identical to the consolidated financial statements of HAL Holding N.V.) except for investments in subsidiaries which are carried at net asset values.

Financial assets

Balance on January 1, 2018	6,059.2
Income	168.6
Increase/(decrease) in loans, net	(176.3)
Exchange differences, valuation differences and equity adjustments	7.4
Balance on December 31, 2018	6,058.9

Equity

The movement for 2018 of Shareholders' equity is included on pages 27 and 61.

On December 31, 2018 and 2017, 81,763,062 and 80,124,524 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.

A 2017 dividend of € 496.2 million (excluding dividend on treasury shares) or € 6.20 per Share was distributed on June 20, 2018 (2017: € 557.4 million or € 7.10 per Share), of which € 248.1 million in cash and € 248.1 million in stock. The conversion ratio of 1:48.9 resulted in 1,638,538 new Shares being issued.

The Company owned 70,309 HAL Trust Shares as of December 31, 2018. These shares are to hedge the obligation to allot – under certain conditions – 20,000 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 2018 fixed remuneration for the Supervisory Directors of HAL Holding N.V. was € 0.4 million in total (2017: € 0.4 million).

Distribution of Profits

The profit to be decided upon by the General Meeting of Shareholders of HAL Holding N.V. for 2018 is as follows:

In millions of euro	**2018**
Net income according to the Statutory Statement of Income	155.3
Available for distribution to Shareholders	155.3
Proposed distribution	
In accordance with Article 31 (1), 0.03 euro for each of the 81,763,062 Shares	2.5
Available to the General Meeting of Shareholders in accordance with Article 31 (2)	152.8
From the available reserves	278.0
Available for distribution	433.3
After approval of the dividend proposal of € 5.30 per Share by the General Meeting of Shareholders of HAL Holding N.V., the dividend shall be distributed to HAL Trust for 81,763,062 Shares at € 5.30 per Share	433.3

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 for an amount of € 2.65 per Share and € 2.65 per Share in cash. The conversion ratio for the dividend in Shares will be determined on June 11, 2019, after the close of trading on 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, M.P.M. de Raad 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, M. van der Vorm and A.A. van 't Hof, *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, M. van der Vorm and A.A. van 't Hof.

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 166. The Trust Shares are listed and traded on 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-making 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 Supervisory Board;
2. approval of the financial statements;
3. granting discharge to the members of the Executive Board and the Supervisory Board;
4. amendment of the articles of association, provided such amendment is proposed by the Executive Board and has been approved by the Supervisory Board;
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 Supervisory Board;
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 Supervisory Board 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 Supervisory Board. At present the Executive Board consists of three members. All 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 Supervisory Board.

With the approval of the Supervisory Board 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 Supervisory Board, the treatment of possible conflicts of interest and the fulfilment by members of the Executive Board of additional offices.

The Supervisory Board 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 Supervisory Board 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.

Supervisory Board

The Supervisory Board 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 Supervisory Board 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 Supervisory Board is responsible for the quality of its own performance.

The Supervisory Board consists of at least five members. The Supervisory Board can determine that the Board consists of more members. At present the Board has five members which have been appointed by the General Meeting of Shareholders for an indefinite period of time. 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 Supervisory Board has chosen a chairman and a vice chairman from among its members.

All tasks and duties of the Supervisory Board are exercised on a collegiate and full-board basis. The Supervisory Board 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 Supervisory 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 Supervisory Board 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 Supervisory Board taken as a whole.

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

Supply of information/logistics General Meeting of Shareholders

The Executive Board and the Supervisory Board 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 Supervisory Board 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 Supervisory Board sees to it that the Executive Board fulfils this responsibility.

The consolidated financial statements 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 Euronext in Amsterdam. All financial information is also published on the web site www.halholding.com. The financial statements are signed by the members of the Executive Board and the Supervisory Board. The Supervisory Board discusses the financial statements with the external auditor prior to signing of the statements by the supervisory directors.

Reference is made to the Report of the Supervisory Board (page 7) and the report of the Executive Board (page 9). These reports explain the implications and the measures that have been taken as a consequence of the application of IFRS 10 which requires the Company to consolidate the financial statements of Koninklijke Vopak N.V. (‘Vopak’) and Safilo Group S.p.A. (‘Safilo’). As explained in these reports, the Company has entered into Memoranda of Understanding with Vopak and Safilo with respect to confidentiality, the process of exchanging information and attendance rights to the Audit Committee meetings of Vopak and the Control, Sustainability and Risk Committee meetings of Safilo of an independent financial expert appointed by the Company. This independent financial expert reports to the Company if there are any matters which should be brought to the attention of the Company prior to the signing of the financial statements.

The assessment that the Company’s financial statements do not contain material errors attributable to the financial statements of Vopak and/or Safilo is based on the external audit of these companies and the involvement of the independent financial expert referred to above. The Executive Board and the Supervisory Board felt that it was necessary to take the measures outlined above, in order to provide additional comfort to the Executive Board when discharging itself of its responsibility for financial statements of the Company and to the Supervisory Board when discharging itself of its responsibilities to supervise the Executive Board and to review and sign the annual financial statements.

The General Meeting of Shareholders appoints the external auditor. Following receipt by the Board of Supervisory Directors of advice from the Executive Board, the Supervisory Board 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 Supervisory Board 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 Supervisory Board

M. van der Vorm (60) is a Dutch citizen. Mr. van der Vorm was appointed member of the Supervisory Board of HAL Holding N.V. in 2014. In 2016 he was appointed Chairman. His current term is from 2014-2020. Mr. van der Vorm was Chairman of the Executive Board of HAL Holding N.V. from 1993-2014.

M.P.M. de Raad (74) is a Dutch citizen. In 2006 he was appointed member of the Supervisory Board of HAL Holding N.V. His current term is from 2018-2023. 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 Advisory Board of Gemaco Holdco GmbH (Germany).

L.J. Hijmans van den Bergh (55) is a Dutch citizen. In 2013 he was appointed member of the Supervisory Board of HAL Holding N.V. In 2016 he was appointed vice-Chairman. His current term is from 2014-2019. Mr. Hijmans van den Bergh is a partner of De Brauw Blackstone Westbroek N.V. which is one of the legal advisers of HAL Holding N.V. Mr. Hijmans van den Bergh is not involved in the provision of legal services by De Brauw Blackstone Westbroek N.V. to HAL Holding N.V. Prior to joining De Brauw Blackstone Westbroek N.V., Mr. Hijmans van den Bergh was a member of the Management Board of Royal Ahold N.V. He is chairman of the boards of the Utrecht University Fund and Fortino Capital Partners N.V. as well as member of the Supervisory Councils of Air Traffic Control the Netherlands and the Netherlands Cancer Institute/ Antoni van Leeuwenhoek Hospital.
It will be proposed to re-elect Mr. Hijmans van den Bergh.

G.J. Wijers (68) is a Dutch citizen. In 2014 he was appointed member of the Supervisory Board of HAL Holding N.V. His current term is from 2017-2022. He is a former Minister of Economic Affairs, former Senior Partner at the Boston Consulting Group and former CEO of Akzo Nobel N.V. He is chairman of the Supervisory Board of Heineken N.V. (until April 25, 2019) and chairman of the Supervisory Board of ING Groep N.V.

C.O. van der Vorm (48) is a Dutch citizen. In 2015 he was appointed member of the Supervisory Board of HAL Holding N.V. His current term is from 2015-2021. He is based in London and serves as a managing director of Southberg Holdings Ltd., which is active in agricultural operations in South America and Eastern Europe.

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 Thursday, May 16, 2019, 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 Friday, May 24, 2019, with regard to the following items on the agenda:
   (a) Report of the Executive Board of HAL Holding N.V.
   (b) Report of the Supervisory Board of HAL Holding N.V.
   (c) Approval of the financial statements of HAL Holding N.V.
   (d) Dividend payment against the available reserves and profits of 2018 in the amount of € 5.30 per Share as published in the Annual Report 2018, of which € 2.65 per Share shall be payable in Shares in the share capital of HAL Holding N.V., and € 2.65 per Share in cash and, with the approval of the Supervisory Board, to direct and authorize the Executive Board to effectuate such share issue and cash payments and to approve the share issue. If applicable, 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 based on the Conversion ratio
   (e) Election Supervisory Director. It is proposed to re-elect Mr. L.J. Hijmans van den Bergh
   (f) Discharge of the members of the Executive Board in respect of their duties of management during the financial year 2018
   (g) Discharge of the members of the Supervisory Board in respect of their duties of supervision during the financial year 2018
3. Approval of the financial statements of HAL Trust
4. (i) Proposal to distribute a dividend against the profits of 2018 of € 5.30 per Share of which € 2.65 per Share shall be payable in HAL Trust Shares, and € 2.65 per Share in cash 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, the number of HAL Trust Shares held by such HAL Trust Shareholder and the dividend per Share of € 2.65 payable in Shares; and
   (b) to convey to HAL Holding N.V., prior to June 18, 2019, 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.
5. Report of the Trust Committee
6. Other business
7. Closing

Shareholders who wish to attend the meeting must notify this not later than May 9, 2019, 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 2018 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 3, 2019

Explanatory notes to agenda item 2.d and 4

It is proposed to distribute a dividend of € 5.30 per HAL Trust Share against the profits of 2018 and that this dividend will be paid in HAL Trust Shares for € 2.65 per HAL Trust Share and in cash for € 2.65 per HAL Trust Share. 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 22, 2019, through June 11, 2019, (the 'Conversion ratio'), and will be announced on June 11, 2019, after the close of business of 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. The number of shares acquired after conversion will be rounded down whereby any fraction of a Share will be settled in cash. The newly issued Shares will carry dividend rights for 2019 and subsequent years.

Dividend rights will not be traded on Euronext in Amsterdam.

The time-table is as follows:

2019	
May 20	Ex-dividend date
May 21	Dividend record date
June 11 (after close of trading)	Determination and publication Conversion ratio
June 18	Delivery of Shares and payment of cash dividend

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