HAL Trust

Annual Report 2011

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

HAL Holding N.V.'s annual report is included herein. A translation of this report is published in the Dutch language. Only the report in the English language is submitted to the General Meeting of Shareholders for approval.

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Corporate Administration

HAL Holding N.V.

Board of Supervisory Directors:
S.E. Eisma, *Chairman*
T. Hagen
P.J. Kalff
A.H. Land
M.P.M. de Raad

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

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

Highlights
and Financial Calendar

In euro	**2011**	2010
Income (in millions)		
Revenues	**3,996.3**	3,768.9
Income from marketable securities and deposits	**1.0**	25.5
Share of profit/(loss) of associates	**295.9**	283.4
Income from other financial assets	**28.2**	4.4
Income from real estate activities	**53.3**	14.6
Net income	**493.0**	432.1
Statement of Financial Position		
Total assets (in millions)	**6,530.5**	5,778.4
Equity attributable to the owners of the parent (in millions)	**3,969.9**	3,595.1
Equity attributable to the owners of the parent (as a percentage of total assets)	**60.8**	62.2
Number of Shares (in thousands)	**67,278***	65,388*
Average number of shares outstanding (in thousands)	**66,418***	64,548*
Per Share		
Net income	**7.42**	6.51
Shareholders' Equity	**59.01**	54.98
Net asset value at market value of quoted associates	**88.83****	89.91**
Closing price Shares HAL Trust	**85.73**	94.00
Volume weighted average December share price HAL Trust	**84.04**	92.81
Dividend per share	**3.40*****	3.75
Exchange rates – December 31		
U.S. dollar per euro	**1.30**	1.34

Financial calendar	
Shareholders' meeting HAL Trust and interim statement	May 16, 2012
Ex-dividend date	May 18, 2012
Dividend record date	May 22, 2012
Election period cash/stock (stock being default)	May 23 – June 12, 2012 (15:00 hrs)
Determination and publication dividend conversion ratio	June 12, 2012 (after close of trading)
Delivery of shares and payment of cash dividend	June 19, 2012
Publication of 2012 half year results	August 28, 2012
Interim statement	November 15, 2012
Publication of preliminary net asset value	January 24, 2013
Publication of 2012 annual results	March 27, 2013
Shareholders' meeting HAL Trust and interim statement	May 16, 2013

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

Report
of the Trust Committee

HAL Trust

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

For further details of the organization see page 77.

In accordance with the instructions issued on May 18, 2011, the Trust distributed a dividend of € 3.75 per share on June 17, 2011. This dividend was payable in shares HAL Trust unless a shareholder expressly requested for payment in cash.

Accordingly, a cash dividend was paid on 15,893,815 shares for a total of € 59.6 million and 1,878,285 HAL Trust shares were issued as stock dividend.

On December 31, 2011, 67,358,837 HAL Trust shares were issued (2010: 65,480,552).

On December 31, 2011, HAL Holding N.V. owned 81,226 HAL Trust shares (2010: 92,210).

The Trust Committee
HAL Trust Committee Ltd.

March 27, 2012

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

The Board of Supervisory Directors ("the Board") supervises the Executive Board and provides advice to the general meeting of shareholders. In performing its task, the Board is guided by the interest of HAL Holding N.V. and its business. The composition of the Board was unchanged in 2011 and consisted of five members. Their names, nationality and other relevant information are mentioned on page 81. On May 26, 2011, the general meeting of shareholders reappointed Mr. S.E. Eisma as a member of the Board. He had resigned in accordance with the rotation schedule.

The Board exercised its supervisory task by having in-depth discussions with the Executive Board during five meetings. All Supervisory Directors attended all meetings with one exception due to illness.

The Executive Board provided both written and verbal information. Based on this information, the status of the Company was discussed and evaluated. Among others, the following specific subjects were addressed during the meetings: the strategy, the budget, the development of the results, the quarterly, semi-annual and annual reports, the remuneration policy, potential investments, the dividend policy and the risks associated with the Company and the design and implementation of the systems of internal control. With regard to the last mentioned topic, the Board was provided with the results of the risk management review in relation to the financial reporting of the Company, which was conducted during 2011. The results of this review were discussed with the Executive Board. For further information relating to this subject, we refer to the relevant paragraph in the report of the Executive Board on page 16.

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 63.

On May 26, 2011, The General Meeting of Shareholders approved an amendment to the Articles of Association. As a result of this amendment the profit related portion of the remuneration of the Board was abolished. If the Articles of Association would not have been amended, the 2011 remuneration of a supervisory board member would have amounted to € 139,000. The remuneration per Board member for 2011, as determined by the General Meeting of Shareholders, amounted to € 80,000.

The Board had discussions with the external auditor during three meetings. Subjects for discussion were the financial statements, the report on the first half of 2011, impairment testing and the systems of administrative and internal controls.

The Board also met in the absence of the Executive Board to discuss, among other matters, the functioning and composition of the Board as well as the functioning of the Executive Board. All members of the Board were present during the Shareholders' meeting of HAL Trust on May 18, 2011 in Rotterdam.

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

The financial statements for 2011 were prepared by the Executive Board and discussed by the Board in the presence of the external auditor during a meeting on March 27, 2012.
After the review of the unqualified opinion provided by PricewaterhouseCoopers Bermuda, and the findings of the external auditor as summarized in a Report to the Board and the Executive Board, the financial statements were signed by all members of the Board. The Board approved the amounts reserved as proposed by the Executive Board.

The Board recommends that the Shareholders of HAL Trust instruct the Trustee to vote at the Annual Meeting of HAL Holding N.V., to be held on May 25, 2012, for the approval of the financial statements for 2011 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. in view of the fact that HAL Holding N.V. is not a Dutch company, nor are other Corporate Governance Codes applicable to HAL Holding N.V. Pages 78 through 80 of this report provide a description of HAL Holding N.V.'s corporate governance structure.

In accordance with the rotation schedule, Mr. A.H. Land will resign this year. He is available for a new term. We propose that the Shareholders instruct the Trustee to vote at the Annual Meeting of HAL Holding N.V., to be held on May 25, 2012, for the re-election of Mr. A.H. Land.

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

March 27, 2012

In memoriam

On June 19, 2011, Mr. O.J. van der Vorm passed away. Mr. van der Vorm was member of the Supervisory Board from 1967 to 1999. We are very grateful for his wise counsel and friendship for more than thirty years.

Board of Supervisory Directors and Executive Board

Report of the Executive Board HAL Holding N.V.

Introduction

Net income of HAL Holding N.V. for 2011 amounted to € 493 million (€ 7.42 per share) compared with € 432.1 million (€ 6.51 per share) for 2010. This increase was primarily due to higher income from the quoted associates.

In 2011, the Company's net asset value increased by € 157 million (3%), representing € 2.37 per share. This compared with an increase of € 1,205 million (26%) in 2010 (€ 18.66 per share). Taking into account the cash portion of the 2010 dividend (€ 60 million), the net asset value increased from € 5,879 million on December 31, 2010 (€ 89.91 per share) to € 5,976 million as of December 31, 2011 (€ 88.83 per share). The calculation of the net asset value is based on the market value of the quoted associates and the liquid portfolio and on the book value of the unquoted companies.

On December 31, 2011, estimated value of the unquoted companies, based on the principles and assumptions set out on pages 67 and 68 of this report, exceeded the book value by € 614 million (€ 9.12 per share) compared to € 863 million (€ 13.19 per share) on December 31, 2010. On a comparable basis, estimated value decreased by 4.7% during 2011.

Dividend

The dividend policy is, barring unforeseen circumstances and provided sufficient liquid assets, to base the dividend on 4% of the volume weighted average share price of HAL Trust during December of the year prior to the year in which the dividend will be paid. Accordingly, the proposed dividend per share over 2011 amounts to € 3.40 (2010: € 3.75), payable in shares unless a shareholder expressly requests payment in cash.

Prospects

During the period from December 31, 2011 to March 23, 2012, the value of the ownership interests in quoted companies and the liquid portfolio increased by € 140 million (€ 2.08 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 companies and potential capital gains and losses, we do not express an expectation as to the net income for 2012.

Strategy

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

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

Risks

There are a number of risks associated with this strategy and with its implementation. Financial risks are further described in the financial statements on pages 38 through 41.
Besides risks which are specific to individual companies (these risks are not managed by HAL Holding N.V., see page 16), important risk factors are summarized below.

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

Unquoted companies

Revenues of the consolidated subsidiaries for 2011 amounted to € 3,996 million. Optical retail activities represented 57% of this amount.
At the end of 2011 the book value of the investments in unquoted companies amounted to € 1,670 million. An estimate of value of these assets, based on the principles and assumptions set out on pages 67 and 68 of this annual report, amounted to € 2,283 million. Estimates of value can fluctuate significantly from year to year.
In addition, values realized may be materially different from these estimates. The optical

retail activities represented 60% of this amount. Accordingly, there is concentration risk with respect to the optical retail industry. A decrease in revenues of the optical retail activities, for example due to an economic recession, may have a significant impact on the profitability of HAL. A 10% decrease in revenue could, everything else being equal, affect the profit before tax by at least € 100 million.

Quoted companies

At the end of 2011 the stock market value of HAL's interests in quoted companies amounted to € 3.7 billion. This includes Koninklijke Vopak N.V. (€ 2,529 million, 2010: € 2,192 million), Koninklijke Boskalis Westminster N.V. (€ 980 million, 2010: € 1,187 million), Safilo Group S.p.A. (€ 103 million, 2010: € 282 million) and Dockwise Ltd. (€ 55 million, 2010: € 88 million). In addition, HAL owns Senior 9⅝% Notes issued by Safilo Group S.p.A. (€ 69 million, 2010: € 102 million). Accordingly, HAL is exposed to concentration risk also with respect to these assets. 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 described above, HAL owned, at the end of 2011, equities which are part of the liquid portfolio for an amount of € 97 million. The value of these assets can be subject to significant fluctuations as a result of the volatility of the stock markets.
In 2011 fluctuations in the share prices of the quoted companies and the equities in the liquid portfolio had a negative effect of € 30 million on the net asset value (2010: a positive effect of € 960 million). The change in market value (based on stock exchange prices) of the quoted companies where HAL's interest exceeds 20% does not have an impact on the valuation in the financial statements as these assets are accounted for using the equity method.

Interest rate risk
Investments in fixed income instruments are exposed to fluctuations in interest rates. As of December 31, 2011 this risk mainly relates to the Company's interest in Safilo Senior 9⅝% Notes which mature in May 2013 (€ 69 million). In view of the short duration of this bond, the interest rate risk is limited. In addition, the risk of an increase in interest rates exists with respect to the Company's consolidated debt position. This debt position is primarily at the level of the consolidated subsidiaries. The potential impact is detailed in the financial statements on page 41. Of the € 1,320 million bank debt outstanding at the end of 2011 (2010: € 1,036 million), 53% (2010: 61%) was at fixed rates for an average period of 3.6 years (2010: 3.8 years).

Currency risk
Currency translation risk exists as a result of the translation of (net) balance sheet positions from a foreign currency to the Euro. In August 2011 the Company announced it had discontinued to hedge the currency translation risk with respect to net assets denominated in U.S. dollars and British pounds. This decision was made in view of the developments in the financial markets.
At the end of 2011 the amount to which the Company is exposed to currency translation risk, excluding the translation risk of associates and excluding the USD exposure with respect to Dockwise Ltd., was € 832 million (2010: € 760 million). As a result of the policy change in August 2011 this exposure was almost entirely unhedged. The new policy has increased the currency translation risks. At the same time however, the liquidity risk has decreased as the use of forward exchange contracts had an impact on the size of the liquid portfolio when the exchange rates of the hedged currencies changed. Any future change to the currency hedging policy will be announced as and when it occurs.
The maximum exposure to a specific currency at year-end exchange rates was € 219 million. This exposure related to the U.S. dollar.
The potential impact is further detailed on page 40 of the financial statements.

Credit risk
HAL is subject to credit risk with respect to financial instruments and liquid assets. This risk relates to the possibility that a counterparty is unable to comply with its contractual obligations. To reduce the Company's exposure to credit risk, transactions are generally only entered into with counterparties that have a strong credit rating (S&P credit rating varying from A/A-1 to AAA/A-1+). At the end of 2011 the liquid assets (excluding equities) amounted to € 645 million (2010: € 267 million) of which € 317 million (2010: € 35 million) was part of the 'corporate' liquid portfolio. HAL also

has counterparty risk as a result of derivative financial instruments (page 62). In addition, there is credit risk with respect to the investment of € 69 million in Senior 9 5/8% Notes issued by Safilo Group S.p.A. maturing in May 2013 (2010: € 102 million).

Liquidity risk
Liquidity risk relates to situations where a company is unable to comply with its financial obligations. The financial liabilities mainly relate to the consolidated subsidiaries. The liquidity risk of the consolidated subsidiaries is detailed on page 39 of the financial statements. HAL Holding N.V. had no bank debt at the end of 2011 (2010: € 77 million) and committed facilities of € 365 million, expiring in 2012 and 2013.

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

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

Investments

In March, the acquisition of a 45% interest in Atlas Services Group Holding B.V. was completed. Atlas specializes in supplying professionals to the energy and marine industries worldwide and reported 2011 revenues of approximately € 120 million.

In April, the Company acquired an additional 47% interest in InVesting B.V., a company with a focus on the purchase of bad debt portfolios for its own account, and risk and debt collection activities. HAL's current interest in the company is 59.6%. Revenues for 2011 amounted to approximately € 60 million.

Divestitures

In November the Company sold its 65% equity interest in Delta Wines B.V. The company is active in importing and distributing wine and reported 2010 revenues of € 96 million. The transaction did not have a material impact on the 2011 result.

Optical retail subsidiaries

At the end of 2011 HAL's optical retail subsidiaries were GrandVision B.V., Atasun Optik and Shanghai Red Star Optical Co. GrandVision B.V. is the result of the merger in 2011 of GrandVision S.A. and Pearle Europe B.V.
At the end of 2011 the optical retail companies were active in 41 countries and operated 4,596 optical stores (2010: 4,401), including 1,121 franchise stores (2010: 1,184). The companies employed approximately 21,000 people (on a FTE basis) at the end of 2011. The total 2011 system wide sales (defined as sales including sales of franchise stores) amounted to € 2,730 million.
Revenues from the optical retail companies, as reported in the financial statements, amounted to € 2,291 million which represents a 4.4% increase compared with 2010 (€ 2,194 million). Excluding the effects of acquisitions and changes in currency exchange rates, revenues of the optical retail companies increased by € 68 million (3.1%). The 2011 same store sales (defined as the sales at constant currency exchange rates of those stores, excluding franchised stores, which were both on January 1, 2010 and on December 31, 2011 part of the store network), increased by 0.1% compared with a 2010 increase of 0.3%. Revenues also increased due to the opening of new stores in 2010 and 2011. The 2011 operating income (earnings before interest, exceptional and non-recurring items, taxes and amortization of intangible assets but including amortization

of software) of the optical retail companies amounted to € 248 million (2010: € 258 million). Operating income was negatively affected by losses in the emerging markets, Spain and Greece totalling € 21 million (2010: € 21 million).

GrandVision B.V. (100%) owns and operates optical retail chains in 39 countries consisting of 4,477 stores at the end of 2011 (2010: 4,295), of which 1,086 operated under franchise agreements (2010: 1,147). At the end of 2011, GrandVision employed approximately 19,900 people (on a FTE basis). Its head office is located at Amsterdam Airport Schiphol, the Netherlands. In 2011, GrandVision acquired optical retail chains in Colombia (37 stores) and Greece/Cyprus (11 stores). Revenues for 2011 amounted to € 2,257 million (2010: € 2,164 million), representing an increase of 4.3%. Excluding the effects of acquisitions and changes in currency exchange rates, revenues increased by € 59 million (2.7%). The 2011 same store sales decreased by 0.1% (2010: 0%). Operating income amounted to € 250 million (2010: € 260 million).
HAL has had an ownership interest in GrandVision since 1996.

Atasun Optik (95%) is an Istanbul (Turkey) based optical retail company. At the end of 2011 the company operated 53 stores (2010: 43). Atasun employs approximately 400 people. Revenues for 2011 amounted to TRY 57 million (€ 24 million) compared with TRY 40 million (€ 19 million) for 2010. Same store sales increased by 25% (2010: 35.8%). Operating income for 2011 improved but was still negative. HAL has had an ownership interest in Atasun since 2007.

Shanghai Red Star Optical Co. Ltd (78%) operates an optical retail chain in Shanghai (China). At the end of 2011 the company operated 66 stores (2010: 63) of which 35 (2010: 37) under franchise contracts. Red Star employs approximately 250 people. Revenues for 2011 amounted to RMB 91 million (€ 10 million) compared with RMB 86 million (€ 10 million) for 2010. Same store sales increased by 3.1% (2010: 16.5%). Operating income for 2011 was lower than the year before, when a break-even result was reported. This decrease is primarily a result of higher occupancy and marketing costs.
HAL has had an ownership interest in Red Star since 2006.

Other unquoted subsidiaries

PontMeyer N.V. (56.7%) located in Zaandam (the Netherlands), is one of the leading suppliers of timber products and building materials in the Dutch market for new construction, renovation and maintenance. The company has 49 outlets throughout the Netherlands and approximately 800 employees. Revenues for 2011 increased by € 15 million (5%) to € 319 million. This increase was primarily due to higher average sales prices. The operating income amounted to € 6 million (2010: negative € 1 million).
HAL has had an ownership interest in PontMeyer since 1999.

AudioNova International B.V. (95%) is a Rotterdam (the Netherlands) based retail company that sells hearing aids via its European subsidiaries. At the end of 2011 the company employed approximately 2,900 people and operated 1,098 stores in twelve European countries. Revenues for 2011 increased by € 29 million to € 309 million, primarily due to the acquisition in 2010 of GEERS in Germany. Excluding acquisitions and changes in currency exchange rates, revenues increased by € 4 million (1.4%) due to the opening of new stores. The same store sales, however, decreased by 2.9% (2010: increase in same store sales of 4.3%). Operating income increased by € 2 million to € 35 million.
HAL has had an ownership interest in AudioNova since 2001.

Broadview Holding B.V. (97.4%) is located in ‘s-Hertogenbosch (the Netherlands) and owns Trespa International B.V. and Arpa Industriale S.p.A. Trespa is located in Weert (the Netherlands) and produces High-Pressure Laminate (HPL) products, mainly for exterior applications. Arpa also produces HPL-products, mainly for interior applications, and is located in Bra (Italy). Broadview employs approximately 1,200 people. Revenues for 2011 increased by € 2 million to € 275 million. This increase was mainly due to an improvement in the product mix. The operating income decreased by € 1 million to € 34 million primarily due to higher raw material prices and higher operational costs.

HAL has had an ownership interest in Broadview/Trespa since 1996.

Koninklijke Ahrend N.V. (99%) is based in Amsterdam (the Netherlands) and employs approximately 1,200 people. The company is active in the office furniture industry in the Benelux, Central and Eastern Europe, Germany, the United Kingdom, Spain, Russia, the United States and the United Arab Emirates. Revenues for 2011 increased by € 23 million to € 213 million. As a result of market conditions margins decreased. Accordingly, operating income remained on the same level as in 2010 (negative € 6 million). In February 2012 Ahrend announced a restructuring. This restructuring is part of an integral improvement plan that is being implemented based on a strategic study. In this context 175 jobs will be made redundant over the next two years.
HAL has had an ownership interest in Ahrend since 2001.

Anthony Veder Group N.V. (64.2%) is a Rotterdam (the Netherlands) based shipping company which, at the end of 2011, operated 25 gas tankers, of which 15 in (partial) ownership, and had approximately 400 employees. In addition, at the end of 2011, four gas tankers and one LNG tanker were under construction. The total cost price of these vessels amounts to approximately $ 190 million (€ 147 million). The vessels will come into operation during the period 2012-2013. The four gas tankers are the property of companies of which HAL owns 99.9% of the shares. Anthony Veder has the option to acquire these shares in 2015 from HAL. The commercial and technical management of these gas tankers is entirely provided by Anthony Veder. Revenues for 2011 increased by $ 29 million (€ 22 million) to $ 146 million (€ 113 million) as a result of the expansion of the fleet. Operating income remained on the same level as the year before and amounted to $ 9 million (€ 7 million). The effect of the increase in revenues was mostly offset by higher (fuel) costs. HAL has had an ownership interest in Anthony Veder since 1991.

Intersafe Trust B.V. (95.5%) is a distributor of personal protection equipment such as safety clothing, shoes and gloves for factory workers and is located in Dordrecht (the Netherlands). The company employs approximately 400 people. Revenues for 2011 amounted to € 113 million (2010: € 113 million). Operating income was higher than the year before when a break-even result was reported.
HAL has had an ownership interest in Intersafe since 2001.

Mercurius Groep Holding B.V. (100%) is a publisher and communication specialist based in Zaandam, (the Netherlands) and employs approximately 600 people throughout Europe. The company has two operating companies: Mercurius and Imprima. Mercurius provides, under the brand name Floramedia, communication products and services to the "green market" and uses a database which contains more than 170,000 pictures of plants, seeds and trees. The other activities mainly consist of the production and distribution of announcement cards and calendars as well as specialized printing. Imprima is active in financial communication and provides access to virtual data rooms as well as services relating to the production of prospectuses for capital market transactions. Revenues for 2011 amounted to € 88 million (2010: € 94 million). The decrease in revenues was mainly due to lower sales with respect to traditional financial communication (prospectuses) and announcement cards. As a result of the decrease in revenues, operating income for 2011 remained negative.
HAL has had an ownership interest in Mercurius since 1999.

FD Mediagroep B.V. (96,8%) is located in Amsterdam (the Netherlands) and publishes the Dutch financial newspaper "Het Financieele Dagblad". FD Mediagroep also operates the radio station "BNR Nieuwsradio" and internet sites (fd.nl, BNR.nl and fondsnieuws.nl). The company employs approximately 250 people. Revenues for 2011 amounted to € 59 million (2010: € 56 million). Operating income also increased.
HAL has had an ownership interest in FD Mediagroep since 1997.

Orthopedie Investments Europe B.V. (95%) manufactures and sells orthopaedic devices and is located in Haarlem (the Netherlands). The company operates in the Netherlands under the name Livit B.V. and employs more than 500 people. Livit operates a network of approximately 40 specialised care centres and over 200 fitting locations throughout the

country. The company also owns a 46% interest in the German company Lutterman GmbH. Lutterman sells medical aids in Germany and reported 2011 sales of approximately € 47 million (2010: € 45 million). Revenues of Livit for 2011 amounted to € 54 million (2010: € 51 million). Operating income decreased due to higher costs.
HAL has had an ownership interest in Orthopedie Investments Europe since 2007.

Sports Timing Holding B.V. (95%), located in Haarlem (the Netherlands), operates under the MYLAPS brand and is active in the development and production of identification and timing equipment for sports events. The company employs approximately 100 people. Revenues for 2011 amounted to € 22 million (2010: € 22 million). Operating income for 2011 increased compared with the year before.
HAL has had an ownership interest in the company since 1998.

Flight Simulation Company B.V. (70%) is based at Amsterdam Airport Schiphol (the Netherlands) and provides training for pilots using full flight simulators. The company employs approximately 50 people and, at the end of 2011, operated 16 simulators. Revenues for 2011 amounted to approximately € 17 million (2010: € 13 million). Operating income increased considerably but was still negative.
HAL has had an ownership interest in Flight Simulation Company since 2006.

Unquoted non-controlling interests

N.V. Nationale Borgmaatschappij (46.7%) is an Amsterdam (the Netherlands) based insurance company that specializes in bank guarantees, the reinsurance of bank guarantees and in credit insurance. The company operates in the Netherlands and Belgium and has an A-/stable rating from Standard & Poor's (January 2012). Total net premium revenue for 2011 amounted to € 72 million (2010: € 64 million). Net income for 2011 decreased by € 10 million to € 8 million primarily as a result of negative investment results. HAL has had an ownership interest in Nationale Borgmaatschappij since 2007.

Private equity partnerships
At the end of 2011 HAL had investments in six private equity partnerships. The total book value of the investments amounted to € 48 million (2010: € 41 million). These partnerships are managed by Navis Capital Partners Ltd. ("Navis"), in which HAL has a 25% ownership interest. At the end of 2011 the partnerships managed by Navis had approximately € 1,350 million invested in a portfolio of companies, located in South-East Asia, China, India and Australia.
HAL has had an ownership interest in Navis since 1999.

Publicly traded non-controlling interests

HAL has ownership interests in the following quoted associates:

Koninklijke Vopak N.V. (48.15%) is the world's largest independent tank terminal operator specializing in the storage and handling of bulk liquid chemicals, gasses and oil products. The company operates 84 terminals in 31 countries with a storage capacity of 27.9 million cbm. The company had 3,921 employees at the end of 2011. The company is listed on NYSE Euronext in Amsterdam and had a market value at the end of 2011 of approximately € 5.2 billion. On December 31, 2011, HAL owned 48.15% of the common shares and 13.64% of the preferred shares. Revenues for 2011 increased by 6% to € 1,172 million. Net income for holders of ordinary shares amounted to € 392.4 million (2010: € 261.9 million).
HAL has had an ownership interest in Vopak since 1999.

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

Safilo Group S.p.A. (37.23%) is a Padua (Italy) based manufacturer and distributor of optical frames and sunglasses. The company is listed on the Milan stock exchange and had a market value of approximately € 275 million at the end of 2011. Safilo had 8,108 employees at the end of 2011. Revenues for 2011 increased by 2% to € 1,102 million. Net income amounted to € 27.9 million (2010: € 0.7 million).
HAL also owns Senior $9^5/_8$% Notes issued by Safilo maturing in 2013. The market value of these notes amounted to € 69 million as of December 31, 2011 (par value of € 68 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. (33.37%) is a global services provider operating in the dredging, maritime infrastructure and maritime service sectors. Boskalis has a fleet of over 1,100 units, operates in around 75 countries across six continents and has approximately 14,000 employees (including its share in partnerships). The company is listed on NYSE Euronext in Amsterdam and had a market value at the end of 2011 of approximately € 2.9 billion. Revenues for 2011 amounted to € 2,801 million (2010: € 2,674 million). Net income for 2011 amounted to € 254 million (2010: € 310.5 million). The order book of the company at the end of 2011 amounted to € 3,489 million compared to € 3,248 million at the end of 2010. 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.

Dockwise Ltd. (17.87%) provides transport services to the offshore, onshore and yachting industries as well as installation services of extremely heavy offshore platforms. The company owns a fleet of 19 vessels and employed more than 1,200 people at the end of 2011. Dockwise is listed on the stock exchanges of Oslo and NYSE Euronext in Amsterdam and, at the end of 2011, had a market value of approximately € 300 million. Revenues for 2011 amounted to $ 399 million (€ 308 million) compared to $ 439 million (€ 328 million) for 2010. Net loss for 2011 amounted to $ 33 million (€ 25 million) compared to a profit of $ 17 million (€ 13 million) for 2010.
HAL has had an ownership interest in Dockwise since 2009.

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

Real estate

At year end 2011 the Company's real estate assets, all located in the Seattle area, consisted of two properties, with a total of 601,000 square feet of rentable space, and three development parcels, totalling 148,000 square feet of land. The book value of the real estate portfolio amounted to € 80 million at the end of 2011. In 2011 the Company sold an office property and two development parcels resulting in a total pre-tax capital gain of approximately € 50 million.

On December 31, 2011, the two properties were, in aggregate, 97% leased, although with respect to one building (205,000 square feet), which will be used as a medical clinic, the tenant will start paying rent as from April 1, 2012 (after the completion of the tenant improvements). The average rent per rented square foot on December 31, 2011 (on a comparable basis) was almost unchanged from the end of 2010.

With respect to estimated value of the real estate portfolio, reference is made to page 42 of the financial statements.

Liquid portfolio

The corporate liquid portfolio increased in 2011 by € 289 million to € 414 million. This increase was primarily due to the refinancing of the optical retail company GrandVision B.V. As a result of the refinancing GrandVision was able to partially repay a loan received from HAL.
On December 31, 2011, the liquid portfolio consisted for 77% (2010: 28%) of cash balances amounting to € 317 million (2010: € 35 million), and for 23% (2010: 72%) of equities, for an amount of € 97 million (2010: € 90 million). The cash balances provided a return of 0.5% (2010: 0.2%). The duration of this portfolio at the end of 2011 was less than one month. The equity portfolio provided a return of (7.2%) (2010:18.9%).

Results

Revenues for 2011 amounted to € 3,996 million (2010: € 3,769 million). This represented an increase of € 227 million (6%). Excluding the effect of acquisitions, divestitures and changes in currency exchange rates, revenues

increased by € 137 million (3.6%). Revenues from the optical retail companies amounted to € 2,291 million (2010: € 2,194 million) This represents an increase of € 97 million (4.4%). Excluding the effects of acquisitions and changes in currency exchange rates, revenues of the optical retail companies increased by € 68 million (3.1%). Revenues for 2011 from the other unquoted subsidiaries amounted to € 1,705 million (2010: € 1,575 million). This represents an increase of € 130 million (8.2%). Excluding the effect of acquisitions, divestitures and changes in currency exchange rates, net revenues from the other unquoted subsidiaries increased by € 69 million (4.4%). This increase was primarily a result of higher sales at PontMeyer, Koninklijke Ahrend and Anthony Veder Group.
Operating income from the other unquoted subsidiaries increased by € 14 million to € 111 million. This increase is primarily due to the consolidation of InVesting and improved results at PontMeyer.

Income from marketable securities and deposits decreased by € 25 million to € 1 million primarily due to lower capital gains on the sale of equities.

Income from associates increased by € 13 million to € 296 million. This increase is due to higher income from quoted associates (€ 56 million) off set by lower income from unquoted associates (€ 43 million). The lower income from unquoted associates is primarily due to revaluations of InVesting and FD Mediagroep in 2010 for a total amount of € 44 million.

Income from other financial assets increased by € 24 million to € 28 million due to higher capital gains (partial redemption of Safilo Notes) and higher interest income (acquisition InVesting).

Income from real estate activities increased by € 39 million to € 53 million due to higher capital gains.

Financial expense increased by € 16 million to € 72 million primarily due to early termination of interest rate swaps and amortization of loan fees associated with the refinancing of GrandVision.

Other financial income of € 12 million includes currency exchange gains on the liquid portfolio and gains on currency hedge transactions which did not qualify for hedge accounting.

The results for 2011 include exceptional and non recurring costs of € 14 million (2010: € 36 million). These mainly relate to restructuring costs.

Administrative organization, risk management systems and financial reporting

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

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

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

HAL's objective is, in the context of the inherent limitations of the decentralized management approach described above, that its internal and external financial reporting is complete, accurate, valid and timely. Financial reporting risk can be defined as any event that impedes HAL to achieve its financial reporting objectives. Although HAL is aware that no risk management and internal control system can provide absolute assurance that its objectives will be achieved or that errors, losses, fraud or the violation of laws and regulations, human errors and mistakes will be prevented, the Company aims to further improve its risk management and internal control systems. In this context the risk management and internal control systems with respect to financial reporting were again reviewed during 2011. For the most important financial processes (financial reporting and consolidation, information technology, treasury, taxation and entity level controls), risks were identified as well as the control measures designed to mitigate these risks. These controls were also tested in order to conclude on their operating effectiveness during the year. Several improvements to the risk management systems were implemented during 2011. The risk management review did not cover the key financial processes of HAL's investee companies for the reasons described above. The risk management and internal control systems, as well as plans for further improvements, were discussed with the Board of Supervisory Directors.

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 2011 and we declare that, to the best of our knowledge:

1º. the financial statements give a true and fair view of the assets, liabilities, financial position and profit for the year of the consolidated entities taken as a whole;
2º. the report of the Executive Board gives a true and fair view of the situation as of the statement of financial position date and the developments during the year of the entities included in the financial statements taken as a whole, and
3º. that this report includes a description of the principal risks HAL Holding N.V. is facing.

Executive Board HAL Holding N.V.

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

March 27, 2012

Financial Statements
HAL Trust

Consolidated Statement of Financial Position

As of December 31

In millions of euro	*Notes*	**2011**	2010
Assets			
Non-current assets:			
Property, plant and equipment	1	**828.7**	747.7
Investment properties	2	**79.9**	96.0
Intangible assets	3	**1,862.5**	1,825.8
Investments in associates	5	**1,781.7**	1,527.0
Other financial assets	6	**225.1**	278.6
Deferred tax assets	15	**46.8**	46.0
Total non-current assets		**4,824.7**	4,521.1
Current assets:			
Other current assets	10	**209.2**	194.8
Inventories	9	**355.4**	371.7
Receivables	8	**399.3**	333.4
Marketable securities and deposits	7	**97.2**	212.7
Cash and cash equivalents		**644.7**	144.7
Total current assets		**1,705.8**	1,257.3
Total assets		**6,530.5**	5,778.4
Equity and liabilities			
Share capital	11	**1.3**	1.3
Other reserves		**91.4**	149.4
Retained earnings		**3,877.2**	3,444.4
Equity attributable to the owners of the parent		**3,969.9**	3,595.1
Non-controlling interest		**51.6**	30.1
Total equity		**4,021.5**	3,625.2
Non-current liabilities:			
Deferred tax liabilities	15	**138.2**	132.4
Provisions	12	**26.1**	15.2
Long-term debt and other financial liabilities	14	**1,150.8**	657.1
Total non-current liabilities		**1,315.1**	804.7
Current liabilities:			
Provisions	12	**31.2**	25.5
Accrued expenses		**490.7**	456.4
Income tax payable		**31.7**	26.7
Accounts payable		**290.4**	264.7
Short-term debt and other financial liabilities	16	**349.9**	575.2
Total current liabilities		**1,193.9**	1,348.5
Total equity and liabilities		**6,530.5**	5,778.4

The notes on pages 42 to 66 form an integral part of the consolidated financial statements.

Consolidated Statement of Income

For the year ended December 31

In millions of euro	*Notes*	**2011**	2010
Revenues	17	**3,996.3**	3,768.9
Income from marketable securities and deposits	18	**1.0**	25.5
Share of profit/(loss) of associates	19	**295.9**	283.4
Income from other financial assets	20	**28.2**	4.4
Income from real estate activities	21	**53.3**	14.6
Total income		**4,374.7**	4,096.8
Raw materials, consumables used and changes in inventories		**1,277.9**	1,278.8
Employee expenses	22	**1,206.9**	1,097.5
Depreciation of property, plant, equipment and investment properties	1, 2	**143.0**	134.2
Amortization and impairments of intangible assets	3	**63.5**	73.8
Other operating expenses	23	**1,062.5**	965.9
Total expenses		**3,753.8**	3,550.2
Operating profit		**620.9**	546.6
Financial expense	24	**(71.6)**	(55.9)
Other financial income	24	**12.4**	-
Profit before income tax		**561.7**	490.7
Income tax expense	25	**(66.8)**	(62.6)
Net profit		**494.9**	428.1
Attributable to:			
Owners of parents		**493.0**	432.1
Non-controlling interest		**1.9**	(4.0)
		494.9	428.1
Average number of outstanding Shares *(in thousands)*	26	**66,418**	64,548
Earnings per share for profit attributable to the owners of parent during the year *(in euros per share)*			
- basic and diluted		**7.42**	6.51
Dividend per share (in euro)		**3.40***	3.75

* Proposed

The notes on pages 42 to 66 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31

In millions of euro	**2011**	2010
Profit for the year	**494.9**	428.1
Other comprehensive income, net of tax:		
Change in fair value of available-for-sale financial assets	**(56.6)**	12.8
Effective portion of hedging instruments	**(7.9)**	(15.1)
Translation of foreign subsidiaries including share other comprehensive income associates	**5.7**	73.8
Other comprehensive income for the year, net of tax	**(58.8)**	71.5
Total comprehensive income for the year, net of tax	**436.1**	499.6
Total comprehensive income attributable to:		
- Owners of parent	**435.0**	502.3
- Non-controlling interest	**1.1**	(2.7)
	436.1	499.6

Taxes recognized in other comprehensive income are disclosed in note 25.

The notes on pages 42 to 66 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

In millions of euro	Attributable to owners of parent					
	Share capital	Retained earnings	Other reserves	Total	Non-controlling interest	**Total equity**
Balance on January 1, 2010	1.3	3,051.4	79.7	3,132.4	72.2	**3,204.6**
Change in fair value of financial assets available-for-sale						
- marketable securities	-	-	1.2	1.2	-	**1.2**
- other financial assets and associates	-	-	11.6	11.6	-	**11.6**
Translation of foreign subsidiaries including share other comprehensive income of associates	-	-	72.5	72.5	1.3	**73.8**
Effective portion of hedging instruments including share of associates	-	-	(15.1)	(15.1)	-	**(15.1)**
Net profit for the year	-	432.1	-	432.1	(4.0)	**428.1**
Total comprehensive income for the year	-	432.1	70.2	502.3	(2.7)	**499.6**
Acquisitions, disposals and reclassifications	-	-	-	-	(39.4)	**(39.4)**
Acquisition of non-controlling interest without change in control			2.3	2.3	-	**2.3**
Treasury shares	-	2.1	-	2.1	-	**2.1**
Dividend paid	-	(40.9)	-	(40.9)	-	**(40.9)**
Share of change in other reserves of associates	-	-	(2.8)	(2.8)	-	**(2.8)**
Other	-	(0.3)	-	(0.3)	-	**(0.3)**
Transactions with owners of the Company recognized directly in equity	-	(39.1)	(0.5)	(39.6)	(39.4)	**(79.0)**
Balance on December 31, 2010	1.3	3,444.4	149.4	3,595.1	30.1	**3,625.2**
Balance on January 1, 2011	1.3	3,444.4	149.4	3,595.1	30.1	**3,625.2**
Change in fair value of financial assets available-for-sale						
- marketable securities	-	-	(5.5)	(5.5)	-	**(5.5)**
- other financial assets and associates	-	-	(51.1)	(51.1)	-	**(51.1)**
Translation of foreign subsidiaries including share of other comprehensive income of associates	-	-	5.4	5.4	0.3	**5.7**
Effective portion of hedging instruments including share of associates	-	-	(6.8)	(6.8)	(1.1)	**(7.9)**
Net profit for the year	-	493.0	-	493.0	1.9	**494.9**
Total comprehensive income for the year	-	493.0	(58.0)	435.0	1.1	**436.1**
Acquisitions and disposals	-	-	-	-	20.4	**20.4**
Treasury shares	-	(0.8)	-	(0.8)	-	**(0.8)**
Dividend paid	-	(59.6)	-	(59.6)	-	**(59.6)**
Other	-	0.2	-	0.2	-	**0.2**
Transactions with owners of the Company recognized directly in equity	-	(60.2)	-	(60.2)	20.4	**(39.8)**
Balance on December 31, 2011	1.3	3,877.2	91.4	3,969.9	51.6	**4,021.5**

The notes on pages 42 to 66 form an integral part of the consolidated financial statements.

In millions of euro	Cumulative valuation reserve	Cash flow hedge reserve	Cumulative currency translation reserve	Other	**Total other reserves**
Balance on January 1, 2010	66.1	(24.8)	38.4	-	**79.7**
Change in fair value of financial assets available-for-sale					
- marketable securities	1.2	-	-	-	**1.2**
- other financial assets and associates	11.6	-	-	-	**11.6**
Translation of foreign subsidiaries including share other comprehensive income of associates	-	-	72.5	-	**72.5**
Effective portion of hedging instruments including share of associates	-	(2.4)	(12.7)	-	**(15.1)**
Acquisition of non-controlling interest without change in control	-	-	-	2.3	**2.3**
Share of change in other reserves of associates	-	-	-	(2.8)	**(2.8)**
Balance on December 31, 2010	78.9	(27.2)	98.2	(0.5)	**149.4**
Balance on January 1, 2011	78.9	(27.2)	98.2	(0.5)	**149.4**
Change in fair value of financial assets available-for-sale					
- marketable securities	(5.5)	-	-	-	**(5.5)**
- other financial assets and associates	(51.1)	-	-	-	**(51.1)**
Translation of foreign subsidiaries including share of associates	-	-	5.4	-	**5.4**
Effective portion of hedging instruments including share of associates	-	(23.0)	16.2	-	**(6.8)**
Balance on December 31, 2011	22.3	(50.2)	119.8	(0.5)	**91.4**

The “acquisition of non-controlling interest without change in control” relates to the purchase of a non-controlling interest below its book value.

The notes on pages 42 to 66 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

In millions of euro	*Notes*	**2011**	2010
Cash flows from operating activities:			
Profit before taxes		**561.7**	490.7
Depreciation	1, 2	**143.0**	134.2
Amortization and impairments	3	**63.5**	73.8
Profit on sale of property, plant, equipment and investment properties	21	**(49.8)**	(6.8)
Profit on sale of other financial assets and marketable securities	18, 20	**(15.6)**	(17.9)
Share of profit/(loss) of associates	5, 19	**(295.9)**	(283.4)
Financial income and expense	24	**59.2**	55.9
		466.1	446.5
Dividend from associates	5	**53.6**	49.9
Changes in working capital	27	**(52.4)**	(40.5)
Other movements in provisions		**9.9**	(9.3)
Cash generated from operations		**477.2**	446.6
Other financial income received		**6.2**	-
Finance costs paid		**(62.9)**	(44.6)
Income taxes paid		**(67.3)**	(70.7)
Net cash from operating activities		**353.2**	331.3
Cash flows from investing activities:			
Acquisition of associates and subsidiaries, net of cash acquired	4	**(77.1)**	(333.4)
Acquisition of other intangibles	3	**(19.2)**	(30.2)
Purchase of property, plant, equipment and investment properties	1, 2	**(206.3)**	(218.3)
Divestiture of associates and subsidiaries	5	**20.5**	14.4
Proceed from (acquisition of) other financial assets		**41.6**	(10.2)
Proceeds from sale of property, plant, equipment and investment properties		**89.5**	26.0
Proceed from assets and liabilities held-for-sale		**-**	11.7
Proceed from marketable securities and deposits, net		**125.2**	137.4
Proceeds from (acquisition of) non-controlling interest		**5.0**	(5.8)
Cash inflow (outflow) relating to hedging instruments		**19.2**	(18.9)
Net cash from (used in) investing activities		**(1.6)**	(427.3)
Cash flows from financing activities:			
Borrowing (repayment) of short-term debt and other financial liabilities		**(245.2)**	21.5
Borrowing of long-term debt and other financial liabilities		**454.0**	116.3
Sale, purchase and transfer of treasury shares		**(3.6)**	2.1
Dividend paid		**(59.6)**	(40.9)
Net cash from financing activities		**145.6**	99.0
Increase in cash and cash equivalents		**497.2**	3.0
Cash and cash equivalents at beginning of year		**144.7**	139.9
Effects of exchange rate changes on opening balance		**2.8**	1.8
Cash and cash equivalents retranslated at beginning of year		**147.5**	141.7
Net increase in cash and cash equivalents		**497.2**	3.0
Cash and cash equivalents at end of year		**644.7**	144.7

The notes on pages 42 to 66 form an integral part of the consolidated financial statements.

General

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

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

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and were authorized for issue on March 27, 2012. In previous years these financial statements were prepared in accordance with International Financial Reporting Standards whether or not adopted by the EU. This change did not have any effect, but ensures consistency with the Standards used by the quoted associates if in the future differences would arise in the application of IFRS based on Standards adopted by the EU and IFRS Standards which are effective but not yet adopted by the EU.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention except for the following items in the Statement of financial position, which are measured at fair value:

- marketable securities;
- certain associates and other financial assets; and
- derivative financial instruments.

Use of estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge, actual results ultimately may differ from those estimates. Accordingly, it is reasonably possible that outcomes within the next financial year that are different from the assumptions could have an impact on the carrying amount of the asset or liability affected. This applies more specifically to pensions, purchase price allocations, taxation, impairment of equity securities, goodwill and other intangibles. The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use and fair value calculations. These calculations require the use of estimates.
We refer more specifically to the note on intangible assets on page 43 and on the financial risk management paragraph on page 38 for the impact of changes in assumptions.
The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Liabilities are recognized for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

New standards and interpretations not yet effective and not yet adopted

The International Accounting Standards Board (IASB) issued the following standards during the year:

IFRS 10 Consolidated Financial Statements (including amendments to IAS 27)
IFRS 11 Joint Arrangements (including amendments to IAS 28)
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
Amendments to IAS 1 Presentation of Financial Statements
Amendments to IAS 19 Employee Benefits

The above standards will be effective, if and when adopted by the EU, as from January 1, 2013, with earlier adoption permitted.
The potential effects of IFRS 11 and the amendments to IAS 19 are detailed below.
The potential effects of the other standards -if any- are still under review and can not yet be quantified.
If IFRS 11 had been applied in these financial statements, revenues of € 146 million (2010: € 143 million) would not have been recognized. The effect on operating profit would not have been material for 2011 and 2010.
If the amendments to IAS 19 had been applied in these financial statements re-measurements of the net defined benefits (assets) would require recognition through other comprehensive income. Re-measurements for 2011 amounted to € (2.4) million (2010: € (3.9) million). Unrecognized actuarial results as of December 31, 2011 amounted to a loss of € 3 million. Upon implementation of the amendments to IAS 19 these would be recorded through retained earnings. The amendments to IAS 19 also require recognition of net interest on the net defined benefits (assets) as opposed to the recognition of interest cost on the defined benefit liability and an expected return on plan assets. The effect of this amendment is expected to be not material.

New standards, amendments and interpretations of existing standards effective as from January 1, 2011 did not have a material impact on the Company. All other standards, amendments and interpretations of existing standards that were issued but not yet effective for reporting periods beginning after January 1, 2011 have not yet been adopted and are not expected to have a material impact on the Company.

Consolidation

Subsidiaries, which are those companies in which the Company, directly or indirectly, has an interest of more than 50% of the (potential) voting rights and/or otherwise has power (i.e. by shareholders agreement) to exercise control over financial and operating policies, are consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated as from the date the effective control ceases.

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

Acquisition-related costs are expensed as incurred.

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

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

Intercompany transactions, balances and unrealized results on transactions between group companies have been eliminated. Where necessary, the financial statements of subsidiaries have been amended to ensure consistency with the policies adopted by the Company. Non-controlling interests are disclosed separately.
The Company's interests in jointly controlled entities are accounted for by proportionate consolidation.

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

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

A list of the Company's principal subsidiaries is set out on page 66.

Foreign currencies

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

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

(c) Company's subsidiaries: the results and financial position of all the Company's subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

   (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
   (ii) income and expenses for each consolidated statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction);
   (iii) all resulting exchange differences are recognized as a separate component of other comprehensive income.

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

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

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

Non-derivative financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification

depends on the purpose for which the financial assets were acquired.
Investments are initially recognized at fair value plus transaction costs directly attributable to the acquisition. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.
Purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset.
Changes in the fair value of investments classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the consolidated statement of income.
The Company determines the classification of its financial assets at initial recognition.

Loans and receivables:
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
(a) those that the Company intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
(b) those that the Company upon initial recognition designates as available-for-sale; or
(c) those for which the holder may not recover substantially all of its initial investment and which shall be classified as available-for-sale.

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

Available-for-sale financial assets:
These are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables.
Fair value of financial assets and liabilities approximates their carrying amount, unless otherwise disclosed. All available-for-sale financial assets are measured at fair value based on quoted market prices in active markets.

Derivative financial instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:
(a) its value changes in response to the change in other variables such as a specified interest rate or a foreign exchange rate; and
(b) it requires no initial net investment or an initial net investment that is significantly smaller than the value of the underlying notional amount; and
(c) it is settled at a future date.

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

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

Amounts accumulated in equity are recycled in the consolidated statement of income in the periods when the hedged item affects profit or loss. However, when the projected transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a liability, the gains and losses previously deferred in shareholders' equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the projected transaction is ultimately recognized in the consolidated statement of income. When a projected transaction is no longer expected to occur, the cumulative gain or loss that was reported in shareholders' equity is immediately transferred to the consolidated statement of income in financial expense.

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

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

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the consolidated statement of income as financial expense.

The fair value of various derivative instruments used for hedging purposes is disclosed in the notes of these financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Property, plant and equipment

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

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

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

Land is not depreciated as it is deemed to have an indefinite life.

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

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

Investment properties

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

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

Buildings	39 years
Leasehold improvements	Over the life of the lease

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

Land is not depreciated as it is deemed to have an indefinite life.

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

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

Intangible assets

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the Company's share of the net identifiable assets and liabilities of the acquired investment in an associate or subsidiary at the date of obtaining control.

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

Goodwill is subject to an annual impairment test. It is carried at cost less accumulated impairment losses and accumulated amortization. If an impairment is recognized, it is not reversed in subsequent periods. Goodwill is allocated to groups of cash-generating units (CGU's) for the purpose of impairment testing. A CGU is in no event larger than the operating segment identified under IFRS 8.

Negative goodwill (badwill or bargain purchase) represents the excess of the fair value of the Company's share of the net identifiable assets and liabilities of the acquired investment in an associate or subsidiary over the cost of the acquisition at the date of acquisition and is included in the consolidated statement of income.

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

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

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

Computer software
Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and to bring to use the specific software. These costs are amortized over their estimated useful lives (3 to 5 years).
Costs associated with developing and maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

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

Waived rentals
Waived rental payments are capitalized on the basis of a discounted present value cash flow analysis. They are initially recognized at fair value and subsequently amortized over the related contract period on a straight line basis with no residual value.

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

Impairment of non-financial assets

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

Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20 and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. For quoted associates, the

Company has made use of publicly available information.

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

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

When the Company ceases to have significant influence over an associate it measures at fair value any investment the investor retains in the former associate. The Company recognizes in profit or loss any difference between the fair value of any retained investment plus any proceeds from the partial disposal of the associate and the carrying amount of the associate at the date when significant influence is lost.

When an associate is disposed of, the gain/loss on disposal also includes any unrealized foreign exchange difference deferred in equity which becomes realized.

When the Company gains control over an associate it measures at fair value its formerly held interest. The Company recognizes in profit or loss any difference between the fair value and the carrying amount of the associate at the date of obtaining control.

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

A list of the Company's principal associates is set out on page 66.

Other financial assets and marketable securities

Other financial assets and marketable securities are non-derivatives. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. They include debt portfolios, fixed income securities, equity interests up to 20% and equity interests in excess of 20% over which the Company has no significant influence and are initially recorded at fair value plus transaction costs directly attributable to the acquisition.

Purchases and sales are recognized on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. They are derecognized when the rights to receive cash flows from them have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Other financial assets and marketable securities are subsequently carried at fair value or amortized cost with respect to loans and receivables. Quoted equity and fixed income instruments are accounted for at market value based upon stock exchange quoted selling prices at the close of business on the statement of financial position date. Unrealized appreciation and diminution in value are recorded in other reserves in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are reported at cost. These financial statements do not include any equity instruments measured at cost. The purchased debt portfolios are accounted for using the effective interest method.

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

Receivables

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

Inventories

Inventories are stated at the lower of cost and net realizable value, taking into account a provision when net realizable value is below cost. Cost is determined using the first-in first-out (FIFO) method or the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. A provision is established when the net realizable value of any inventory is lower than the value calculated above.

Other current assets

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

Cash and cash equivalents

Cash and cash equivalents comprise bank balances which are available on demand. In the statement of financial position, bank overdrafts are included in short-term debt.

Share capital

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

Non-controlling interest in consolidated subsidiaries

Third-party interests in consolidated subsidiaries are recorded at their share in the net asset value of the respective subsidiary, calculated in accordance with the accounting policies as specified in these financial statements. They are determined based on the fair values upon acquisition of the acquirees.

Provisions

Provisions are recognized if the Company and its subsidiaries have a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Employee benefits

Defined benefit plans

The Company and its subsidiaries operate a number of defined benefit and defined contribution plans, the assets of which are generally held in separately administered funds. The pension plans are generally funded by payments from employers and employees. For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated statement of income so as to spread the regular costs over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans every year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government and corporate securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are spread forward over the average remaining service lives of employees and charged to the consolidated statement of income, only to the extent that their net cumulative amount exceeds 10% of the greater of the present value of the obligation or of the fair value of the plan assets.

Defined contribution plans

The Company's and its subsidiaries' contributions to the defined contribution pension plans are charged to the consolidated statement of income in the year to which they relate.

Termination benefits

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

Short-term benefits

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

Other

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

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

Non-derivative financial liabilities

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method. Short-term debt is due within a maximum period of one year, unless the Company has an unconditional right to defer settlement until at least 12 months after statement of financial position date. Interest expense related to this debt is reported as Financial expense in the consolidated statement of income.

Non-derivative financial liabilities include contingent considerations and obligations to acquire non-controlling interests. Both are recorded at fair value. The fair value of contingent considerations is calculated based on the expected payment amounts. Since the contingent consideration is of a long-term nature, it is discounted to present value. Re-measurements of contingent considerations are recorded as a Financial expense in the consolidated statement of income. Obligations to acquire non-controlling interests are initially recorded based on the value of the equity instruments transferred and subsequently re-measured to fair value. These re-measurements are recorded as Employee expenses in the consolidated statement of income. The calculation of fair value is generally based on a multiple of EBITA less debt. Multiples applied are either contractually determined or, generally, in accordance with those applied in calculating estimated value of the subsidiaries and associates (page 67).

Determination of fair values

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

Property, plant and equipment

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

Intangible assets

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

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

Investment property

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

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

Inventories

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

Equity and debt securities

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

Trade and other receivables

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

Derivatives

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

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

Non-derivative financial liabilities

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

Revenues

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

(a) Sales of goods: sales of goods are recognized when an entity of the Company has delivered the products to the customer, the customer has accepted the products and all significant risks and rewards of ownership of the goods are transferred and collectability of the related receivables is reasonably assured so that it is probable that the economic benefits associated with the transaction will flow to the Company. Retail sales are usually in cash or by credit card. The recorded revenue is the amount of the sale, including credit card fees payable for the transaction. Retail sales are only recognized when the earnings process is complete. Any prepayments by customers are not considered as revenue yet but are accounted for as liabilities.
Revenue is only recognized when the costs associated with the transaction can be measured reliably.
(b) Sales of services: sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue is only recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to

the Company, the stage of completion of the transaction can be measured reliably as well as the costs associated with the transaction. With respect to debt collection activities, the stage of completion and the possibility to recover recharged expenses is determined per individual debt collection file.

(c) Franchise fee income: revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Franchise fees are recognized on an accrual basis in accordance with the terms of the respective agreements.

Income from marketable securities and deposits

Income from marketable securities and deposits includes realized capital gains (losses), impairment losses, interest, dividends and management fees. Realized capital gains (losses) are calculated on an average cost basis. Interest is recorded using the effective interest rate method and on an accrual basis. Dividends are recorded when the right to receive payment is established.

Income from real estate activities

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

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.
Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates and initial recognition and exemption on assets and liabilities acquired with no impact on accounting or tax profit, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.
Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.

Leases

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

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

Research and development

Research and development costs are charged to income in the year in which they are incurred. Costs incurred on development projects (i.e. internally developed software) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs with a finite useful life that have been capitalized are amortized from the commencement of the commercial production of the product on a straight line basis over the period of its expected benefit, not exceeding five years.

Related-party transactions

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

Segmentation

The Company's reportable segments are defined as follows:

- Optical retail
- Other unquoted
- Quoted non-controlling interests
- Real estate
- Liquid portfolio

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

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

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

The quoted non-controlling interests segment derives its income from its percentage of ownership in publicly traded associates and dividends from publicly quoted companies where the ownership percentage does not exceed 20%.

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

The liquid portfolio consists of fixed income and equity securities generating interests, dividends and capital gains.

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

Financial risk management

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

Credit risk

The Company is exposed to credit risk from its operating and investing activities. Credit risk from operating activities arises from the possibility that customers may not be able to settle their obligations as agreed, which can affect both outstanding receivables and committed transactions. This risk is monitored and managed on the level of each subsidiary and provisions for impairment are recorded when necessary. The Company is not exposed to any significant concentration of credit risk in its revenues or receivables.
In addition, the Company is exposed to credit risk with respect to financial instruments and liquid assets. This risk consists of the loss that would arise should the counterparty fail to meet its contractual obligations. The aim is to mitigate this risk by only concluding transactions with counterparties that have a strong credit rating.

At the end of 2011, the liquid assets (excluding equities) amounted to € 645 million (2010: € 267 million) of which € 317 million (2010: € 35 million) was part of the corporate liquid portfolio. This portfolio consisted mainly of short-term time deposits and cash held at banks. These assets were held at banks with a long-term S&P credit rating varying from A to AA. The weighted average credit rating was A+.
In addition, the Company is exposed to credit risk with respect to its € 69 million interest in $9^{5}/_{8}$% Senior Notes issued by Safilo Group S.p.A., maturing in 2013.
The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated to financial instruments. The approach to manage liquidity is to ensure, as far as possible, that there will always be sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The total bank debt as of December 31, 2011 amounted to € 1,320 million (2010: € 1,036 million). For 100% of the bank debt, the applicable covenants were complied with or waived (2010: 100%).
At the end of 2011, the net debt position, consisting of short-term and long-term bank debt less cash and cash equivalents and marketable securities and deposits, amounted to € 578 million (2010: € 678 million). This net debt position represents a ratio of 1.1 (2010: 1.5) when compared to the operating result before depreciation and amortization and earnings from associates. At the end of 2011, unused committed credit facilities were available to an amount of € 841 million (2010: € 759 million).

The Company's contractually agreed (undiscounted) repayments of financial liabilities are shown in the table below.

In millions of euro

At Dec. 31, 2011	2012	2013	2014-2016	>2016
Long-term debt	-	92.2	794.5	100.5
Short-term debt	332.5	-	-	-
Other financial liabilities	17.4	24.6	139.0	-
Interest on long-term debt	32.9	29.6	62.5	9.7
Finance leases	8.2	7.7	15.2	1.3
Accounts payable	290.4	-	-	-
Financial guarantees	8.9	7.3	12.0	6.4
	690.3	161.4	1,023.2	117.9

In millions of euro

At Dec. 31, 2010	2011	2012	2013-2015	>2015
Long-term debt	-	61.4	337.9	102.8
Short-term debt	533.4	-	-	-
Other financial liabilities	41.8	8.4	44.8	101.8
Interest on long-term debt	16.9	14.8	30.9	9.1
Finance leases	1.5	1.2	1.4	0.2
Accounts payable	264.7	-	-	-
Financial guarantees	21.9	1.8	3.1	12.6
	880.2	87.6	418.1	226.5

The contractually agreed (undiscounted) cash flows for derivatives that settle on a gross basis and represented a liability as of the end of the year are shown in the table below. At the end of 2010, these derivatives showed positive results.

In millions of euro

At Dec. 31, 2011	2012	2013	2014-2016	>2016
Forward foreign exchange contracts				
Outflow	43.4	-	-	-
Inflow	45.0	-	-	-

In millions of euro

At Dec. 31, 2010	2011	2012	2013-2015	>2015
Forward foreign exchange contracts				
Outflow	-	-	-	-
Inflow	-	-	-	-

The undiscounted net cash flows for interest rate derivatives that settle on a net basis and represented a liability as of the end of the year are shown in the table below.

In millions of euro

At Dec. 31, 2011	2012	2013	2014-2016	>2016
	(6.8)	(7.2)	(8.0)	(3.5)

In millions of euro

At Dec. 31, 2010	2011	2012	2013-2015	>2015
	(7.2)	(5.8)	(3.8)	0.3

Market risk

Currency risk
The main currency risk for the Company is the translation risk arising from the conversion of the results and statement of financial position items into Euro.

Translation risk arising from the conversion of statement of financial position items into Euro.

The major currency translation risks are related to changes in value of the U.S. dollar and the British pound.

At the end of 2011, the net assets exposed to changes in the U.S. dollar, excluding the investment in Dockwise Ltd., amounted to $ 284 million (€ 219 million) compared to $ 236 million (€ 176 million) at the end of 2010, and the net assets denominated in British pound amounted to £ 117 million (€ 140 million) compared to £ 118 million (€ 137 million) at the end of 2010. In August 2011, the Company has discontinued to hedge these risks. This policy change increases the currency translation risks. However, the liquidity risk will decrease as the use of forward exchange contracts has an impact on the size of the liquid portfolio when the exchange rates of the hedged currencies change.

A further -average- increase in value of the USD by 10% would result in an additional unrealized gain of € 22 million for the year. It would have the opposite effect in case of the same decrease in value.

A further -average- increase in value of the GBP by 10% would result in an additional unrealized gain of € 14 million for the year. It would have the opposite effect in case of the same decrease in value.

The Company also has an exposure to Japanese yen of € 26 million (2010: € 30 million). This exposure is fully hedged by forward exchange contracts.

Currency translation risk also exists with respect to Northern and Eastern European, South American and Asian currencies as well as the Swiss franc. At the end of 2011, the book value of the net assets denominated in these currencies, including the investment in private equity partnerships which are exposed to these currencies, amounted to € 447 million (2010: € 417 million). This currency risk is not hedged. In 2011, the decrease in value of these currencies resulted in an unrealized loss of € 12 million. This loss was recorded in the cumulative currency translation reserve. A further -average- increase in value of these currencies by 10% would result in an additional unrealized gain of € 45 million for the year. It would have the opposite effect in case of the same decrease in value.

Translation risk arising from the conversion of derivative financial instruments into Euro

The financial instruments subject to currency exposure would have been impacted as of December 31, 2011 to exchange rate fluctuations as follows:

Currency pair	Movement	P&L impact	Equity impact
EUR/USD	+10%		1.9
EUR/USD	-10%		(1.9)
EUR/JPY	+10%	3.2	-
EUR/JPY	-10%	(3.2)	-

The impact as of December 31, 2010 was:

Currency pair	Movement	P&L impact	Equity impact
EUR/USD	+10%	8.5	16.1
EUR/USD	-10%	(8.5)	(16.1)
EUR/GBP	+10%	-	12.1
EUR/GBP	-10%	-	(12.1)
EUR/JPY	+10%	3.0	-
EUR/JPY	-10%	(3.0)	-

The associates also have currency risks. These are not managed by the Company.

Interest rate risk
Fixed income investments are subject to interest rate risk. In view of the very short duration of the portfolio (less than one month), the interest rate risk is limited (excluding the € 69 million interest in Safilo Senior Notes which mature in May 2013). If interest rates in 2011 had been 10% higher, the effect on net income for the year would have been approximately € 0.6 million positive and the effect on equity nil. A 10% decrease would have the equal but opposite effect. In addition, interest rate risk exists with respect to the Company's debt position. Of the € 1,320 million bank debt outstanding at the end of 2011, € 698 million was at fixed rates for an average period of 3.6 years.

As part of interest rate management, increases in floating interest rates are hedged by the use of interest rate swaps. These swaps are generally included in hedge accounting relationships. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates, where the Company agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amount. These swaps are part of a cash flow hedge relationship. As of year end, interest rates were fixed for 53% (2010: 61%) of the borrowings. If variable interest rates in 2011 had changed by 10%, the impact on the consolidated statement of income for the year would have been a positive/negative impact of € 1.2 million. A change of 10% in interest rates underlying the calculation of the valuation of interest rate swaps would have had a pre-tax positive/negative impact on equity of € 2.6 million.

Price risk
At the end of 2011, the Company had investments in equities (included in the marketable securities and other financial assets) amounting to € 153 million (2010: € 179 million) based on quoted market prices at the statement of financial position date. These investments are classified as available-for-sale. If at December 31, 2011, equity markets had fallen 10% overall, the portfolio value could have decreased by 10%, which would have resulted in a negative impact of € 15 million (2010: € 18 million) in other reserves in equity. A 10% increase would have the equal but opposite effect. Potentially the whole or a part of the negative impact would have required recognition through the consolidated statement of income as an impairment charge.

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

1. Property, plant and equipment

Movements for 2010 and 2011 are as follows:

	Land & buildings	Vessels	Equip-ment	**Total**
Cost value	467.5	161.9	1,128.4	**1,757.8**
Accumulated depreciation	(218.1)	(28.6)	(833.0)	**(1,079.7)**
Book value on Dec. 31, 2009	249.4	133.3	295.4	**678.1**
Investments	49.1	37.1	97.6	**183.8**
Consolidations	19.3	-	11.3	**30.6**
Reclassification	0.4	-	(14.5)	**(14.1)**
Disposals	(6.5)	-	(7.6)	**(14.1)**
Depreciation	(34.4)	(10.8)	(84.8)	**(130.0)**
Exchange differences	3.8	6.7	2.9	**13.4**
Book value on Dec. 31, 2010	281.1	166.3	300.3	**747.7**
Cost value	550.4	207.7	1,213.1	**1,971.2**
Accumulated depreciation	(269.3)	(41.4)	(912.8)	**(1,223.5)**
Book value on Dec. 31, 2010	281.1	166.3	300.3	**747.7**
Investments	55.5	38.1	100.0	**193.6**
Consolidation	3.6	-	4.5	**8.1**
Reclassification	2.7	-	31.0	**33.7**
Disposals	(7.9)	-	(7.0)	**(14.9)**
Depreciation	(40.7)	(11.5)	(88.1)	**(140.3)**
Exchange differences	(1.7)	5.5	(3.0)	**0.8**
Book value on Dec. 31, 2011	292.6	198.4	337.7	**828.7**
Cost value	596.0	253.4	1,289.7	**2,139.1**
Accumulated depreciation	(303.4)	(55.0)	(952.0)	**(1,310.4)**
Book value on Dec. 31, 2011	292.6	198.4	337.7	**828.7**

Notes 14 and 16 detail information on pledges.

The reclassification in 2011 mainly relates to operational lease contracts which were changed to financial lease.

2. Investment properties

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

Movements for 2010 and 2011 are as follows:

	2011	2010
Balance on January 1	**96.0**	65.7
Investments	**12.8**	34.5
Disposals	**(27.0)**	(5.1)
Depreciation	**(2.7)**	(4.2)
Exchange differences	**0.8**	5.1
Book value on Dec. 31	**79.9**	96.0

	2011	2010
Cost value	**99.1**	128.1
Accumulated depreciation	**(19.2)**	(32.1)
Book value on Dec. 31	**79.9**	96.0

In 2011 the Company sold an office property and two development parcels resulting in a total pre-tax capital gain of approximately € 50 million.

Valuations of the office properties (book value € 66.7 million) are generally performed every two years by independent evaluation experts and updated internally for the subsequent year. The latest valuations were performed in December 2011 and were based on the 'Income Yield Capitalization', 'Sales Comparison' and 'Direct Capitalization' approach. The Income Yield Capitalization approach uses a discounted cash flow model whereby expected cash flows from the office properties are discounted to arrive at a present value. The estimated cash flows are adjusted, when appropriate, for vacancy (2.5-6%), free rent periods (0-6 months) and leasing costs ($ 20.00 to $57.50 per square foot). The discount rate is derived from sales of similar properties and varies between 8% and 9%. The terminal capitalization rate is similarly derived from the sales of similar properties and varies between 6.75% and 8.5%. The Sales Comparison approach uses transactions involving similar properties as a reference. The Direct Capitalization approach applies an overall rate of return 'capitalization rate' (6.0% to 8.5%) to projected year one net operating income, with adjustments to value made for outstanding lease-up expenses.

The valuation of the development parcels (book value € 13.2 million) is done internally and is primarily based on purchase offers from third parties.

Based on the above, fair value of the office properties amounted to approximately $ 116 million (€ 90 million) compared with $ 175 million (€ 131 million) at the end of 2010. Fair value of the development parcels amounted to $ 29 million (€ 22 million) compared with $ 30 million (€ 22 million) at the end of 2010. On a comparable basis, taking into account 2011 acquisitions and disposals, the value of the real estate portfolio increased by 20%. This change is primarily due to the increase in value of an office building acquired in 2010 which was vacant at the end of 2010 and fully leased in 2011.

Information on pledges is included in notes 14 and 16.

3. Intangible assets

Intangible assets consist of:

	2011	2010
Goodwill	**1,304.6**	1,284.5
Other intangibles	**557.9**	541.3
	1,862.5	1,825.8

Movements for goodwill are as follows:

	2011	2010
Balance on January 1	**1,284.5**	1,100.8
Acquisitions	**74.1**	196.3
Disposals	**(28.2)**	-
Purchase price accounting adjustments	**1.8**	9.3
Impairments	**(20.7)**	(40.0)
Exchange adjustments	**(6.9)**	18.1
Balance on December 31	**1,304.6**	1,284.5
Cost value	**1,823.8**	1,783.0
Amortization and impairments	**(519.2)**	(498.5)
Book value on December 31	**1,304.6**	1,284.5

Purchase price accounting adjustments in 2011 include a € 3.8 million adjustment with respect to the 2010 acquisition of a Mexican optical retail subsidiary where goodwill was adjusted after the valuation of property, plant and equipment and intangible assets (net of deferred tax) was finalized.
It also includes a € (2.0) million adjustment to contingent considerations with respect to an acquisition prior to the effective date of IFRS 3R. In 2010 these related to changes in the valuation of intangible assets for € 3.3 million and adjustments to contingent considerations with respect to an acquisition prior to the effective date of IFRS 3R (€ 6 million).

Investments in associates include goodwill for an amount of € 95.8 million as follows:

Cost value	291.0
Amortization	(195.2)
Book value on December 31	95.8

Impairment test

Goodwill has been tested for impairment losses at a level that reflects the way the operations are managed and with which the goodwill would naturally be associated. No goodwill is tested at a level higher than the level of the operating segments.

The recoverable amount of cash-generating units is generally determined based on value-in-use calculations. These calculations use cash flow projections covering a five-year period. Cash flows beyond the five-year period were extrapolated using an estimated growth rate of nil. In certain circumstances, representing 10% of the goodwill (2010: 8%), if the economic reality of a specific cash-generating unit justified it and led to more realistic estimates, the recoverable amount was based on the cash-generating unit's fair value less costs to sell, based on observable market multiples of revenues less appropriate discounts. Fair value calculations were mainly performed for optical retail operations in Latin America, China, India and Scandinavia, using a multiple of revenue of 1.25. This multiple is based on comparable quoted companies less a 40% discount. Using a multiple of 0.8 would potentially result in an impairment of € 46 million.

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

	Optical retail		Other	
	2011	2010	**2011**	2010
Weighted average incr. in revenues	**4.9%**	5.9%	**4.5%**	5.9%
Weighted average gross margin	**73.2%**	73.4%	**57.8%**	56.2%
Weighted average after tax discount rate	**11.0%**	10.9%	**11.3%**	11.3%

Goodwill is comprised of the following:

	2011	2010
GrandVision B.V.	**847.9**	839.9
Other optical retail	**4.4**	4.6
	852.3	844.5
AudioNova International B.V.	**273.2**	254.2
Other unquoted investments	**179.1**	185.8
Total	**1,304.6**	1,284.5

The result of this process was that the carrying value of goodwill relating to two cash-generating units was impaired for a total of € 20.7 million, which is recorded under "amortization and impairments of intangible assets" in the statement of income.

Post tax discount rates were used as the use of pre-tax rates was not practical.

The impairment charge can be detailed as follows:

	2011	2010
Optical retail	**10.7**	10.0
Other unquoted	**10.0**	30.0
Total	**20.7**	40.0

The impairment with respect to optical retail relates to a Greek subsidiary and is due to the lower than expected profitability (mainly due to the economic situation in Greece). The impairment was calculated based on the value in use using a discount rate of 16.8% and resulted in an impairment of 100% of the goodwill relating to this subsidiary.

The other impairment relates to an Italian company which produces High-Pressure Laminate products and is due to a lower profitability compared to the expectations when this subsidiary was acquired. The impairment – which represents almost 100% of the goodwill relating to this subsidiary – was calculated based on estimated fair value less cost to sell. Fair value was based on a multiple of EBITA applied against (discounted) EBITA in 2016.

The valuation models include certain assumptions with respect to revenue growth. If the models included a 2% lower increase in revenues, and assuming an unchanged cost structure and unchanged capital expenditures, the calculations would result in a potential impairment charge of € 15 million (2010: € 27 million). A 2% increase in the discount rate would potentially result in an impairment charge of € 29 million (2010: € 36 million).

If the cash flows beyond the five-year period were extrapolated using an estimated growth rate of 2%, the value in use of the cash-generating units that were included in the sensitivity analysis for sales and discount rate and potentially revealed an impairment would increase by € 34 million (2010: € 60 million).

Movements for other intangibles are as follows:

	Rights of use & key money	Trade-marks	Other	**Total**
Book value on Jan. 1, 2010	194.2	173.5	52.6	**420.3**
Investments	17.0	0.5	12.7	**30.2**
Consolidation	-	89.8	18.6	**108.4**
Reclassification	2.2	-	8.1	**10.3**
Amortization and impairments	(2.4)	(15.0)	(16.4)	**(33.8)**
Exchange adjustments	0.6	5.7	(0.4)	**5.9**
Book value on Dec. 31, 2010	211.6	254.5	75.2	**541.3**
At Dec. 31, 2010				
Cost value	245.3	319.8	164.5	**729.6**
Accumulated amortization and impairments	(33.7)	(65.3)	(89.3)	**(188.3)**
Book value on Dec. 31, 2010	211.6	254.5	75.2	**541.3**
Investments	5.3	-	13.9	**19.2**
Consolidation	1.4	2.0	36.8	**40.2**
Purchase price accounting adjustments	-	(3.8)	-	**(3.8)**
Reclassification	1.9	(0.2)	3.6	**5.3**
Amortization and impairments	(3.5)	(15.0)	(24.3)	**(42.8)**
Exchange adjustments	(1.6)	-	0.1	**(1.5)**
Book value on Dec. 31, 2011	215.1	237.5	105.3	**557.9**
At Dec. 31, 2011				
Cost value	252.3	317.8	219.4	**789.5**
Accumulated amortization and impairments	(37.2)	(80.3)	(114.1)	**(231.6)**
Book value on Dec. 31, 2011	215.1	237.5	105.3	**557.9**

The Other category consists of:

	2011	2010
Customer relationships	**45.8**	14.8
Software	**29.3**	26.1
Franchise contracts	**9.9**	11.4
Other	**20.3**	22.9
Total	**105.3**	75.2

Rights of use and key money primarily relate to optical retail stores in France. These assets are not amortized but are subject to an annual impairment test using cash-flow projections covering a five year period, a discount rate of 10% and a growth rate beyond the five year period of 2%. If the calculated value in use is less than the book value of the assets, external valuations were performed to arrive at a fair value less cost to sell. The result of this process was that the rights of use and key money relating to optical retail stores were impaired for € 1.6 million in 2011 (2010: € 0.9 million). This amount is included in the consolidated statement of income under amortization and impairment of intangible assets.

If the growth rate beyond the five year period had been set at 0%, an additional impairment could have been required for an amount of € 0.7 million.

If a discount rate of 12% would have been applied, an additional impairment could have been required for an amount of € 1 million.

Trademarks are valued using a 0.5% to 3% royalty rate and are amortized over 15-25 years on a straight line basis with no residual value.

Franchise contracts are discounted at 12.5% and amortized over 15 years on a straight line basis with no residual value.

Waived rental payments are capitalized on the basis of a present value cash flow analysis discounted at 15%. They are amortized over the average lease term, on a straight line basis with no residual value.

Customer relationships are discounted at 10.7%-13% and amortized over 6-20 years on a straight line basis with no residual value.

4. Major acquisitions

On April 20, 2011, the Company increased its interest in InVesting B.V., a Hilversum (the Netherlands) based company with a focus on the purchase of bad debt portfolios for its own account and risk, and debt collection activities, from 11.7% to 58.7%. InVesting has been consolidated as of January 1, 2011 because the Company had the possibility to exercise control from that date.

Details are as follows:

Cash paid	7.6
Fair value non-controlling interest already owned	9.8
Fair value option to acquire additional interest in InVesting B.V.	33.4
Net asset value acquired	(21.6)
Goodwill	29.2

Details of the net asset value acquired:

Property, plant and equipment	3.1
Customers relationships	35.0
Other intangible assets	2.5
Acquired debt portfolio	35.4
Net working capital	(13.2)
Cash	4.7
Long-term debt	(14.9)
Deferred tax liabilities	(11.1)
Short-term debt	(4.2)
Non-controlling interest	(15.7)
Net asset value acquired	21.6

The non-controlling interest is measured at the non-controlling interest's proportionate share in the net assets of InVesting B.V. (excluding goodwill).

The fair value of the debt portfolio was € 35.4 million, the gross contractual amount was € 474.6 million, of which € 437.5 million is not expected to be collected.

The above acquisition contributed € 60.5 million to 2011 revenues and € 7.9 million to the operating income.

Acquisition costs charged to the consolidated statement of income amounted to € 0.1 million.

The goodwill is attributable to the attractive market position of the company and expected growth.

The carrying value of the existing shareholding as of Jan 1, 2011 was € 3.5 million. The difference with the fair value of € 9.8 million (€ 6.3 million) is included in the consolidated statement of income (income from associates).

The Company also acquired or increased its interest in optical retail companies in Europe and South America.

Details are as follows:

Cash paid	16.8
Contingent consideration	0.6
Net asset value acquired	5.8
Goodwill	23.2

Details of the net asset value acquired:

Property, plant and equipment	4.1
Intangible assets	2.6
Other long-term assets	0.9
Net working capital	(0.7)
Cash	0.4
Long-term debt	(11.7)
Other long-term liabilities	(1.4)
Net asset value acquired	(5.8)

The above acquisitions contributed € 16.6 million to 2011 revenues and an operating loss of € 3.1 million. Had these investments been acquired on the first day of the year, revenues would have amounted to € 20.2 million and operating loss to € 4.1 million.

Acquisition costs of € 0.5 million were charged to the consolidated statement of income.

The goodwill paid primarily relates to the acquisition of additional market share which will allow the realization of economies of scale, anticipated synergies and expected growth. The initial accounting for these acquisitions is provisional with respect to intangible assets, provisions and inventory valuation.

The Company also acquired or increased its interest in hearing aid retailers, mostly in the Netherlands and Switzerland.

Details are as follows:

Cash paid	17.5
Contingent consideration	0.7
Fair value non-controlling interest already owned	4.0
Net asset value acquired	(3.2)
Goodwill	19.0

Details of the net asset value acquired:

Property, plant and equipment	0.9
Intangible assets	0.3
Net working capital	3.7
Cash	1.8
Other long-term liabilities	(0.8)
Short-term debt	(2.7)
Net asset value acquired	3.2

The fair value of the non-controlling interest already owned equaled its carrying value. The non-controlling interest was acquired in 2010.

The above acquisitions contributed € 2.6 million to 2011 revenues and € 0.6 million to the operating income. Had these investments been acquired on the first day of the year, revenues would have amounted to € 15.5 million and operating income to € 2.8 million.

Acquisition costs of € 0.2 million were charged to the consolidated statement of income.

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

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

Other acquisitions:

Cash paid	2.1
Contingent consideration	0.3
Net asset value acquired	0.4
Goodwill	2.8

Total acquisitions:

Cash paid	44.0
Contingent consideration	1.6
Fair value option to acquire additional interest in InVesting	33.4
Fair value non-controlling interest already owned and other consideration	13.8
Net asset value acquired	(18.7)
Goodwill	74.1

Reconciliation to cash flow statement:

Cash paid for the above acquisitions	44.0
Cash acquired	(7.1)
Acquisition of associates (note 5)	40.2
Cash flow statement	77.1

5. Investments in associates

The composition of the investments in associates is as follows:

	2011	2010
Publicly traded	**1,605.8**	1,376.3
Other	**175.9**	150.7
Total	**1,781.7**	1,527.0

Movements are as follows:

	2011	2010
Book value on Jan. 1	**1,527.0**	1,122.0
Investments	**40.2**	198.8
Disposals	**(5.0)**	(14.4)
Income	**295.9**	283.4
Dividends	**(53.6)**	(49.9)
Share change in other reserves	**-**	(2.8)
Change in fair value	**(3.7)**	5.5
Reclassification	**(17.9)**	(52.0)
Exchange adjustments and effect of financial instruments	**(1.2)**	36.4
Book value on Dec. 31	**1,781.7**	1,527.0

Investments primarily relates to the acquisition of a 45% interest in Atlas Services Group Holding B.V. Atlas specializes in supplying professionals to the energy and marine industry worldwide.

The reclassification is primarily the result of the acquisition of a controlling interest in InVesting B.V. and a hearing aid subsidiary. In 2010, this related to the acquisition of a controlling interest in FD Mediagroep B.V. and the reclassification under current assets of the option to acquire additional shares in InVesting B.V.
Disposals of € 5 million relate to distributions from private equity partnerships (see below). These are included in the consolidated statement of cash flows for a total amount of € 20.5 million. This amount also includes the net cash proceeds from the sale of Delta Wines B.V. (€ 15.5 million). This 65% subsidiary was sold in November 2011. The sale did not have a material effect on these financial statements.

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

	2011	2010
Market value	**3,612.4**	3,660.6
Book value	**(1,605.8)**	(1,376.3)
	2,006.6	2,284.3

On December 31, 2011, goodwill of € 95.8 million (2010: € 86.6 million) was included in the book value above.

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

	Safilo	Vopak	Boskalis	**Total**
2011				
Assets	1,501.0	4,240.2	4,673.7	**10,414.9**
Liabilities	685.3	2,402.4	2,926.4	**6,014.1**
Revenues	1,101.9	1,171.9	2,801.0	**5,074.8**
Profit	27.9	392.4	254.3	**674.6**
% interest held	37.23%	48.15%	33.37%	
2010				
Assets	1,475.0	3,831.0	4,315.2	**9,621.2**
Liabilities	708.0	2,280.9	2,715.9	**5,704.8**
Revenues	1,079.9	1,106.3	2,674.4	**4,860.6**
Profit	0.7	261.9	310.5	**573.1**
% interest held	37.23%	48.15%	32.93%	

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

A list of the Company's principal associates is included on page 66.

Investments in associates include interests in six private equity partnerships for a total amount of € 48 million (2010: € 41 million).

6. Other financial assets

The specification is as follows:

	2011	2010
Investment in quoted securities	**124.1**	190.4
Loans to associates	**12.6**	11.0
Other loans	**39.1**	43.2
Purchased debt portfolio	**18.6**	-
Other	**30.7**	34.0
	225.1	278.6

Investment in quoted securities includes:

	2011	2010
9⁵/₈% Senior Notes issued by Safilo Group maturing in 2013	**68.7**	102.1
17.87% equity interest in Dockwise Ltd.	**55.4**	88.3
	124.1	190.4

In June 2011, Safilo Group S.p.A. redeemed in advance € 30.4 million of the $9^5/_8$% Senior Notes maturing in 2013 at par.

Investments in quoted securities are recorded at fair value based on stock exchange quoted prices including accrued interest if applicable. If securities are not actively traded, market prices are obtained from independent market vendors.

The loans to associates bear interest rates ranging from 6% to 8% with a remaining duration of one to four years.

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

The category other mostly includes long-term deposits and receivables.

7. Marketable securities and deposits

The specification is as follows:

	2011	2010
Time deposits and other receivables	-	122.3
Other fixed income securities	-	0.1
Equity securities	**97.2**	90.3
	97.2	212.7

The summary by currency of the *'time deposits and other receivables'* is as follows:

	2011	2010
Euro	-	102.2
U.S. dollar	-	18.1
Other currencies	-	2.0
	-	122.3

The geographical allocation in percentages of the *'equity securities'* is as follows:

	2011	2010
North-America	**34**	34
Other	**66**	66
	100	100

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

8. Receivables

	2011	2010
Trade receivables	**422.9**	353.0
Allowance for doubtful accounts	**(23.6)**	(19.6)
	399.3	333.4

The ageing of these receivables is as follows:

	2011	2010
Up to 3 months	**347.9**	312.8
Between 3 and 6 months	**26.6**	17.6
Between 6 and 9 months	**9.7**	7.8
Over 9 months	**38.7**	14.8
	422.9	353.0

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

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

	2011	2010
Up to 3 months	**69.3**	82.5
Between 3 and 6 months	**11.5**	11.7
Between 6 and 9 months	**6.1**	3.9
Over 9 months	**13.0**	7.2
	99.9	105.3

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	2011	2010
Euro	**320.1**	274.1
British pound	**27.1**	28.7
U.S. dollar	**11.9**	10.0
Other	**63.8**	40.2
	422.9	353.0

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

	2011	2010
Book value on Jan. 1	**(19.6)**	(20.7)
Additions	**(11.4)**	(6.4)
Current year write-off	**6.4**	7.1
Releases	**1.0**	0.4
Book value on Dec. 31	**(23.6)**	(19.6)

The fair value of the receivables is equal to their carrying amount.

Receivables from franchisees are now classified as accounts receivables (2010: € 24.4 million).

Information on pledges is included in notes 14 and 16.

9. Inventories

The composition of the inventories is as follows:

	2011	2010
Raw materials	**29.9**	32.1
Work in progress	**18.4**	18.3
Finished goods	**343.3**	362.3
Provisions	**(36.2)**	(41.0)
	355.4	371.7

The cost of inventory recognized as expense amounts to € 1,272.5 million (2010: € 1,263.6 million). The total write-down of inventories recognized as expense amounts to € 5.4 million (2010: € 15.2 million).

Information on pledges is included in notes 14 and 16.

10. Other current assets

The composition of the other current assets is as follows:

	2011	2010
Prepaid vendors	**55.8**	49.3
Income tax receivables	**30.9**	10.1
Value added tax	**18.7**	20.7
Debt collection activity	**26.9**	-
Derivative financial instruments	**1.2**	39.2
Other receivables	**75.7**	75.5
	209.2	194.8

Receivables from franchisees are classified as accounts receivables.

Debt collection activity relates to the acquisition of InVesting B.V. Reference is made to note 4.

Derivative financial instruments relates to an option to acquire a controlling interest in a Mexican optical retail company.

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

Derivative financial instruments in 2010 included an option to acquire additional shares in InVesting B.V. in 2010, which was exercised in 2011 (€ 33.4 million).

Information on pledges is included in notes 14 and 16.

11. Issued capital

The issued share capital at December 31, 2011 consists of 67,358,837 shares of which 81,226 are held as treasury stock by the Company. Movements in the number of shares were as follows:

x 1,000	Issued shares	Treasury shares
January 1, 2010	63,686.9	116.3
Sale of treasury shares	-	(28.3)
Dividend paid in stock	1,793.7	4.2
December 31, 2010	65,480.6	92.2
January 1, 2011	65,480.6	92.2
Sale of treasury shares	-	(16.6)
Purchase of treasury shares	-	54.0
Other (see note on related-party transactions	-	(50.0)
Dividend paid in stock	1,878.2	1.6
December 31, 2011	67,358.8	81.2
Outstanding shares		67,277.6
Par value (HAL Holding N.V.)		0.02
Share capital		1.3

The treasury shares above are HAL Trust Shares held by HAL Holding N.V. and are not expected to be cancelled.

A 2010 dividend of € 245.2 million (excluding dividend on treasury shares) or € 3.75 per share was paid on June 17, 2011 (2010: € 181.2 million or € 2.85 per share), of which € 59.6 million in cash and € 185.6 million in shares. Shareholders representing 75.7% of the issued shares had their dividend distributed in stock. These shareholders received 1 new share for 26.4 existing shares.

This conversion ratio was determined based on the volume weighted average share price of HAL Trust shares traded on NYSE Euronext in Amsterdam during the period May 20, 2011 through June 9, 2011. Accordingly, 1,878,285 shares were issued on June 17, 2011.

12. Provisions

Provisions consist of:

	2011	2010
Pension obligations	4.0	3.1
Other	22.1	12.1
Total	26.1	15.2

The movement in the pension provision is disclosed in note 13.

The breakdown and movement in other provisions is as follows:

	2011	2010
Long-term	22.1	12.1
Short-term	31.2	25.5
	53.3	37.6

	2011	2010
Balance on January 1	37.6	60.7
Provisions made in the year	26.1	31.8
Amounts used	(11.7)	(46.2)
Reclassification	1.6	(9.8)
Exchange differences	(0.3)	1.1
Balance on Dec. 31	53.3	37.6

Other provisions refer to warranties, fiscal and regulatory risks, restructuring, onerous contracts and other risks.

13. Pension obligations

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

The latest actuarial valuation was carried out as of December 31, 2011.

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

	2011	2010
Present value of funded obligations	361.3	329.9
Fair value of plan assets	392.1	363.2
	(30.8)	(33.3)
Unrecognized actuarial results	(3.0)	(0.6)
Present value of unfunded obligations	37.8	37.0
Net liability in the statement of financial position	4.0	3.1

The net liability consists of net defined benefit assets of € 69.2 million (2010: € 69.9 million) and net defined benefit liabilities of € 73.2 million (2010: € 73.0 million).

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

	2011	2010
Current service costs	8.0	6.7
Interest costs	18.8	17.2
Expected return on plan assets	(15.5)	(19.8)
Actuarial results	0.9	0.3
Other costs	16.2	13.3
Total, included in employee costs	28.4	17.7

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

Movements in the defined benefit obligations are as follows:

	2011	2010
Balance on January 1	**366.9**	328.9
Service cost	**8.0**	6.7
Interest cost	**18.8**	17.2
Employee contributions	**4.7**	4.4
Actuarial results	**16.3**	24.9
Benefits paid	**(16.0)**	(15.2)
Reclassification	**-**	(0.3)
Exchange effect	**0.4**	0.3
Balance on Dec. 31	**399.1**	366.9

Movements in the plan assets are as follows:

	2011	2010
Balance on January 1	**363.2**	323.4
Expected return on plan assets	**15.5**	19.8
Employer contributions	**11.6**	9.5
Employee contributions	**4.7**	4.4
Actuarial results	**13.9**	21.0
Benefits paid	**(16.0)**	(15.2)
Exchange effect	**(0.8)**	0.3
Balance on Dec. 31	**392.1**	363.2

Benefits paid for unfunded plans amounted to € 1.5 million (2010: € 1.1 million). This amount is included in employer contributions.

The actual return on plan assets was € 29.5 million (2010: € 41 million).

The Company expects to contribute € 13.4 million to defined benefit plans in 2012.

The principal weighted average assumptions used were:

	2011	2010
Discount rate	**4.82%**	5.08%
Inflation rate	**2.02%**	2.03%
Expected return on plan assets	**4.96%**	5.12%
Future salary increases	**3.72%**	3.75%
Future benefits increases	**1.89%**	1.76%

The latest available mortality tables were used.

Plan assets include the following:

As of December 31, 2011:

Equities	**97.0**	24.7%
Debt instruments	**227.4**	58.0%
Other	**67.7**	17.3%
	392.1	100.0%

As of December 31, 2010:

Equities	106.9	29.5%
Debt instruments	201.7	55.5%
Other	54.6	15.0%
	363.2	100.0%

Other assets mainly include short-term deposits.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as of the statement of financial position date. Expected returns on equity reflect expected long-term rates of return.

Experience adjustments for the current and previous four periods are as follows:

	2011	2010	2009	2008	2007
Present value of defined benefit obligations	**399.1**	366.9	328.9	302.5	291.5
Fair value of plan assets	**392.1**	363.2	323.4	298.0	289.1
Deficit	**(7.0)**	(3.7)	(5.5)	(4.5)	(2.4)
Experience adjustments gains (losses) on pension obligations	**4.5**	0.2	(0.7)	3.6	2.1
Experience adjustments gains (losses) on plan assets	**13.9**	21.0	7.9	(10.8)	(6.3)

14. Long-term debt and other financial liabilities

	2011	2010
Long-term bank debt	**987.2**	502.1
Other financial liabilities	**163.6**	155.0
	1,150.8	657.1

	2011	2010
Mortgage loans	**183.8**	176.0
Other loans	**803.4**	326.1
	987.2	502.1

The summary per currency is as follows:

	2011	2010
Euro	**863.3**	354.6
U.S. dollar	**95.2**	77.8
Other currencies	**28.7**	69.7
	987.2	502.1

The maturity of long-term debt is as follows:

	2011	2010
Between 1 and 2 years	**92.2**	61.4
Between 2 and 5 years	**794.5**	337.9
Over 5 years	**100.5**	102.8
	987.2	502.1

Long-term debt mostly increased due to the refinancing of the optical retail subsidiary GrandVision B.V.

Mortgage loans are secured by mortgages and pledges on vessels, real estate, inventory and receivables with a corresponding book value of € 307.6 million. The other loans are secured to an amount of € 84.9 million by pledges on machinery and equipment, receivables, inventories and other current assets.
These are non-possessory pledges where, in case of default under the mortgage loan agreements, the lender would have the right to resell the vessels or real estate and receive the cash flows from the receivables.

The fair value of the financial liabilities is included in the paragraph on fair value of financial assets and financial liabilities on page 62.

Included in other financial liabilities is the non-current portion of obligations to acquire equity instruments in certain subsidiaries from the management of these subsidiaries (€ 45.4 million). Reference is made to the note on financial commitments. Also included are financial commitments due to previous owners of companies acquired, that are payable in future years (earn-out and deferred/contingent payments) for € 118.2 million.

The weighted average interest rate as of December 31, 2011, on the long-term loans was 3.3% (2010: 3.8%).

After taking into account interest rate swaps, the interest rate exposure relating to the long-term bank debt of the Company and its subsidiaries is as follows:

	2011	2010
Loans at fixed rates	**668.6**	398.4
Loans at floating rates	**318.6**	103.7
	987.2	502.1

15. Deferred taxes

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

Deferred tax liabilities:

	Property, plant and equipment	Intangibles	Other	**Total**
As of Jan. 1, 2010	(17.5)	(101.8)	(25.3)	**(144.6)**
Credit/(charged) to net income	(0.5)	0.4	(4.9)	**(5.0)**
Other movements	(0.2)	(19.5)	(5.0)	**(24.7)**
As of Dec. 31, 2010	(18.2)	(120.9)	(35.2)	**(174.3)**
Credit/(charged) to net income	(10.7)	-	(0.5)	**(11.2)**
Charged to equity	-	-	0.1	**0.1**
Other movements	(0.3)	(6.9)	(2.2)	**(9.4)**
Reclassifications	(12.2)	(9.8)	3.4	**(18.6)**
As of Dec. 31, 2011	(41.4)	(137.6)	(34.4)	**(213.4)**

Reclassifications relate to adjustments of prior year offsetting within fiscal unities.

The column “Other” includes the followings:

	2011	2010
Deferred revenue	**(7.2)**	(12.8)
Inventories	**(9.7)**	(8.7)
Receivables	**-**	(4.1)
Key money	**-**	(7.4)
Pensions	**(7.3)**	(2.1)
Derivatives	**-**	(0.1)
Other provisions	**(5.4)**	-
Accrued expenses	**(1.6)**	-
Other	**(3.2)**	-
	(34.4)	(35.2)

Total other movements include:

	2011	2010
Acquisition FD Mediagroep	**-**	(8.1)
Acquisition GEERS Hörakustik	**-**	(7.6)
Acquisition InVesting	**(11.1)**	-
Movement to equity (derivatives)	**-**	(5.5)
Acquisition optical retail companies	**-**	(3.3)
Other, including translation adjustments	**1.7**	(0.2)
	(9.4)	(24.7)

Other movements in property, plant and equipment include:

	2011	2010
Other, including translation adjustments	**(0.3)**	(0.2)
	(0.3)	(0.2)

Other movements in intangibles include:

	2011	2010
Acquisition FD Mediagroep	**-**	(8.1)
Acquisition GEERS Hörakustik	**-**	(6.3)
Acquisition InVesting	**(9.1)**	-
Other, including translation adjustments	**2.2**	(5.1)
	(6.9)	(19.5)

Other movements in other include:

	2011	2010
Acquisition GEERS Hörakustik	**-**	(1.3)
Acquisition optical retail companies	**-**	(3.3)
Acquisition InVesting	**(2.0)**	-
Movement to equity (derivatives)	**0.1**	(0.2)
Other, including translation adjustments	**(0.3)**	(0.2)
	(2.2)	(5.0)

The column "other" credited/(charged) to net income includes the followings:

	2011	2010
Pensions	**0.6**	(2.1)
Inventories	**(0.3)**	(0.9)
Deferred revenue	**(0.3)**	(0.3)
Other provisions	**(0.3)**	(0.2)
Intangibles	**-**	(1.1)
Derivatives	**0.5**	-
Accrued expenses	**(0.9)**	-
Other	**0.2**	(0.3)
	(0.5)	(4.9)

The current portion of the deferred tax liabilities amounts to € 2.2 million and the non-current portion to € 211.2 million.

Deferred tax assets:

	Tax loss carry-forwards	Pensions	Other	Total
As of Jan. 1, 2010	54.9	1.9	22.9	**79.7**
Credit/(charged) to net income	6.6	(0.5)	(2.8)	**3.3**
Other movements	(8.8)	2.6	11.1	**4.9**
As of Dec. 31, 2010	52.7	4.0	31.2	**87.9**
Credit/(charged) to net income	22.7	(0.2)	(8.2)	**14.3**
Charged to equity	-	-	(0.6)	**(0.6)**
Other movements	-	0.1	1.7	**1.8**
Reclassifications	5.4	3.4	9.8	**18.6**
As of Dec. 31, 2011	80.8	7.3	33.9	**122.0**

Reclassifications relate to adjustments of prior year offsetting within fiscal unities.

The column "Other" includes the following:

	2011	2010
Deferred revenue	**3.8**	14.4
Accrued expenses	**5.2**	10.6
Inventories	**3.4**	2.3
Derivatives	**1.7**	1.9
Property, plant and equipment	**3.9**	1.3
Intangibles	**7.1**	0.7
Other provisions	**5.7**	-
Other	**3.1**	-
	33.9	31.2

Total other movements include:

	2011	2010
Acquisition GEERS Hörakustik	**-**	4.0
Acquisition InVesting	**0.3**	-
Other, including foreign exchange effects	**1.5**	0.9
	1.8	4.9

Other movements in tax loss carry forward include:

	2011	2010
Acquisition InVesting	**0.3**	-
Reclassification to income tax receivable	**-**	(3.2)
Reclassification to other deferred tax asset categories	**-**	(3.6)
Other, including translation adjustments	**(0.3)**	(2.0)
	-	(8.8)

Other movements in pensions include:

	2011	2010
Acquisition GEERS Hörakustik	**-**	0.9
Other, including translation adjustments	**0.1**	1.7
	0.1	2.6

The column "Other" included in the line "other movements" is as follows:

	2011	2010
Acquisition GEERS Hörakustik	**-**	3.1
Reclassification from the other tax asset categories	**-**	3.6
Other, including translation adjustments	**1.7**	4.4
	1.7	11.1

The column “Other” credited/(charged) to net income includes the following:

	2011	2010
Property, plant and equipment	**(8.7)**	(0.8)
Intangibles	**(0.8)**	(0.2)
Deferred revenue	**0.3**	(0.8)
Accrued expenses	**0.6**	1.7
Derivatives	**0.1**	-
Other provisions	**(0.7)**	-
Other	**1.0**	(2.7)
	(8.2)	(2.8)

The current portion of the deferred tax assets amounts to € 5.2 million and the non-current portion to € 116.8 million.

Unused tax losses for which no deferred portion tax assets have been recognized are as follows:

Expiration date	2011	2010
2011	**-**	93
2012	**9.8**	8.9
2013	**20.7**	18.3
2014	**6.1**	1.7
2015	**2.3**	4.1
2016 and further years	**133.7**	57.6
no expiration date	**155.1**	150.7
	327.7	334.3

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax entity.

The following amounts, determined after appropriate offset, are shown in the statement of financial position:

	2011	2010
Deferred tax assets	**46.8**	46.0
Deferred tax liabilities	**(138.2)**	(132.4)
	(91.4)	(86.4)

Deferred income taxes are shown under note 25 as follows:

	2011	2010
Deferred tax liabilities debited/credited to net income	**(11.2)**	(5.0)
Deferred tax assets debited/credited to net income	**14.3**	3.3
	3.1	(1.7)

16. Short-term debt and other financial liabilities

	2011	2010
Short-term debt	**332.5**	533.4
Other financial liabilities	**17.4**	41.8
	349.9	575.2

	2011	2010
Bank overdraft	**186.4**	82.7
Bank loans	**107.7**	347.4
Current portion long-term debt	**38.4**	103.3
	332.5	533.4

Loans are secured to an amount of € 117 million by pledges on machinery and equipment, receivables, inventories and other current assets. These are non-possessory pledges, where in case the Company defaulted under the loan agreements, the lender would have the right to resell the machinery and equipment or inventories and receive the cash flows from the receivables.

Included in other financial liabilities is the current portion of obligations to acquire equity instruments in certain subsidiaries from the management of these subsidiaries (€ 15.8 million). Reference is made to the note on financial commitments. Also included are financial commitments due to previous owners of companies acquired, that are payable in future years (earn-out and deferred/contingent payments) for € 1.6 million.

17. Revenues

	2011	2010
Sale of goods	**3,664.8**	3,519.6
Services	**259.7**	177.1
Franchise fees	**71.8**	72.2
	3,996.3	3,768.9

18. Income from marketable securities and deposits

	2011	2010
Capital gains (losses) including impairments	**(2.3)**	17.9
Interest income	**3.2**	7.1
Dividends	**0.8**	1.2
Management fees	**(0.7)**	(0.7)
	1.0	25.5

Capital gains (losses) for 2011 include an impairment of marketable securities (quoted equity securities) of € 6.2 million (2010: nil). This impairment loss is calculated based on fair value less cost to sell of the assets involved. This fair value is calculated based on stock exchange quoted prices. The impairment was recognized as a result of a decrease in the stock exchange price of an equity security for which an impairment was recognized in the past.

19. Share of profit/(loss) of associates

	2011	2010
Share in results	**289.6**	238.6
Revaluation	**6.3**	44.8
	295.9	283.4

The revaluation in 2010 related to the non-controlling interest in FD Mediagroep B.V. (€ 11.3 million) upon acquisition of a controlling interest in this company and the change in value of an option to acquire additional shares in InVesting B.V. (€ 33.4 million).

The revaluation in 2011 related to the non-controlling interest in InVesting B.V. upon acquisition of a controlling interest in this company. See note 4.

20. Income from other financial assets

	2011	2010
Interest from loans and debt portfolio	**16.5**	10.2
Capital gains (losses)	**11.7**	(5.8)
	28.2	4.4

The capital gain in 2011 relates to the redemption of Safilo bonds at par. We refer to note 6 for details.

21. Income from real estate activities

	2011	2010
Capital gains	**49.8**	6.8
Rental income	**7.2**	13.3
Operating expenses	**(3.7)**	(5.5)
	53.3	14.6

In 2011 the Company sold an office property and two development parcels resulting in a total pre-tax capital gain of approximately € 50 million.

22. Employee expenses

	2011	2010
Wages and salaries	**912.1**	815.6
Social security costs	**186.0**	165.6
Pension costs	**28.4**	17.7
Other	**80.4**	98.6
	1,206.9	1,097.5

The average number of persons employed by the Company and its subsidiaries during 2011 was 29,530 (2010: 26,862) on a full time equivalent basis.

23. Other operating expenses

Other operating expenses include the following:

	2011	2010
Rent	**416.5**	382.0
Marketing and publicity	**189.3**	168.0
Other	**456.7**	415.9
	1,062.5	965.9

Research and development costs expensed amounted to € 3.0 million (2010: € 3.3 million).

The total amount of exchange differences recognized in the consolidated statement of income (except financial instruments at fair value) amounted to a € 9.6 million gain (2010: € 1.8 million loss).

24. Financial expense and other financial income

Financial expense and other financial income include the following:

	2011	2010
Interest expense	**71.6**	49.9
Impact of fair value hedge	**-**	6.0
	71.6	55.9

Other financial income (€ 12.4 million) includes the impacts of fair value hedges of € 6.2 million and currency exchange differences on the liquid portfolio of € 6.2 million.

25. Income taxes

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

	2011	2010
Current income taxes	**69.9**	60.9
Deferred income taxes	**(3.1)**	1.7
	66.8	62.6

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:

	2011	2010
Profit before income tax	**561.7**	490.7
Income tax expense	**66.8**	62.6
Effective tax rate	**11.9%**	12.7%

	2011	
Composition:	Amount	%
Weighted average statutory tax rate	**152.8**	27.2
Participation exemption	**(73.2)**	(13.0)
Goodwill impairment	**5.5**	1.0
Recognition of tax losses	**7.6**	1.3
Non-taxable income	**(35.6)**	(6.3)
Non-deductible expenses	**13.1**	2.3
Prior year movements	**(2.4)**	(0.4)
Other effects	**(1.0)**	(0.2)
Effective tax (%)	**66.8**	11.9

	2010	
Composition:	Amount	%
Weighted average statutory tax rate	136.1	27.7
Participation exemption	(69.6)	(14.2)
Goodwill impairment	10.8	2.2
Recognition of tax losses	7.9	1.6
Non-taxable income	(36.9)	(7.5)
Non-deductible expenses	14.3	2.9
Effective tax (%)	62.6	12.7

Participation exemption relates to the share in profits from associates which is not taxable in the Netherlands.

Taxes recognized in other comprehensive income:

	2011	2010
On changes in the fair value of cash flow hedges	**(0.6)**	0.2
On exchange differences and hedges	**0.1**	-
	(0.5)	0.2

26. Earnings per share

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

	2011	**2010**
Issued and outstanding shares at January 1	**65,388**	63,571
Sale of treasury shares	**10**	16
Purchase of treasury shares	**(31)**	-
Other (see note on related-party transaction)	**38**	-
Dividend paid in stock	**1,013**	961
Average number of outstanding Shares	**66,418**	64,548

27. Changes in working capital

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

	2011	2010
Accounts receivable	**(56.3)**	(14.9)
Inventories	**6.5**	(7.1)
Other current assets	**(24.2)**	(28.6)
Accounts payable	**(8.0)**	(5.8)
Accrued expenses	**29.6**	15.9
	(52.4)	(40.5)

Segmentation

The Company's reportable segments are:

- Optical retail
- Other unquoted
- Quoted non-controlling interests
- Real estate
- Liquid portfolio

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

	2011	2010
Optical retail	**247.8**	258.0
Other unquoted	**111.3**	96.9
Quoted non-controlling interests	**296.7**	230.7
Real estate	**48.7**	8.8
Liquid portfolio	**(1.4)**	18.8
	703.1	613.2
Reconciling items:		
- Amortization	**(63.5)**	(73.8)
- Financial income consolidated subsidiaries	**5.1**	6.9
- Other	**(23.8)**	0.3
Operating result as per consolidated statement of income	**620.9**	546.6
Financial expense, net	**(59.2)**	(55.9)
Profit before tax as per consolidated statement of income	**561.7**	490.7

The "other" reconciling items represent mostly corporate overhead and exceptional and non-recurring items and included in 2010 the revaluation of the minority interest in FD Mediagroep (€ 11.3 million) and the option to acquire additional shares in InVesting B.V. (€ 33.4 million).

The composition of depreciation expense by segment is as follows:

	2011	2010
Optical retail	**85.9**	79.5
Other unquoted	**54.0**	50.0
Real estate	**2.7**	4.2
Reconciling items	**0.4**	0.5
	143.0	134.2

The reconciling items represent corporate depreciation expense.

The composition of revenues by segment is as follows:

	2011	2010
Optical retail	**2,291.5**	2,194.3
Other unquoted	**1,704.8**	1,574.6
	3,996.3	3,768.9

The composition of assets by segment is as follows:

	2011	2010
Optical retail	**2,309.0**	2,200.9
Other unquoted	**1,958.7**	1,741.8
Quoted non-controlling interests	**1,730.0**	1,566.8
Real estate	**86.9**	109.5
Liquid portfolio	**414.0**	125.4
Reconciling items	**31.9**	34.0
	6,530.5	5,778.4

The liquid portfolio segment primarily increased as the result of the refinancing of the optical retail subsidiary GrandVision B.V.

The reconciling items represent primarily deferred tax and loans.

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

	2011	2010
Optical retail	**48.7**	50.5
Other unquoted	**127.2**	100.2
Quoted non-controlling interests	**1,605.8**	1,376.3
	1,781.7	1,527.0

The composition of capital expenditures by segment is as follows:

	2011	2010
Optical retail	**152.9**	148.8
Other unquoted	**133.8**	261.3
Real estate	**12.8**	34.5
Reconciling items	**0.2**	0.2
	299.7	444.8

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:

	2011	2010
Optical retail	**1,411.8**	1,086.4
Other unquoted	**1,134.7**	1,010.8
Real estate	**12.8**	24.5
Liquid portfolio	**1.3**	0.3
Reconciling items	**(51.6)**	31.2
	2,509.0	2,153.2

The reconciling items represent mostly pension assets that are part of the overall pension liability. In 2010, it also included corporate debt.

The composition of revenues by geographical area is as follows:

	2011	2010
Europe	**3,779.7**	3,561.8
North-America	**35.0**	40.1
Other countries	**181.6**	167.0
	3,996.3	3,768.9

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

	2011	2010
Europe	**4,318.9**	3,915.5
North-America	**87.4**	103.4
Other countries	**146.5**	177.6
	4,552.8	4,196.5

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

Impairments

The following impairment losses are recognized:

	2011	2010
Goodwill	**20.7**	40.0
Marketable securities	**6.2**	-
Other intangibles	**1.6**	0.9
	28.5	40.9

Impairment losses by segment are as follows:

	2011	2010
Optical retail	**12.1**	10.9
Other unquoted	**10.2**	30.0
Liquid portfolio	**6.2**	-
	28.5	40.9

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

	2011	2010
Amortization and impairments of intangible assets	**22.3**	40.9
Income from marketable securities and deposits	**6.2**	-
	28.5	40.9

Financial instruments by category

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

Dec. 31, 2011	Loans and receivables	Available for sale	Derivatives	Total
Assets				
Other financial assets	101.0	124.1	-	**225.1**
Marketable securities and deposits	-	97.2	-	**97.2**
Other current assets	134.7	-	1.2	**135.9**
Receivables	399.3	-	-	**399.3**
Cash	644.7	-	-	**644.7**
Total	1,279.7	221.3	1.2	**1,502.2**

Dec. 31, 2011	Liabilities	Derivatives	Total
Liabilities			
Long-term debt	987.2	-	**987.2**
Short-term debt	332.5	-	**332.5**
Other financial liabililities	181.0	-	**181.0**
Finance leases	32.4	-	**32.4**
Accounts payable and accrued expenses	290.4	18.6	**309.0**
Total	1,823.5	18.6	**1,842.1**

Dec. 31, 2010	Loans and receivables	Available for sale	Derivatives	Total
Assets				
Other financial assets	88.2	190.4	-	**278.6**
Marketable securities and deposits	-	212.7	-	**212.7**
Other current assets	85.6	-	39.2	**124.8**
Receivables	333.4	-	-	**333.4**
Cash	144.7	-	-	**144.7**
Total	651.9	403.1	39.2	**1,094.2**

Dec. 31, 2010	Liabilities	Derivatives	Total
Liabilities			
Long-term debt	502.1	-	**502.1**
Short-term debt	533.4	-	**533.4**
Other financial liabilities	196.8	-	**196.8**
Finance leases	4.3	-	**4.3**
Accounts payable and accrued expenses	264.7	13.4	**278.1**
Total	1,501.3	13.4	**1,514.7**

Derivative financial instruments

On December 31, 2011 the Company owned open forward exchange contracts to sell U.S. dollars with a fair value of approximately € (1.0) million (2010: € 4.4 million), a notional amount of € 19.3 million (2010: € 264.0 million) and maturing within the next twelve months. The Company also owned open forward exchange contracts to sell British pounds with a fair value of € 0 (2010: € 1.2 million) and a nominal amount of € 0 (2010: € 122.0 million). The Company also owned open forward exchange contracts to sell Japanese yens with a fair value of approximately € (0.6) million (2010: € 0.2 million), a nominal amount of € 25.7 million (2010: € 30.2 million) and maturing within the next twelve months.
The total fair value of the above instruments was € (1.6) million (2010: € 5.8 million).

As of December 31, 2011, interest on loans to an amount of € 623.9 million (2010: € 593.8 million) is fixed by means of interest rate swaps. These instruments are intended to protect the Company from rising interest payments on its floating rate borrowings. Fair values on these instruments amounted to € (17.0) million on December 31, 2011 (2010: € (13.4) million). This amount is included under accrued expenses in the statement of financial position. On December 31, 2011 the fixed interest rates of the swaps vary from 1.35% to 4.67% (2010: 1.50% to 4.67%). The Company is mainly exposed to changes in Euribor and Libor. The fair value of these interest rate swaps is recognized as part of the cash flow hedge reserve, as far as they are included in a cash flow hedge relationship, within equity and will be released continuously to the consolidated statement of income until the repayment of the debts.

All interest rate swaps hedge accounting relationships were highly effective. For amounts removed from equity we refer to the schedule of movements in other reserves on page 23.

Fair value of financial assets and financial liabilities

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

	Fair value 2011	Carrying amount 2011	Fair value 2010	Carrying amount 2010
Financial assets				
Other financial assets	227.4	225.1	278.6	278.6
Marketable securities and deposits	97.2	97.2	212.7	212.7
Other current assets	135.9	135.9	124.8	124.8
Receivables	399.3	399.3	333.4	333.4
Cash	644.7	644.7	144.7	144.7
Total	1,504.5	1,502.2	1,094.2	1,094.2

	Fair value 2011	Carrying amount 2011	Fair value 2010	Carrying amount 2010
Financial liabilities				
Debt	1,310.5	1,319.7	1,023.5	1,035.5
Other financial liabilities	181.0	181.0	196.8	196.8
Finance leases	28.0	32.4	3.9	4.3
Accounts payable and derivatives	309.0	309.0	278.1	278.1
Total	1,828.5	1,842.1	1,502.3	1,514.7

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

Summary by level of assets and liabilities measured at fair value

Dec. 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
- equity securities	112.9	39.7	-	152.6
- fixed income instruments	68.7	-	-	68.7
Derivatives	-	-	1.2	1.2
Total	181.6	39.7	1.2	222.5

Dec. 31, 2011	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives	-	18.6	-	18.6
Other financial liabilities	-	-	181.0	181.0
Total	-	18.6	181.0	199.6

Dec. 31, 2010	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
- equity securities	147.5	31.1	-	178.6
- fixed income instruments	102.1	0.1	-	102.2
Derivatives	-	5.8	33.4	39.2
Total	249.6	37.0	33.4	320.0

Dec. 31, 2010	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives	-	13.4	-	13.4
Other financial liabilities	-	-	196.8	196.8
Total	-	13.4	196.8	210.2

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

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

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

Capital risk management

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

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

	2011	2010
Equity	**3,969.9**	3,595.1
Long-term bank debt	**987.2**	502.1
Short-term bank debt	**332.5**	533.4
Cash and deposits	**(644.7)**	(267.0)
Total capital employed	**4,644.9**	4,363.6

Related-party transactions

Short-term and post-employment benefits for the Executive Board amounted to € 2.1 million (2010: € 2.4 million) and € 0.4 million (2010: € 0.4 million) respectively.

On April 1, 2011 Mr. M.F. Groot, member of the Executive Board, received 50,000 shares in HAL Trust. This allotment was approved by the Supervisory Board in 2006 under the condition precedent that he would still be employed with the Company on April 1, 2011. These shares are restricted for a five-year period.
On May 18, 2011, the Supervisory Board resolved to grant Mr. M.F. Groot 50,000 shares HAL Trust, under the condition precedent that he is still employed with the Company on May 18, 2016. The shares acquired will then be restricted for a five years period. The fair value of the shares granted is based on the quotation of HAL Trust share on NYSE Euronext in Amsterdam at grant date, adjusted for the impact of dividend forfeiture during the vesting period. In this respect € 0.8 million (2010: € 0.6 million) was charged to the consolidated statement of income with a corresponding increase in equity.

The fixed 2011 remuneration for the Supervisory Directors of HAL Holding N.V. in accordance with Art. 23 (5) of the Articles of Incorporation of HAL Holding N.V. was € 0.4 million (2010: € 0.1 million) in total. Effective January 1, 2011 the variable part of the compensation of the supervisory directors was abolished. In 2010 the variable part of the compensation of the supervisory directors amounted to € 0.4 million, which was reduced to € 0.3 million by the Supervisory Board.

During 2011, the Company purchased for € 35.6 million goods from companies controlled by Safilo Group S.p.A., a 37.2 % associate. At the end of 2011, the Company had € 7.1 million payable to Safilo Group S.p.A. with respect to delivery of goods in the ordinary course of business. In addition, the Company owns 9 5/8 % Senior Notes issued by Safilo Group S.p.A. with a par value of € 68.3 million (see Note 6).

Financial Commitments

Capital commitments

On December 31, 2011 the Company and its subsidiaries had capital commitments in respect of buildings or vessels under construction and real estate development of approximately € 117.0 million (2010: € 54.8 million).

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

Movements are as follows:

	2011	2010
Cost at beginning of the year	**18.5**	30.1
Reclassification	**3.1**	-
Acquisitions	**32.9**	0.9
Disposals	**(0.3)**	(12.5)
Subtotal	**54.2**	18.5
Accumulated depreciation at beginning of the year	**(14.2)**	(24.2)
Reclassification	**(1.2)**	-
Disposals	**0.1**	11.1
Depreciation	**(1.5)**	(1.1)
Subtotal	**(16.8)**	(14.2)
Book value at Dec. 31	**37.4**	4.3

These assets represent mostly flight simulators, warehouse assets and laboratory equipment.

Minimum lease payments of the finance lease liabilities:

	2011	2010
No later than 1 year	**8.2**	1.5
Later than 1 year and no later than 2 years	**7.7**	1.2
Later than 2 years and no later than 5 years	**15.2**	1.4
Later than 5 years	**1.3**	0.2
Subtotal	**32.4**	4.3
Future finance charges	**(4.4)**	(0.4)
Present value of liability	**28.0**	3.9

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

	2011	2010
No later than 1 year	**7.8**	1.4
Later than 1 year and no later than 2 years	**7.0**	1.1
Later than 2 years and no later than 5 years	**12.3**	1.2
Later than 5 years	**0.9**	0.2
Total	**28.0**	3.9

Financial commitments

Leases of assets under which significant risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight line basis over the period of the lease.

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

	2011	2010
No later than 1 year	**283.2**	272.9
Later than 1 year and no later than 5 years	**661.6**	619.0
Later than 5 years	**211.2**	211.0
Total	**1,156.0**	1,102.9

Operating leases recognized in income amounted to € 334 million (2010: € 311 million).

The Company and its subsidiaries entered into various commitments to acquire non-controlling and majority interests. On December 31, 2011 the total estimated amount of these commitments not included in the balance sheet was € 87 million (2010: € 39 million).

Management of certain subsidiaries (approximately 80 individuals) own non-controlling interests in the capital of these subsidiaries. The Company has, with respect to certain subsidiaries, the conditional obligation to acquire these equity instruments for cash.
These obligations are generally included in management participation agreements which are similar in nature and include conditions such as vesting criteria, lock up arrangements, non-compete agreements and good leaver/bad leaver provisions. The liabilities are initially recorded based on the value of the equity instruments transferred and subsequently remeasured to fair value. The calculation of fair value is generally based on a multiple of EBITA less debt. Multiples applied are either contractually determined or, generally, in accordance with those applied in calculating estimated value of the subsidiaries and associates (page 67).
The liabilities expire during the period 2012-2016. The short-term part of this liability of € 15.8 million (2010: € 20.1 million) is included under short-term debt and the long-term part of € 45.4 million (2010: € 43.9 million) under long-term debt. Changes in estimated value of the liabilities are recorded in the consolidated statement of income under employee expenses (taking into account cash received).
In 2011, a € 2.9 million gain (2010: € 13.9 million loss of which € 8.1 million related to changes in value attributable to prior years) was recorded in the consolidated statement of income under employee expenses.

List of Principal Subsidiaries and Associates

As of December 31, 2011

(Interest = 100% unless otherwise stated)

Consolidated:	Interest
HAL Holding N.V., Curaçao	
HAL International N.V., Curaçao	
HAL International Investments N.V., Curaçao	
HAL Investments N.V., Curaçao	
HAL Real Estate Investments Inc., Seattle	
HAL Investments B.V., Rotterdam	
Coral Shipping Holding B.V., Rotterdam	
GrandVision B.V., Schiphol	
Mercurius Groep Holding B.V., Zaandam	
Koninklijke Ahrend N.V., Amsterdam	99.0%
Broadview Holding B.V., ’s-Hertogenbosch	97.4%
FD Mediagroep B.V., Amsterdam	96.8%
Intersafe Trust B.V., Dordrecht	95.5%
Atasun Optik A.S., Istanbul	95.0%
AudioNova International B.V., Rotterdam	95.0%
Orthopedie Investments Europe B.V., Haarlem	95.0%
Sports Timing Holding B.V., Haarlem	95.0%
Shanghai Red Star Optical Co. Ltd., Shanghai	78.0%
Flight Simulation Company B.V., Schiphol	70.0%
Anthony Veder Group N.V., Curaçao	64.2%
InVesting B.V., Hilversum	59.6%
PontMeyer N.V., Zaandam	56.7%

Non-consolidated:

Publicly traded	Interest	Exchange
Koninklijke Vopak N.V. (ordinary shares)	48.15%	Amsterdam
Safilo Group S.p.A.	37.23%	Milan
Koninklijke Boskalis Westminster N.V.	33.37%	Amsterdam
Dockwise Ltd.	17.87%	Oslo/Amsterdam

Other	
Gispen Group B.V.	49.00%
N.V. Nationale Borg-Maatschappij	46.68%
Lutterman GmbH	46.20%
Atlas Services Group Holding B.V.	45.00%
Visilab S.A.	30.20%
Navis Capital Partners Ltd.	25.00%
Grupo Óptico Lux	25.00%

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

As of December 31, 2011

General

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

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

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

Portfolio valuation methodology

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

Quoted investments

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

Unquoted common equity investments

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

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

Cost

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

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

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

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

Recent transactions in the investee company

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

Earnings multiple

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

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

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

Unquoted other investments

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

Valuation investments

	Book value	Estimated value	Cost price
Quoted investments	1,729.9	3,736.5	517.2
Unquoted investments	1,669.7	2,283.4	577.6
	3,399.6	6,019.9	1,094.8
Unquoted investments			
Value based on a multiple of EBITA	1,275.3	1,876.1	90.8
Valued at other methods	394.4	407.3	486.8
	1,669.7	2,283.4	577.6

Estimated value less book value of the unquoted investments amounted to € 614 million at the end of 2011 (2010: € 863 million) respectively € 9.12 and € 13.19 per share.

Cost price represents the original purchase price less dividends, interest received and return of capital. The EBITA multiples applied vary from 7 to 8. With respect to the optical retail activities, a multiple of 8 was applied to an EBITA amount of € 252 million. This amount includes the negative EBITA of emerging markets (except Turkey and China) and Spanish and Greek retail subsidiaries to an amount of € 19 million. Exclusion of this loss in the calculation of estimated value would result in an increase of estimated value of € 152 million. The 2011 sales of these subsidiaries amounted to € 156 million. The optical retail subsidiaries in China and Turkey were valued based on 1 time annual revenue (approximately € 35 million).
Recent acquisitions were valued at cost. Realized multiples may be materially different.

Quoted investments

	Interest in common shares	Price in €	Market value in € x 1,000
Koninklijke Vopak N.V.			
- ordinary shares	48.15%	40.83	2,512.6
- preferred shares			16.1*
Koninklijke Boskalis Westminster N.V.	33.37%	28.39	980.4
Dockwise Ltd.	17.87%	12.27	55.4
Safilo Group S.p.A.			
- shares	37.23%	4.88	103.3
- bonds	50.59%	993.78	68.7
Total market value quoted investments			3,736.5

*Non-quoted, at cost

No discount was applied to the above market prices.

Statement of Financial Position
HAL Trust

As of December 31

In millions of euro	**2011**	2010
Assets		
67,358,837 shares in HAL Holding N.V., at historical cost	**69.3**	69.3
Trust Property	**69.3**	69.3

Statement of Income
HAL Trust

In millions of euro	**2011**	2010
Dividend received from HAL Holding N.V.	**245.6**	181.5
Net income	**245.6**	181.5

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

The shares in HAL Holding N.V. are accounted for at historical cost in accordance with IAS 27.38. As of December 31, 2011, HAL Trust owned 67,358,837 shares of HAL Holding N.V. (2010: 65,480,552).

Trust Property
The movement for 2011 for the Trust property is as follows:

Balance on January 1, 2011	**69.3**
Dividend received from HAL Holding N.V. (in cash and in shares)	**245.6**
Distributed to unit holders (in cash and in shares)	**(245.6)**
Balance on December 31, 2011	**69.3**

Cash flow statement

In millions of euro	**2011**	2010
Cash dividend received from HAL Holding N.V.	**59.6**	40.9
Cash distributed to unit holders	**(59.6)**	(40.9)
Net change	**-**	-

Distribution of Dividends

It is proposed to the Meeting of HAL Trust to instruct the Trustee to vote, at the General Meeting of Shareholders of HAL Holding N.V., in favour of the proposals to approve the Financial Statements for 2011 and to pay a dividend of € 3.40 per Share outstanding.

It is proposed to direct the Trustee:

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

- unless a HAL Trust Shareholder shall have requested (by no later than June 12, 2012 3:00 p.m. CET) that the dividend payment to him be made in cash, in which case the Trustee shall pay such HAL Trust Shareholder the cash dividend of € 3.40 per HAL Trust Share:

and

- to convey to HAL Holding N.V. prior to June 19, 2012 for how many HAL Holding N.V. shares the dividend should be paid in cash (on the basis of the number of HAL Trust Shares for which the HAL Trust Shareholders have requested payment of the HAL Trust dividend in cash), and for what amount cash payments are to be made to the Trustee representing the value of fractions of HAL Trust Shares (if any) to which the respective HAL Trust Shareholders will be entitled on the basis of the Conversion ratio, it being understood that the remainder of the HAL Holding N.V. dividend shall be paid in the form of stock dividend.

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

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

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

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

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

Independent Auditor's report

To the Trustee of HAL Trust

Report on the financial statements

We have audited the accompanying consolidated and standalone parent entity financial statements (collectively the "financial statements") of HAL Trust. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2011, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The standalone parent entity financial statements comprise the statement of financial position as at December 31, 2011, the statement of income for the year then ended and the notes.

The Executive Board's responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated and standalone parent entity financial statements give a true and fair view of the financial position of HAL Trust as at December 31, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Bermuda, March 27, 2012

PricewaterhouseCoopers Bermuda

Five-Year Summary
Consolidated Statement of Financial Position

In millions of euro	**2011**	2010	2009	2008	2007
Assets					
Non-current assets:					
Property, plant and equipment	**828.7**	747.7	678.1	668.9	501.4
Investment properties	**79.9**	96.0	65.7	72.6	65.8
Intangible assets	**1,862.5**	1,825.8	1,521.1	1,493.8	1,344.2
Investments in associates	**1,781.7**	1,527.0	1,122.0	828.0	737.3
Other financial assets	**225.1**	278.6	256.7	74.4	82.2
Deferred tax assets	**46.8**	46.0	50.4	49.2	32.2
Total non-current assets	**4,824.7**	4,521.1	3,694.0	3,186.9	2,763.1
Current assets:					
Assets held for sale	**-**	-	21.8	-	-
Other current assets	**209.2**	194.8	165.5	184.2	131.5
Inventories	**355.4**	371.7	343.7	379.6	322.0
Receivables	**399.3**	333.4	266.3	312.9	305.0
Marketable securities and deposits	**97.2**	212.7	326.0	569.7	698.0
Cash and cash equivalents	**644.7**	144.7	139.9	160.4	183.8
Total current assets	**1,705.8**	1,257.3	1,263.2	1,606.8	1,640.3
Total assets	**6,530.5**	5,778.4	4,957.2	4,793.7	4,403.4
Equity and liabilities					
Equity	**3,969.9**	3,595.1	3,132.4	2,807.5	2,716.2
Non-controlling interest in consolidated subsidiaries	**51.6**	30.1	72.2	94.2	86.4
Non-current liabilities:					
Deferred tax liabilities	**138.2**	132.4	115.3	116.8	78.8
Provisions	**26.1**	15.2	14.0	23.1	35.7
Long-term debt and other financial liabilities	**1,150.8**	657.1	388.4	590.5	453.4
Total non-current liabilities	**1,315.1**	804.7	517.7	730.4	567.9
Current liabilities:					
Liabilities held for sale	**-**	-	7.2	-	-
Provisions	**31.2**	25.5	55.3	42.4	27.9
Accrued expenses	**490.7**	456.4	394.5	413.2	358.0
Income tax payable	**31.7**	26.7	35.6	14.0	23.1
Accounts payable	**290.4**	264.7	229.0	271.9	265.2
Short-term debt and other financial liabilities	**349.9**	575.2	513.3	420.1	358.7
Total current liabilities	**1,193.9**	1,348.5	1,234.9	1,161.6	1,032.9
Total equity and liabilities	**6,530.5**	5,778.4	4,957.2	4,793.7	4,403.4
Equity per Share *(in euro)*	**59.01**	54.98	49.27	44.19	42.77

Five-Year Summary
Consolidated Statement of Income

In millions of euro	**2011**	2010	2009	2008	2007
Revenues	**3,996.3**	3,768.9	3,447.8	3,562.5	3,186.9
Income from marketable securities and deposits	**1.0**	25.5	22.9	(0.2)	29.7
Capital gains on sale of assets	**-**	-	2.8	11.8	19.8
Share of profit/(loss) of associates	**295.9**	283.4	199.0	187.9	426.5
Income from other financial assets	**28.2**	4.4	0.7	0.7	47.8
Income from real estate activities	**53.3**	14.6	7.7	7.7	9.7
Total income	**4,374.7**	4,096.8	3,680.9	3,770.4	3,720.4
Raw materials, consumables used and changes in inventories	**1,277.9**	1,278.8	1,227.8	1,317.6	1,180.6
Employee expenses	**1,206.9**	1,097.5	978.7	956.0	866.3
Depreciation of property, plant, equipment and investment properties	**143.0**	134.2	130.4	114.5	103.2
Amortization and impairments of goodwill	**20.7**	40.0	21.5	22.6	3.7
Amortization and impairments of other intangibles	**42.8**	33.8	27.8	22.5	18.7
Other operating expenses	**1,062.5**	965.9	853.7	845.1	699.3
Total expenses	**3,753.8**	3,550.2	3,239.9	3,278.3	2,871.8
Operating profit	**620.9**	546.6	441.0	492.1	848.6
Financial income/expense	**(59.2)**	(55.9)	(47.5)	(53.8)	(35.8)
Profit before taxes	**561.7**	490.7	393.5	438.3	812.8
Income tax expense	**(66.8)**	(62.6)	(51.4)	(43.5)	(57.2)
Profit before non-controlling interest in results of consolidated subsidiaries	**494.9**	428.1	342.1	394.8	755.6
Non-controlling interest in results of consolidated subsidiaries	**(1.9)**	4.0	5.1	(11.7)	(19.9)
Net income	**493.0**	432.1	347.2	383.1	735.7
Net income per share *(in euro)*	**7.42**	6.51	5.46	6.03	11.59
Dividend per share *(in euro)*	**3.40***	3.75	2.85	2.00	3.25

* Proposed

Statement of Financial Position
HAL Holding N.V.

As of December 31

In millions of euro	**2011**	2010
Assets		
Fixed assets:		
Non-current assets	**3,948.2**	3,664.7
Current assets:		
Deposits	**27.8**	8.3
Other current assets	**0.4**	5.6
	3,976.4	3,678.6
Equity and liabilities		
Equity	**3,969.9**	3,595.1
Current liabilities:		
Short-term debt	**-**	77.2
Accrued expenses	**6.5**	6.3
Total current liabilities	**6.5**	83.5
	3,976.4	3,678.6

Statement of Income
HAL Holding N.V.

In millions of euro	**2011**	2010
Income from financial assets	**502.7**	456.9
General and Administrative expenses	**(7.6)**	(8.0)
Total income	**495.1**	448.9
Financial expense	**(2.1)**	(16.8)
Net income	**493.0**	432.1

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

For details concerning the accounting principles in respect of the statement of financial position and statement of income, reference is made to the consolidated financial statements of HAL Trust except for financial assets (excluding loans) which are carried at net equity values.

Financial assets

Movements for 2011 are as follows:

Balance on January 1, 2011	**3,664.7**
Income	**502.7**
Increase (decrease) in loans, net	**(146.6)**
Exchange adjustments, valuation differences and equity adjustments	**(72.6)**
Balance on December 31, 2011	**3,948.2**

Equity

The movement for 2011 of Shareholders' equity is included on pages 22 and 23.

On December 31, 2011 and 2010, 67,358,837 and 65,480,552 Shares respectively were outstanding, with a nominal value of € 0.02 each and all were held by HAL Trust.
The Company may purchase HAL Trust Shares, when deemed appropriate, up to a maximum of 10% per year of the number of Shares outstanding at the beginning of the year. In 2010, 28,314 Shares were sold for € 2.1 million. In 2011, 16,583 Shares were sold for € 1.6 million and 54,000 Shares were purchased for € 5.3 million. In 2011, 50,000 Shares were granted to a member of the Executive Board.
A 2010 dividend of € 245.2 million (excluding dividend on treasury shares) or € 3.75 per share was distributed on June 17, 2011 (2010: € 181.2 million or € 2.85 per share), of which € 59.6 million in cash and € 185.6 million in stock. The conversion rate of 1:26.4 resulted in 1,878,285 new HAL Trust shares being issued.
The Company owned 81,226 HAL Trust shares as of December 31, 2011. These Shares are to hedge the obligation to allot – under certain conditions – 50,000 Shares HAL Trust to a member of the Executive Board and may also be used in the context of a share participation plan for management (not being members of the Executive Board).

Supervisory Directors

The 2011 fixed remuneration for the Supervisory Directors of HAL Holding N.V. in accordance with Art. 23 (5) of the Articles of Incorporation was € 0.4 million in total (2010: € 0.1 million). Effective January 1, 2011 the variable part of the compensation of the supervisory directors was abolished. This variable compensation represented a percentage of the profit and amounted to € 0.4 million in 2010 but was reduced by the Supervisory Board to € 0.3 million.

Distribution of Profits

The profit to be decided upon by the General Meeting of Shareholders of HAL Holding N.V. for 2011 is as follows:

		(In millions of euro)
According to the Statutory Statement of Income, the net income is:	€	493.0
Available for distribution to Shareholders	€	493.0
Proposed distribution:		
In accordance with Article 31 (1), 0.03 euro for each of the 67,358,837 shares:	€	2.0
Available to the General Meeting of Shareholders in accordance with Article 31 (2):	€	491.0
Retained in accordance with Article 30	€	(264.0)
Available for distribution	€	229.0
After approval of the dividend proposal of € 3.40 per Share by the General Meeting of Shareholders of HAL Holding N.V., the dividend shall be distributed to HAL Trust for 67,358,837 shares at € 3.40 per Share:	€	229.0

The above references to Articles refer to the Articles of Association of the Company.
The dividend shall be payable in shares in the share capital of the Company, except and to the extent that prior to June 19, 2012 the Trustee on behalf of HAL Trust expressly requests that payment to the Trustee be made in cash. The conversion ratio for the dividend in shares will be determined on June 12, 2012 after the close of business of NYSE Euronext in Amsterdam.

HAL Trust
Organization

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

The Trust has the following three components:

The Meeting of Shareholders of HAL Trust

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

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

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

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

The Trustee

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

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

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, J.C.R. Collis, T. Hagen and M. van der Vorm, *members*, A.R. Anderson, *alternate member*.

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

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

Description Corporate Governance HAL Holding N.V.

A Curaçao public company

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

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

Share capital

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

HAL Trust

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

HAL Trust is a trust under Bermuda law and is subject to a trust deed, the text whereof has most recently been changed on May 18, 2011. The function of Trustee is exercised by HAL Trustee Limited. In addition, the trust deed grants certain powers to HAL Trust Committee Limited. For further information on HAL Trustee Ltd. and HAL Trust Committee Limited, see page 77. The Trust Shares are listed and traded on NYSE Euronext in Amsterdam.

Meetings of Trust Shareholders

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

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

Rights of Trust Shareholders

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

Powers General Meeting of Shareholders

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

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

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

Executive Board

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

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

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

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

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

Board of Supervisory Directors

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

The Board of Supervisory Directors consists of at least five members. The Board of Supervisory Directors can determine that the Board consists of more members. At present the Board has 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 Board of Supervisory Directors has chosen a chairman from among its members.

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

The Board of Supervisory Directors has prepared a profile for its composition. Each member is capable of assessing the broad outline of the overall policy. Together the supervisory directors have sufficient expertise to carry out the tasks of the Board of Supervisory Directors taken as a whole.

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

Supply of information/logistics General Meeting of Shareholders

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

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

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

Financial reporting

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

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

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

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

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

Information in respect of members of the Board of Supervisory Directors

S.E. Eisma (63) is a Dutch citizen. Mr. Eisma was appointed member/secretary of the Board of Supervisory Directors of HAL Holding N.V. in 1993. In 2006 he was appointed Chairman. His current term is from 2011-2016. Mr. Eisma is a lawyer in Amsterdam and retired from De Brauw Blackstone Westbroek N.V. in April 2010. Mr. Eisma is a member of the Supervisory Board of Robeco Groep N.V. and Chairman of the Supervisory Board of the University of the Arts The Hague.

T. Hagen (69) is a Norwegian citizen. In 1985 he was appointed member of the Board of Supervisory Directors of HAL Holding N.V. His current term is from 2010-2015. Mr. Hagen is Chairman of the Board of MISA Investments Ltd. and Viking River Cruises Ltd.

P.J. Kalff (74) is a Dutch citizen. In 2006 he was appointed member of the Board of Supervisory Directors of HAL Holding N.V. His current term is from 2009-2014. Mr. Kalff was Chairman of the Managing Board of ABN AMRO Bank N.V. from 1994-2000. Mr. Kalff is Chairman of the Supervisory Board of Oyens & Van Eeghen N.V. He is also a member of the Board of Directors of Aon Corporation (Chicago).

A.H. Land (72) is a Canadian citizen. In 1999 he was appointed member of the Board of Supervisory Directors of HAL Holding N.V. His current term is from 2007-2012. Mr. Land was Chairman of the Executive Board of Hagemeyer N.V. from 1985-1999. It will be proposed to re-elect Mr. Land this year.

M.P.M. de Raad (67) is a Dutch citizen. In 2006 he was appointed member of the Board of Supervisory Directors of HAL Holding N.V. His current term is from 2008-2013. 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 Chairman of the Supervisory Board of CSM N.V. and member of the Supervisory Boards of Vion Holding N.V., Metro AG (Germany), Vollenhoven Olie Groep B.V. and TiasNimbas Business School. He is also Chairman of the Supervisory Board of the Jeroen Bosch Hospital.

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 Wednesday, May 16, 2012, 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 25, 2012, with regard to the following items on the agenda:
   a) Report of the Executive Board of HAL Holding N.V.
   b) Report of the Board of Supervisory Directors of HAL Holding N.V.
   c) Approval of the financial statements of HAL Holding N.V.
   d) Dividend payment against the profits of 2011 in the amount of € 3.40 per share as published in the Annual Report 2011, which dividend shall be payable in shares in the share capital of HAL Holding N.V., except and to the extent that
      (i) prior to June 19, 2012 the Trustee expressly requests that payment to the Trustee be made in cash;
      and
      (ii) cash payments will be made to the Trustee representing the value of fractions of HAL Trust Shares (if any) to which the respective HAL Trust Shareholders will be entitled on the basis of the Conversion ratio,

      and, with the approval of the Board of Supervisory Directors, to direct and authorize the Executive Board to effectuate such share issue and cash payments.
   e) Election of Supervisory Directors. It is proposed to re-elect Mr. A.H. Land.
   f) Discharge of the members of the Executive Board in respect of their duties of management during the financial year 2011.
   g) Discharge of the members of the Board of Supervisory Directors in respect of their duties of supervision during the financial year 2011.
   h) Amendment articles of association HAL Holding N.V.
3. Approval of the financial statements of HAL Trust
4. (i) Proposal to distribute a dividend against the profits of 2011 of € 3.40 per Share, subject to (ii) below;
   (ii) to direct the Trustee:
      a. to issue by way of stock dividend distribution to each HAL Trust Shareholder such number of HAL Trust Shares as shall be based on the Conversion ratio and the number of HAL Trust Shares held by such HAL Trust Shareholder;
      b. <u>unless</u> a HAL Trust Shareholder shall have requested (by not later than June 12, 2012, 3:00 p.m. CET) that the dividend payment to him be made in cash, in which case the Trustee shall pay such HAL Trust Shareholder the cash dividend of € 3.40 per HAL Trust Share;
      and
      c. to convey to HAL Holding N.V. prior to June 19, 2012 for how many HAL Holding N.V. shares the dividend should be paid in cash (on the basis of the number of HAL Trust Shares for which the HAL Trust Shareholders have requested payment of the HAL Trust dividend in cash), and for what amount cash payments are to be made to the Trustee representing the value of fractions of HAL Trust Shares (if any) to which the respective HAL Trust Shareholders will be entitled on the basis of the Conversion ratio, it being understood that the remainder of the HAL Holding N.V. dividend shall be paid in the form of stock dividend.
5. Translation of the financial statements.
   The intention is to provide, as from 2012, only a Dutch translation of the report of the Board of Supervisory Directors and the Executive Board of HAL Holding N.V. and no longer a Dutch translation of the financial statements.
6. Report of the Trust Committee
7. Other business
8. Closing

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

Shareholders who wish to attend the meeting must notify their intention to do so not later than May 9, 2012, at the offices in Amsterdam, Rotterdam or The Hague of The Royal Bank of Scotland N.V. or 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 2011 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, 2012

Explanatory notes to agenda items 2.d and 4

It is proposed to distribute a dividend of € 3.40 per HAL Trust Share against the profits for 2011 and that this dividend will be paid in HAL Trust Shares unless a Shareholder expressly requests payment in cash. The Conversion ratio for the dividend in HAL Trust Shares will be determined on the basis of the volume weighted average share price during the period May 23, 2012 through June 12, 2012, representing 15 trading days (the "Conversion ratio"), and will be announced on June 12, 2012 after the close of business of NYSE Euronext in Amsterdam. The value of the stock dividend, at the above volume weighted average share price, will be virtually the same as the value of the cash dividend. Any fraction of a Share will be settled in cash. The newly issued Shares will carry dividend rights for 2012 and subsequent years.
Dividend rights will not be traded on NYSE Euronext in Amsterdam.

The time-table is as follows:

2012	
May 18	Ex-dividend date
May 22	Dividend record date
May 23 through June 12 (3:00 p.m. CET)	Election period cash/stock (stock being default)
June 12 (after close of trading)	Determination and publication Conversion ratio
June 19	Delivery of Shares and payment of cash dividend

Shareholders who wish to receive a cash distribution must notify within the election period The Royal Bank of Scotland N.V. accordingly via the bank or agent where their Shares are held in custody.
The distribution of dividend in Shares is free of charge for Shareholders.

Explanatory notes to agenda item 2.h

The proposed changes to the articles of association of HAL Holding N.V. include:

(a) the addition to article 2 that the Company may grant security for its own liabilities or those of third parties;
(b) the increase of the maximum number of issued shares as mentioned in article 5, paragraph 1, from 70 to 75 million shares;
(c) the addition of two paragraphs to article 5 granting pre-emptive rights to shareholders upon the issue of new shares. Such rights existed already based on the law, but as a result of an amendment of Book 2 of the Civil Code of Curaçao which came into force on 1 January, 2012, such rights exist only when the articles of association so provide;
(d) the addition of a new paragraph to article 7 permitting shareholders to inspect the register of shareholders only to the extent that it concerns their own shares. This restriction existed already based on the law, but as a result of the amendment of the law mentioned above, this restriction must now be included in the articles of association;
(e) other changes such as language improvements and a few other less important changes as a result of the amendment of the law mentioned above.

The resolution to amend the articles of association of HAL Holding N.V. includes the authorization of each lawyer practising with STvB Advocaten (Curaçao) N.V. to cause the notarial deed required for the amendment of the articles of association to be executed.
The full text of the proposed amendment is available at the offices of HAL Holding N.V. and at www.halholding.com.