HEMA

HEMA
annual report 2016

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HEMA B.V.

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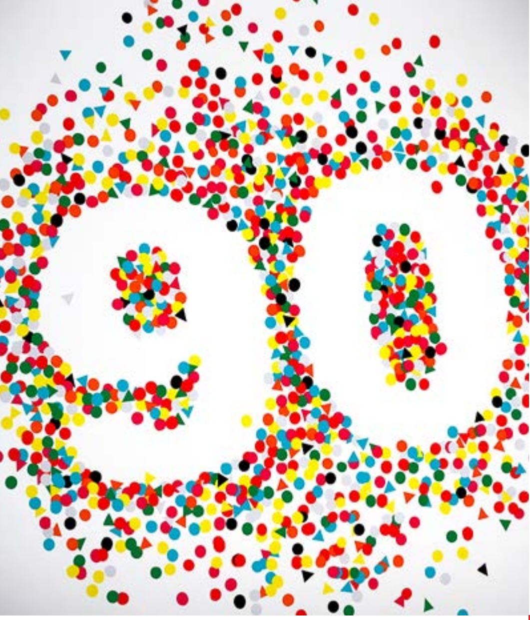
This annual report is adopted by the general meeting of shareholders April 13, 2017.
Registration number Chamber of Commerce ('Kamer van Koophandel') 34215639.



MILESTONES

1

HEMA celebrated its 90th birthday. On 4 November 1926, the 'Hollandsche Eenheidsprijzen Maatschappij Amsterdam' (Dutch Standard Prices Company Amsterdam), was founded. HEMA celebrated the 90-year milestone with employees and customers.

HEMA's 90th birthday

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MILESTONES

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HEMA selected five pilot stores to test its international store concept in the Netherlands. The international store concept that HEMA developed for cities such as Barcelona, Paris and London has proven to be so popular with customers that HEMA has decided to introduce the concept in the Netherlands as well.

five pilot stores Nether-lands

introduction

about HEMA

HEMA B.V. ('HEMA' or the 'Company') is a general merchandise retailer active in the Netherlands, Belgium, Luxembourg, France, Germany, Spain and the United Kingdom. HEMA designs, markets, sells and distributes products through its directly owned stores, as well as a network of branded franchise stores and e-commerce platforms (including mobile and tablet applications). The Company's products feature original and contemporary designs which are substantially all HEMA branded. HEMA offers an extensive range of products from everyday basic household necessities and a limited food assortment to affordable non-discretionary items, including cosmetics, stationery, basic ladies and menswear, babywear, towels and 'impulse-driven' purchases.

HEMA is a limited liability company with its registered seat (number 34215639) and support office in Amsterdam, the Netherlands. HEMA's shares are ultimately held 100% by Dutch Lion Coöperatief U.A. ('Dutch Lion Coop'), an investment company which is owned by several investment funds advised by Lion Capital. The direct parent of HEMA B.V. is Dutch Lion B.V. (the 'Parent').

financing of the company

On June 17, 2014 (the 'Issue Date'), HEMA Bondco I B.V. and HEMA Bondco II B.V. (together, the 'Issuers') issued €250.0 million Senior Secured Floating Rate Notes due 2019, €315.0 million 6.25% Senior Secured Fixed Rate Notes due 2019 (together, the 'Senior Secured Notes') and €150.0 million 8.50% Senior Notes due 2019 (the 'Senior Notes'). The senior secured notes were issued by HEMA Bondco I B.V. and the senior notes were issued by HEMA Bondco II B.V., both of which are 100% owned by Dutch Lion B.V. (the 'Parent'). The proceeds of the notes were used to repay existing debt in full. On the Issue Date, the Company entered into a Revolving Credit Facility Agreement, pursuant to which the Revolving Credit Facility was made available for drawing in the amount of €80.0 million.

On the Issue Date, the Parent issued €85.0 million Senior PIK Notes due 2020 (the 'Senior PIK Notes'). The proceeds of this issuance were used to repay the Parent's existing PIK facility in full.

On January 31, 2015, Dutch Lion B.V. made a contribution of €221.4 million to the Company by way of conversion of the shareholder loan into share premium.

On June 30, 2015, HEMA entered into a €25.0 million super senior secured purchase money financing facility (the "PMO Facility") to further bolster liquidity ahead of the annual peak in the working capital cycle. This piece of financing is a term loan facility with a maturity in line with HEMA's existing Revolving Credit Facility (December 2018). The cost of the PMO facility is EURIBOR + 7.00%, a portion of which is required to be paid in cash and the remainder in non-cash interest which accrues and capitalizes at the end of each interest period.

reporting

In addition to the Company's statutory reporting requirements, this annual report also contains a three-year overview of the consolidated income statement and consolidated statement of cash flow, as required under the indentures governing the Senior Secured Notes, the Senior Notes and the Senior PIK Notes.

The financial information included herein is with respect to HEMA and its subsidiaries and does not include financial information of the Parent. The Parent is a holding company with no independent business operations. The Parent has no material assets other than the shares it holds in HEMA and the Issuers and intercompany loans to HEMA. The Parent has no material liabilities other than the Senior PIK Notes and a subordinated shareholder loan.

MILESTONES

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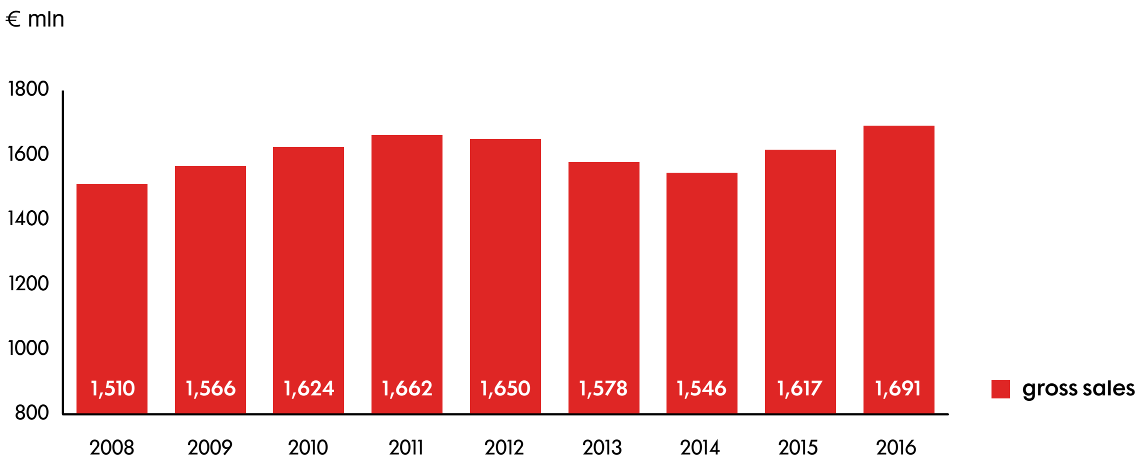
HEMA selected four pilot stores to test its international store concept in Belgium. The international store concept, which HEMA introduced in cities such as Barcelona, Paris and London, is so popular with (international) customers that HEMA has decided to introduce the same concept in Belgium.

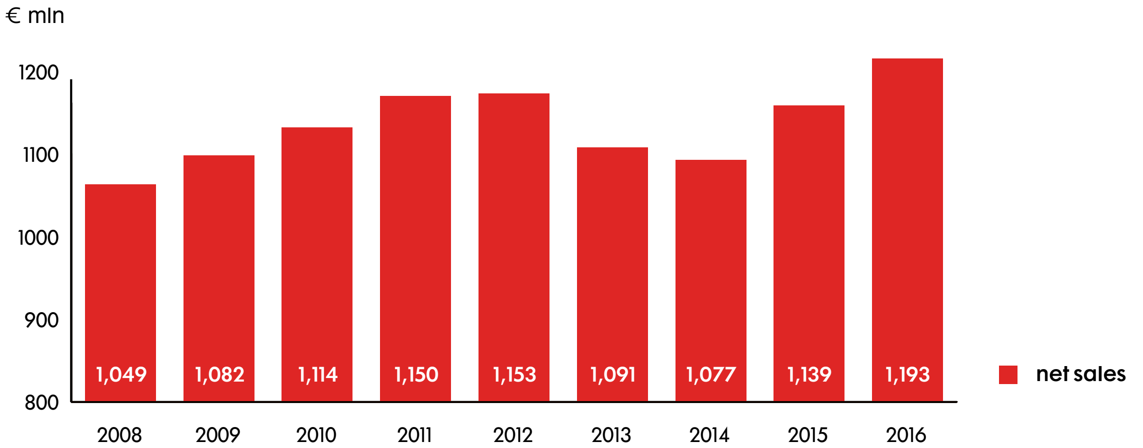
four pilot stores Belgium

financial highlights 2008 – 2016

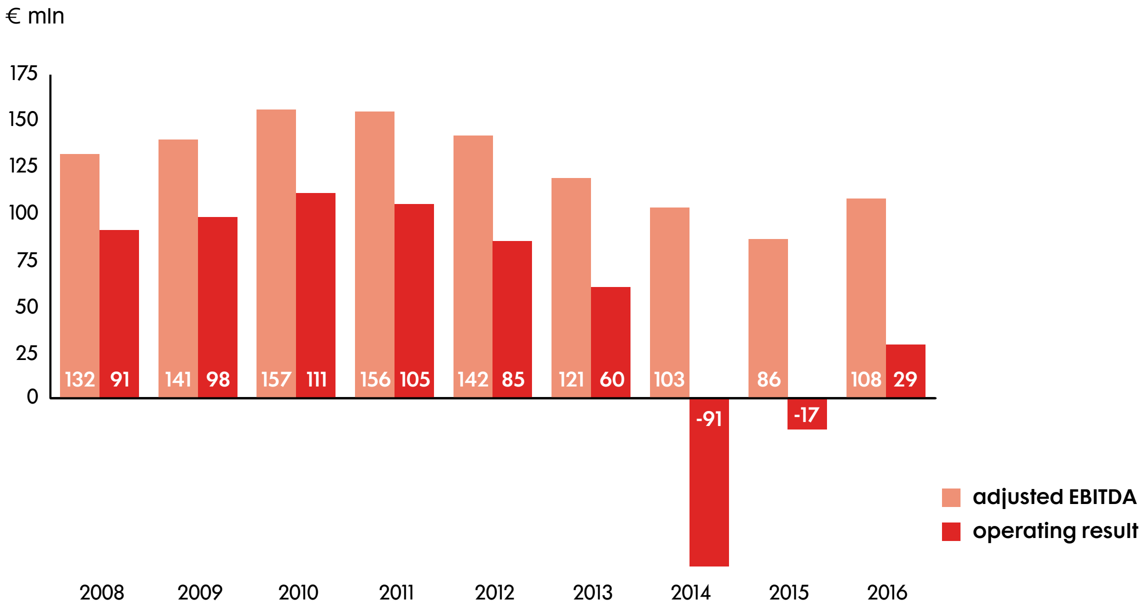
The graphs below show the financial highlights of HEMA B.V. ('HEMA' or the 'Company') for the financial years 2008 up to and including 2016. The financial year 2012 covers 53 weeks, the other years consist of 52 weeks.



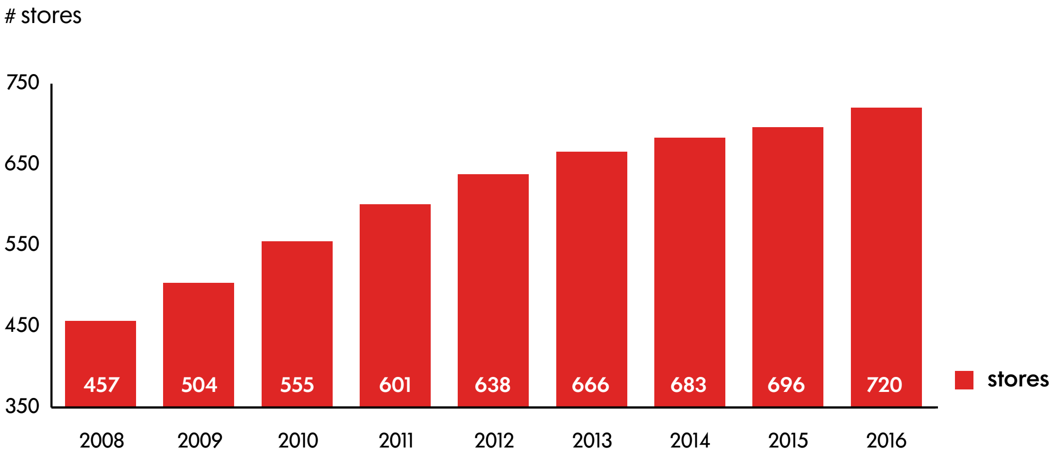
Gross sales are total sales to customers through HEMA's own stores and deliveries from HEMA to its franchisees.



Net sales are gross sales minus value added taxes and rebates.



For the definition of adjusted EBITDA, please refer to the definitions paragraph.



The stores reported in the table relate to the total number of stores at the end of the financial year and include directly operated stores in the Netherlands, Belgium, Luxembourg, Germany, United Kingdom, Spain and France and franchise stores in the Netherlands.

MILESTONES

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HEMA opened in April 2016 a flagship store in Barcelona. This is one of HEMA's largest international stores. It has two floors and is located a stone's throw away from the world-famous Ramblas.
It is HEMA's first Catalan store.

flagship store Barce-lona

message to our stakeholders

This year, we celebrated important milestones in our efforts to expand our reach and embrace the internationalisation of our brand. We have selected four pilot stores in Belgium and five pilot stores in the Netherlands to test our international store concept. We also opened our 50th store in France, located in the centre of Strasbourg. The opening of our flagship store in Cologne marks our decision to continue expansion in Germany as part of our overall expansion plans. Further internationalisation is a key pillar of our 2016 – 2018 growth strategy.

Our values are part of our DNA. They reflect our heritage and are at the heart of everything we do. They help us create a customer-centric culture of cooperation and collaboration. They are a guide for how we work, with our business partners and in our communities, to achieve great products and services for our customers. Our six core values are: putting our customer first, instilling quality in everything we do, keeping things simple, doing what we say, winning together and ensuring that every penny counts.

Another important part of our strategy to accelerate growth refers to our e-commerce activities. Therefore, we launched a redesigned website, at home and abroad. The new website is inspirational, simple, easy to navigate and enables customers to check availability of any product in HEMA's stores. We build a bridge between the online and brick and mortar stores by giving the website and the stores the same look and feel.

We aim to play a key role in the lives of our customers. Our ambition is to be the first choice for daily needs with a sparkle. At the award ceremony of the customer-centric DNA Awards in 2016, we received the prize for most customer-centric offline retailer. We also launched a loyalty programme under the name 'more HEMA' for our customers in the Netherlands. The launch of the programme comes in response to demand for a loyalty programme among our loyal customers. In 2018, the 'more HEMA' programme will also be made available to customers outside the Netherlands.

Our company is a true reflection of society. Everyone comes to our stores from time to time, regardless of social, religious and political background or sexual preference. This is what makes HEMA a brand for everyone. We are proud of that fact, but this does come with an increasing number of challenges. To gain advice from a different perspective on issues that involve a wide range of interests, issues in which we have a role to play in society, we installed a Children's Council. We will take the advice of the Children's Council seriously, to help us as the board to make better decisions. The Kids Council is an initiative of the Missing Chapter Foundation (MCF). Since 2014, MCF and UNICEF Netherlands have collaborated to enable as many organizations as possible to install a Kids Council. This gives children the chance to have a say and be visible in the decision-making process. The Missing Chapter Foundation (MCF) was founded in 2010 by HRH Princess Laurentien van Oranje to contribute to future-proof solutions to social issues.

welcoming new leaders

In 2016 we strengthened our Management Board and Supervisory Board with new members.

strengthening the management board

Mariëlle de Macker (48) was appointed as Director of HR and member of the Management Board on 1 September 2016. Mariëlle de Macker is a Dutch national who has over 20 years of experience within Human Resources. She worked for international companies like Randstad Holding NV, most recently as Managing Director Group HR and General Electric, in various HR senior management roles. Mariëlle brings a wealth of experience in the fields of organizational design, change management, leadership, recruitment and talent identification and development. Mariëlle holds an MSc in Industrial Engineering & Management Sciences of the Technical University Eindhoven.

Richard Flint (46) joined the HEMA management team as Director International on 1 November 2016. Richard is a British national. He is responsible for the operations outside the Netherlands and further international growth of the company. International expansion is one of the three pillars of HEMA's growth strategy, along with the revitalisation of the Benelux operations and boosting the company's e-commerce activities. Richard has held various senior management positions with Nike and Marks & Spencer and brings extensive international retail experience to HEMA. His most recent role before joining HEMA was Vice President China at Nike. He studied at the universities of Manchester and Florida.

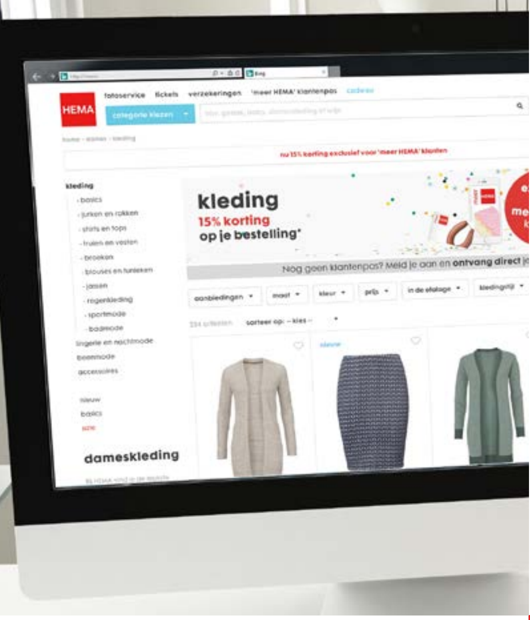
strengthening the supervisory board

Tanja Dik (47) was appointed to the Supervisory Board. Tanja is a Dutch national and holds a position as Managing Director Business Area Consumer Products & Services at Schiphol Group. Tanja brings a broad experience in general management, finance as well as broad commercial and operational leadership, having worked for Stage Entertainment Group, Martinair Holland and MeesPierson. Tanja succeeded Dolf Collee as the Supervisory Board member appointed with the enhanced recommendation right of the Works Council and chairs the audit committee. Dolf stepped down after a period of 8 years.

thank you

First and foremost, I would like to thank the people who make HEMA what it is – the teams in our stores, our distribution centres, our bakeries and our support offices in Europe and Asia. Your dedication to serving our customers is truly the heart of HEMA. And also I would like to welcome all our new colleagues who joined this year. I'd like to thank our shareholder for its continued support and confidence in our new direction. And last, but certainly not least, I'd like to thank each and every valued HEMA customer. It is your trust in our products and services that makes HEMA this great brand.

Tjeerd Jegen,
Chief Executive Officer
Amsterdam, the Netherlands, April 13, 2017



MILESTONES

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relaunch website

HEMA launched its redesigned website, at home and abroad. The new websites are an important part of HEMA's growth strategy. HEMA's new websites are inspirational, simple, easy to navigate and enable customers to check availability of any product in HEMA's stores.

report from the management board

mission and vision

Our mission is to make daily life easier and more fun for our customers. That has been our passion since 1926. We believe that great quality and design should be accessible to everyone at a great price. This is why our stores offer 100% HEMA-designed products, so we can guarantee that customers only get the best products and services for daily use. So, whoever and wherever you are, we are there for you 24 hours a day, seven days a week.

our ambition

As the world becomes increasingly hectic and complex HEMA wants to play a key role in the lives of its customers. This is why we look for convenient solutions to everyday problems and design our own products and services. Our ambition is to be the first choice for daily needs with a sparkle. We believe the exceptional simplicity of our products transcends borders and our message has universal appeal. Every week almost six million people visit our stores in the Netherlands, Belgium, Luxembourg, Germany, France, the United Kingdom and Spain. They embrace our products and our passion for making daily life easier and more fun.

our values

Our values are part of our DNA. They reflect our heritage and are at the heart of everything we do. They help us create a customer-centric culture of cooperation and collaboration. They also act as a guide in how we work, together with our business partners and within our communities, to achieve great products and services for our customers.

- **our customer first** – We always put our customers first. In everything we do. We need to understand our customers and meet their needs. We need to continuously surprise the customer. And to help our colleagues do this. They are our internal customers. Only then can we give our customers a truly distinctive and relevant experience.

- **quality in everything we do** – We always sell quality. In everything we do. Of course that applies to our products. But the quality of our own work is equally important. After all, our colleagues are depending on us. The things we do, we do right.

- **we keep things simple** – In our products, our stores, our processes and our relationships. By keeping things simple and simplifying processes, we can make the most effective use of the limited time available for our customers and our colleagues.

- **we do what we say** – We keep our word. We do not shun our responsibility. Of course things will occasionally go wrong. We're only human after all. But we always keep our promises.

- **we win together** – Because naturally we cannot do it alone. None of us is as smart as all of us. We need to work together. Only as a team can we make a difference. And we can win. Together we are HEMA.

- **every penny counts** – Whenever we spend money, we need to ask ourselves whether and how it benefits our company. We must not miss a single chance to generate more sales. We are cost conscious and driven by sales.

our growth ambition
To stimulate sustainable growth, we have developed a strategy based on three growth areas. The pillars focus on growing HEMA into an even more widely known international brand.

- **revitalize the Benelux**

Revitalizing the Benelux is a crucial factor for our success. In the coming years, we will offer new and improved ranges. In 2016, we began with children's apparel, seasonal and food. We also ran pilots to achieve the most logical and customer-centric store designs possible. We will continue to improve availability and increase stock turn. All with the aim of optimising our growth in the Benelux.

- **accelerate international expansion**

Our international store format is proving to be remarkably successful in France. The first results in Germany are promising. Targeted growth in these countries will stimulate HEMA's overall growth ambitions.

- **grow e-commerce**

There's a reason why our first value is 'our customer first'. Because our customer is what it's all about. And today's shopper demands the ease and convenience of online shopping. Our e-commerce platform is therefore an important area for potential growth. And together with our store network we make shopping even easier for our customers.

continuous improvement
We will continue the strategy for improvement that began in 2015. Key elements of that strategy include further reduction of overall stock levels, so that we can reduce costs and reward our clients with both new products as well as consistency in the availability of our products. We will continue to simplify and improve our stores so we can make our customers' experience easier and better. We will continue to invest in our people to further enhance our customer-centric culture.

sustainability as a key focus
HEMA feels that sustainability should be within reach of a broad public, and we intend to realise this by making it affordable and understandable. We pursue transparency in our sustainability policy and in our product range. Whether this concerns the origin of our products and resources, our production methods or the additives we use. We aim to offer sustainable products manufactured under fair circumstances.
This way, we will help our customers make well-considered choices.

winning the hearts of our customers
The HEMA heart is beating stronger and louder than it has in a long time. Through our continued focus on our values and our commitment to quality, we will win – and keep – the hearts of our customers. After all, making daily life easier and more fun for our customers is our passion, every day.

milestones of 2016

- **90th birthday**

HEMA celebrated its 90th birthday. On 4 November 1926, the 'Hollandsche Eenheidsprijzen Maatschappij Amsterdam' (Dutch Standard Prices Company Amsterdam), was founded. The very first store opened its doors to the public in the Kalverstraat in Amsterdam. HEMA celebrated the 90-year milestone with employees and customers. HEMA had some wonderful promotions for customers with a special celebration 'cake' in the leading role. Around the date of the anniversary HEMA surprised customers with a special '90 brochure' and special '90 products'.

- **highest annual sales ever**

In the financial year 2016 we reached the highest gross sales of €1,691 million and net sales of €1,193 million since HEMA was founded.

- **highest weekly sales ever**

During the week in the run-up to Christmas, HEMA recorded the highest weekly sales ever in the history of the company. The previous record dates back to 2011.

- **more than €100 million gross sales in France**

In the financial year 2016 France has reached the milestone of more than €100 million gross sales.

- **five pilot stores Netherlands**

HEMA re-formatted five pilot stores to test its international store concept in the Netherlands. The international store concept that HEMA developed for cities such as Barcelona, Paris and London has proven to be so popular with customers that HEMA has decided to introduce the concept in the Netherlands as well. The HEMA stores in other countries are divided into worlds. Women's and men's fashions are displayed together, just like products for the bathroom, kitchen items, baby products and living room items. HEMA has been receiving very positive feedback for many years from its foreign customers, but also from Dutch customers who visit the stores while on holiday in France, Spain or the UK. The key elements the customers comment on are the transparency and the fresh look of the stores. The division into worlds makes it immediately clear to customers where items can be found.

- **four pilot stores Belgium**

HEMA re-formatted four pilot stores to test its international store concept in Belgium. The international store concept, which HEMA introduced in cities such as Barcelona, Paris and London, is so popular with (international) customers that HEMA has decided to introduce the same concept in Belgium.

- **flagship store Barcelona**

HEMA opened in April 2016 a flagship store in Barcelona. The store has a floor space of no less than 643 square meters, making it one of HEMA's largest international stores. The store has two floors and is located a stone's throw away from the world-famous Ramblas. It is HEMA's first Catalan store.

- **flagship store Paris**

HEMA opened a new flagship store with no less than three floors on one of the most famous shopping streets in Paris: Rue de Rivoli.

- **50th store France**

HEMA opened its 50th store in France. The 420 square meter store is located in l'Aubette shopping centre in the centre of Strasbourg. Stores from various international retail chains are also present in the shopping centre. The Dutch ambassador to France, Ed Kronenburg, opened the store. In addition to the opening of the 50th HEMA store in France, HEMA also celebrated its 90th anniversary. A special live radio broadcast from the new store covered the event with guests that included HEMA's CEO Tjeerd Jegen and HEMA's format manager Saskia Touw.

opening of Cologne
HEMA opened its first flagship store in Germany, in the city of Cologne. The opening of the Cologne store also marks HEMA's decision to continue expansion in Germany as part of its overall international expansion plans. This flagship store is one of the first key city stores in a series of planned store openings in Germany in the coming years. The store is located on Hohe Straße, the main shopping street in the city and in the North Rhine-Westphalia region. At some 600 square meter, the store is also one of the largest international HEMA stores.

Tanja Dik new member Supervisory Board
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council for children
HEMA has set up a Children's Council, an initiative of the Missing Chapter Foundation. The Royal Highness, Princess Laurentien of the Netherlands, is the founder and director of the Missing Chapter Foundation. HEMA has installed the council to obtain advice from a different perspective on societal issues that involve a wide range of interests in which HEMA feels it has a role to play. HEMA's Children's Council gives the opportunity to obtain advice from a different perspective on the best ways to deal with the dilemmas we face in today's society. HEMA will therefore take the advice of the Children's Council seriously, to help the board to make better decisions.

customer-centric DNA Award
At the award ceremony of the customer-centric DNA Awards, HEMA received the prize for most customer-centric offline retailer. These awards are based on a survey of more than 12,000 Dutch people, who shared their opinions of experiences with companies they shop with and judged their customer-centric levels.

back to school
HEMA launched its largest back-to-school product range ever. The accompanying school campaign 'Eigen School, Eigen Ding' (Own school, own thing) emphasises the fact that school pupils create their own identity by customising their school gear.

- **relaunch website**

HEMA launched its redesigned website, at home and abroad. The new websites are an important part of HEMA's growth strategy. HEMA's new websites are inspirational, simple, easy to navigate and enable customers to check availability of any product in HEMA's stores. HEMA has built a bridge between the online and physical stores by giving the websites and the stores the same look and feel. E-commerce, the revitalisation of the Benelux operation and continued international expansion, are the foundation of HEMA's growth strategy.

- **launch loyalty programme**

HEMA launched a loyalty programme under the name 'meer HEMA' for its customers in the Netherlands. The programme allows customers to use both a digital customer card in the updated HEMA app and a physical customer card to save up for extra discounts on HEMA products. Customers also receive a free tompouce on their birthday. The launch of the new card comes in response to demand for a loyalty programme among loyal customers. Next year, the 'more HEMA' programme will also be made available to customers outside the Netherlands. HEMA's ambition is to expand it into an international loyalty programme in all the countries in which HEMA is active.

financial results

(all amounts in million euros)

result from operations

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015	2014	2016 vs 2015	2015 vs 2014
income statement data					
net sales					
sales to retail customers	909.9	858.3	797.5	51.6	60.8
sales to franchisees	279.3	275.3	272.6	4.0	2.7
other sales	4.0	5.7	7.1	(1.7)	(1.4)
total net sales	**1,193.2**	**1,139.3**	**1,077.2**	**53.9**	**62.1**
cost of sales	(657.4)	(658.1)	(586.0)	0.7	(72.1)
gross profit	**535.8**	**481.2**	**491.2**	**54.6**	**(10.0)**
operating expenses					
labor costs	(228.2)	(211.5)	(199.5)	(16.7)	(12.0)
housing and rents	(136.4)	(131.2)	(124.9)	(5.2)	(6.3)
other general expenses	(84.5)	(79.8)	(72.8)	(4.7)	(7.0)
other income and expense	(0.3)	3.0	2.2	(3.3)	0.8
depreciation and amortisation	(55.5)	(57.2)	(57.5)	1.7	0.3
impairments	(1.1)	(1.2)	(120.0)	0.1	118.8
costs for VAB agreement	-	(18.5)	-	18.5	(18.5)
restructuring costs	(0.9)	(1.4)	(10.1)	0.5	8.7
total operating expenses	**(506.9)**	**(497.8)**	**(582.6)**	**(9.1)**	**84.8**
operating result	**28.9**	**(16.6)**	**(91.4)**	**45.5**	**74.8**
finance costs					
interest income	-	-	0.1	-	(0.1)
interest expense - cash	(50.7)	(51.1)	(48.9)	0.4	(2.2)
interest expense - non cash	(0.8)	(0.4)	(30.5)	(0.4)	30.1
amortised finance costs	(4.5)	(4.1)	(17.3)	(0.4)	13.2
other finance costs	1.2	1.9	0.3	(0.7)	1.6
total finance costs	**(54.8)**	**(53.7)**	**(96.3)**	**(1.1)**	**42.6**
result before income taxes	**(25.9)**	**(70.3)**	**(187.7)**	**44.4**	**117.4**
income taxes	(0.3)	(2.2)	(1.5)	1.9	(0.7)
net result	**(26.2)**	**(72.5)**	**(189.2)**	**46.3**	**116.7**

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015	2014	2016 vs 2015	2015 vs 2014
other financial data					
EBITDA*	85.5	41.8	86.1	43.7	(44.3)
adjusted EBITDA*	108.2	85.5	103.1	22.7	(17.6)
like-for-like consumer sales*	2.8%	3.2%	(4.2%)	(0.4%)	7.4%
financial data by product category and region					
net sales by product category					
apparel	400.6	372.8	364.0	27.8	8.8
household goods & personal care	446.5	409.9	368.9	36.6	41.0
food & catering	298.9	307.3	292.8	(8.4)	14.5
services & other	47.2	49.3	51.5	(2.1)	(2.2)
total net sales	**1,193.2**	**1,139.3**	**1,077.2**	**53.9**	**62.1**
net sales by region					
The Netherlands	928.4	885.9	855.2	42.5	30.7
Belgium and Luxembourg	143.1	141.9	142.5	1.2	(0.6)
France	90.8	73.3	55.9	17.5	17.4
Germany	13.8	13.6	12.2	0.2	1.4
other	17.1	24.6	11.5	(7.5)	13.1
total net sales	**1,193.2**	**1,139.3**	**1,077.2**	**53.9**	**62.1**

*) Adjusted EBITDA, EBITDA and like-for-like consumer sales are non-GAAP measures. For a definition of these measures, please refer to the definitions paragraph at the end of the report.

result from operations: fiscal year 2016 compared to fiscal year 2015

net sales

Net sales increased by €53.9 million, or +4.7%, from €1,139.3 million in 2015 to €1,193.2 million in 2016, primarily due to +3.7% net sales increase in The Netherlands and expansion in France, UK and Spain. In 2016, 34 new stores were opened and 10 were closed. Most new stores were opened in the Netherlands (19), France (10), Spain (2), United Kingdom (2) and Germany (1). Of the 19 stores in the Netherlands, 17 were opened as temporary dedicated outlet stores to support the stock reduction programme.

like for like consumer sales

Like for like sales for HEMA were +2.8% in 2016, versus +3.2% in 2015. Like for like consumer sales in the Netherlands were +3.3%.

net sales by product group

Net sales increased in apparel and household goods & personal care. Apparel increased by +7.5%, household goods and personal care by +8.9%. Sales in food & catering decreased by -2.7%. Sales in services & other decreased by -4.3%.

net sales by region

Net sales for 2016 increased in almost all regions. Net sales in the Netherlands were €42.5 million higher versus last year. Sales in France increased by €17.5 million, Belgium and Luxembourg by €1.2 million and Germany sales by €0.2 million. In other, including Spain and UK, the net sales decreased by €7.5 million, due to a reclassification in 2016 of e-commerce activities in the Netherlands from "other" to "The Netherlands".

cost of sales

Cost of sales decreased by €0.7 million, or -0.1%, from €658.1 million in 2015 to €657.4 million in 2016. Cost of sales as a percentage of net sales decreased from 57.8% in 2015 to 55.1% in 2016.

gross profit

Gross profit increased by €54.6 million, or 11.3%, from €481.2 million in 2015 to €535.8 million in 2016. Gross profit as a percentage of net sales increased from 42.2% in 2015 to 44.9% in 2016.

operating expenses

Excluding depreciations, amortisations and impairments, operating expenses in 2016 increased by €10.9 million compared to 2015.

Labor costs increased by €16.7 million, or +7.9%. Total labor costs as a percentage of net sales increased from 18.6% in 2015 to 19.1% in 2016. Labor costs were primarily higher due to additional in-store staff required for new stores and additional staff at the support offices to support various strategic initiatives. The wage quote in the stores including outlets in the Netherlands further decreased from 14.8% in 2015 to 14.4% in 2016.

Housing and rents increased by €5.2 million, or +4.0%, from €131.2 million in 2015 to €136.4 million in 2016. The increase in costs was primarily due to the opening of new stores in 2015 and 2016 and an increase in the consumer price index, to which most of our rental rates are contractually linked. Housing and rents as a percentage of net sales decreased from 11.5% in 2015 to 11.4% in 2016.

Other general expenses increased by €4.7 million, or +5.9%, from €79.8 million in 2015 to €84.5 million in 2016. Other general expenses as a percentage of net sales increased slightly from 7.0% in 2015 to 7.1% in 2016. The increase in costs were primarily due to higher:

- legal and consulting expenses (€2.5 million increase) mainly driven by consulting support for strategic initiatives; and
- transportation expenses of €1.8 million mainly due to deliveries by an external party to HEMA stores for e-commerce instore pickup.

The increase was offset by lower costs mainly for sales promotion and packaging.

Depreciation and amortisation decreased by €1.7 million, or -3.0%, from €57.2 million in 2015 to €55.5 million in 2016. Depreciation and amortisation as a percentage of net sales decreased from 5.0% in 2015 to 4.7% in 2016.

Restructuring costs were €0.9 million in 2016 compared to €1.4 million in 2015. The expenses of 2016 relate to tax on prior year restructuring costs.

EBITDA

EBITDA increased by €43.7 million, from €41.8 million in 2015 to €85.5 million in 2016, as a result of higher gross profit (€54.6 million) offset by higher operating expenses (€9.1 million).

adjusted EBITDA

Adjusted EBITDA increased by €22.7 million, or 26.5%, from €85.5 million in 2015 to €108.2 million in 2016.

Adjustments to EBITDA included:

- €11.4 million of legal and consulting expenses (2015: €12.0 million). These relate to exceptional items such as one-off consulting support for strategic initiatives and non-recurring items like legal advice;
- €6.8 million of stock clearance expenses. In 2015, HEMA started a two-year stock clearance programme for which non-recurring expenses were incurred and adjusted for. These expenses included, amongst other things, lease costs for temporary outlets, additional store labor hours, additional storage and logistic expenses associated with the relevant inventory (2015: €7.5 million);
- €1.5 million management and oversight fee and other expenses (2015: €2.0 million). The fee is charged for services provided by Lion Capital to the Company under a monitoring and oversight agreement;
- €2.1 million pre-opening costs. The non-recurring expenses like salary and rent prior to the opening date of the opened stores in 2016 are adjusted (2015: €1.4 million); and
- €0.9 million restructuring costs. The cost relates to tax on prior year restructuring costs and are non-recurring (2015: €1.4 million).

In 2015, expenses for the Belgium store remodelling (€0.9 million) and costs related to the VAB agreement (€18.5 million) were also included in adjusted EBITDA. These items are no longer applicable in 2016.

operating result

Operating result increased by €45.5 million, from a loss of €16.6 million in 2015 to a gain of €28.9 million in 2016, as a result of the combined effect of the factors described above.

finance costs

Finance costs increased by €1.1 million, from €53.7 million in 2015 to €54.8 million in 2016. Finance costs for 2016 were higher due to interest payments included in the agreement with the franchisees, and a full year impact of the PMO facility which was entered into mid 2015.

net result

Net result increased by €46.3 million, from a loss of €72.5 million in 2015 to a loss of €26.2 million in 2016, as a result of the combined effect of the factors described above.

result from operations: fiscal year 2015 compared to fiscal year 2014

net sales

Net sales increased by €62.1 million, or +5.8%, from €1,077.2 million in 2014 to €1,139.3 million in 2015, primarily due to +4.7% net sales increase in The Netherlands and expansion in France, UK and Spain. In 2015, 20 new stores were opened and 7 were closed. Most new stores were opened in the Netherlands (9), France (7) and the new countries, Spain (2) and UK (2). Of the 9 stores in the Netherlands, 6 were opened as temporary dedicated outlet stores to support the stock reduction programme.

like for like consumer sales

Like for like consumer sales for HEMA were +3.2% in 2015 (positive), versus -4.2% in 2014 (negative). Like for like consumer sales in the Netherlands were +3.5% and +11.9% in France.

net sales by region

Net sales for 2015 increased in all regions, except Belgium and Luxembourg. Net sales in the Netherlands were €39.5 million higher versus last year, sales in France increased by €17.4 million, Germany sales were €1.4 million higher and other, including Spain and UK, increased by €4.3 million. Net sales in Belgium and Luxembourg showed a decline of €0.6 million.

net sales by product group

Net sales increased in all product groups, except services and other. Apparel increased by +2.4%, household goods and personal care by +11.1% and food & catering by +5.0%. Sales in services & other decreased by -4.3%.

cost of sales

Cost of sales increased by €72.1 million, or +12.3%, from €586.0 million in 2014 to €658.1 million in 2015. Cost of sales as a percentage of net sales increased from 54.4% in 2014 to 57.8% in 2015.

gross profit

Gross profit decreased by €10.0 million, or +2.0%, from €491.2 million in 2014 to €481.2 million in 2015. Gross profit as a percentage of net sales decreased from 45.6% in 2014 to 42.2% in 2015. The gross profit margin came under pressure as a result of negative foreign exchange results (US$ versus €) and higher markdowns following the introduction of clearance sales to reduce excess and aged inventory.

operating expenses

Excluding depreciations, amortisations and impairments, operating expenses in 2015 increased by €34.3 million compared to 2014.

Labor costs increased by €12.0 million, or +6.0%. Total labor costs as a percentage of net sales increased from 18.5% in 2014 to 18.6% in 2015. Labor costs were primarily higher due to additional in-store staff required for new stores and additional staff at the support office. This was partly offset by lower salaries in directly operated stores in the Netherlands as a result of store productivity improvements.

Housing and rents increased by €6.3 million, or +5.0%, from €124.9 million in 2014 to €131.2 million in 2015. Housing and rents as a percentage of net sales decreased from 11.6% in 2014 to 11.5% in 2015. The increase in costs was primarily due to the opening of new stores in 2014 and 2015 and an increase in the consumer price index, to which most of our rental rates are contractually linked.

Other general expenses increased by €7.0 million, or 9.6%, from €72.8 million in 2014 to €79.8 million in 2015. Other general expenses as a percentage of net sales increased from 6.8% in 2014 to 7.0% in 2015. The increase in costs were primarily due to higher legal and consulting expenses (€11.0 million increase) partly offset by lower costs for sales promotion.

Depreciation and amortisation decreased by €0.3 million, or 0.5%, from €57.5 million in 2014 to €57.2 million in 2015. Depreciation and amortisation as a percentage of net sales decreased from 5.3% in 2014 to 5.0% in 2015.

Impairments decreased by €118.8 million, mainly as a result of the goodwill impairment in the Netherlands in 2014 (€118.0 million impact), which was non-recurring.

In 2015 €18.5 million was booked as a provision following an agreement with the association of franchisees (VAB) and the termination of the arbitration process (see note 22 for more information).

Restructuring costs were €8.7 million lower, due to the restructuring at the support office, logistics and bakeries in 2014 (€10.1 million provision booked in 2014).

EBITDA

EBITDA decreased by €44.3 million, from €86.1 million in 2014 to €41.8 million in 2015, as a result of lower gross profit (€10.0 million) and higher operating expenses (€34.3 million).

adjusted EBITDA

Adjusted EBITDA decreased by €17.6 million, or -17.1%, from €103.1 million in 2014 to €85.5 million in 2015.

Adjustments to EBITDA included:

- €18.5 million of costs related to the VAB agreement (2014: nil);
- €12.0 million of legal and consulting expenses (2014: €1.0 million);
- €7.5 million of stock clearance expenses. In 2015, HEMA initiated an exceptional stock clearance programme for which non-recurring expenses were incurred and adjusted for. These expenses included, amongst other things, additional store labor hours, additional storage and logistic expenses associated with the relevant inventory and additional promotional spend to support the overall clearance campaign (2014: nil);
- €2.0 million management and oversight fee and other expenses (2014: €1.7 million);
- €1.4 million restructuring costs (2014: €10.1 million);
- €1.4 million pre-opening costs (2014: €1.8 million); and
- €0.9 million expenses for the Belgium store remodelling (2014: 2.4 million for the Dutch store remodelling).

operating result

Operating result increased by €74.8 million, from a loss of €91.4 million in 2014 to a loss of €16.6 million in 2015, as a result of the combined effect of the factors described above.

finance costs

Finance costs decreased by €42.6 million, from €96.3 million in 2014 to €53.7 million in 2015. Finance costs for 2015 were particularly lower due to the set off of the shareholder loan by a share premium contribution (impact €27.5 million on finance costs in 2014) and the debt refinancing in 2014 (€12.9 million impact on finance costs in 2014).

net result

Net result increased by €116.7 million, from a loss of €189.2 million in 2014 to a loss of €72.5 million in 2015, as a result of the combined effect of the factors described above.

cash flow

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015	2014	2016 vs 2015	2015 vs 2014
cash flow statement data					
cash generated by operating activities	85.9	60.3	96.2	25.6	(35.9)
cash from working capital	89.1	16.3	(60.3)	72.8	76.6
cash used for provisions and other	(12.0)	(9.3)	(12.1)	(2.7)	2.8
income taxes received / (paid)	(1.7)	0.4	1.0	(2.1)	(0.6)
cash used in investing activities	(29.7)	(28.4)	(35.4)	(1.3)	7.0
payments for interest and financial leases	(52.0)	(52.3)	(46.5)	0.3	(5.8)
finance fees paid	-	(3.8)	(18.7)	3.8	14.9
cash collateralised bank facility	1.0	(37.0)	-	38.0	(37.0)
borrowings drawn / (repaid)	(76.0)	101.0	(68.3)	(177.0)	169.3
cash flow	**4.6**	**47.2**	**(144.1)**	**(42.6)**	**191.3**
cash, cash equivalents and bank overdrafts at the beginning of the period	80.3	33.1	175.9	47.2	(142.8)
exchange gains on cash and cash equivalents	-	-	1.3	-	(1.3)
cash, cash equivalents and bank overdrafts at the end of the period	**84.9**	**80.3**	**33.1**	**4.6**	**47.2**
cash flow including exchange results	**4.6**	**47.2**	**(142.8)**	**(42.6)**	**190.0**

cash flow: fiscal year 2016 compared to fiscal year 2015

Total cash flow in 2016 was a cash inflow of €4.6 million, versus an inflow of €47.2 million in 2015. This change was primarily due to the repayment of the Super Senior Revolving Credit Facility of €76.0 million. Excluding borrowings and the cash collateralised bank facility, cash flow for 2016 was an inflow of €79.6 million (2015: outflow €16.8 million).

operating cash before changes in working capital

Net cash generated from operating activities was €85.9 million in 2016, an increase of €25.6 million versus 2015, which was mainly caused by higher gross profit and a decrease in cost of sales (see the results from operations paragraph).

movements in working capital

Cash inflow from working capital was positive €89.1 million in 2016, compared to an inflow of €16.3 million in 2015. The increase was partially caused by a shift in year end dates between 2016 and 2015. 2016 ended before the last day of the month (January 29, 2017), whereas 2015 ended on the last day of the month (January 31, 2016). A number of large payables including rent, VAT and payroll taxes are paid on the last day of the month and thus after financial year 2016. Adjusting for these amounts, the movement in working capital for 2016 would have been €36.2 million less, an increase of €36.6 million compared to 2015.

Overall, the cash from working capital was influenced by lower inventories (inflow of €8.4 million) due to the stock reduction plan, lower trade & other receivables (inflow of €9.0 million), and higher trade and other payables (inflow of €35.3 million net of the year end shift impact). There were no significant changes in payment terms during the year.

cash used for provisions and other

The cash used for provisions in 2016 included €4.5 million paid to the franchisees. In 2015 the amount included €2.4 million paid for restructuring costs and €4.7 million paid to the franchisees as a result of the settlement agreement with the VAB (refer to note 22 for more information).

net cash used in investing activities

Net cash used in investing activities was €29.7 million in 2016, an increase of €1.3 million compared to 2015. Investments were mainly higher due to an increase in PP&E investments (work in progress) in HEMA stores.

payments for interest and financial leases

Interest payments were €52.0 million in 2016, a decrease of €0.3 million compared to 2015, due to the repayment of the Super Senior Revolving Credit Facility in the last quarter of 2016.

finance fees

In 2015 finance fees paid of €3.8 million primarily relate to the PMO facility (see note 19). No fees were paid in 2016.

cash collateralised bank facility

In 2016 HEMA had three cash collateralised bank guarantee facilities in support of working capital:

- a €3.0 million facility which was entered into on November 1, 2016 and will mature on October 31, 2017.
- a €16.0 million facility which was entered into on October 1, 2016 and will mature on September 30, 2017.
- a €17.0 million facility which was entered into on December 20, 2016, and will mature on September 30, 2017.

Until the maturity dates of these facilities, the Company does not have free access to this cash. As a result these facilities are reported under current financial assets (see note 16).

borrowings

In 2015 the Company drew €76.0 million on the revolving credit facility and entered into the €25.0 million PMO facility (refer to note 19 for more information). At the end of 2016 the Company fully repaid the revolving credit facility and entered of €76.0 million.

liquidity

The Company's cash cycle follows that of a typical retailer with seasonal cash generation weighted towards Q4 in light of significant uplift from Sinterklaas and Christmas sales. HEMA continues to actively monitor its liquidity needs and considers its financing options. Peak cash balance has been reached historically towards the end of the financial year following December trading, with lowest cash balance typically occurring May through September. Most trade and cost creditor payments are paid on the 8th day of each calendar month.

Cash interest on both Senior Secured Fixed Rate Notes and Senior Notes are paid semi-annually; Senior Secured Floating Rate Notes cash interest expenses are paid quarterly.

As at January 29, 2017 the Company had no amount drawn on its Revolving Credit Facility and €6.8 million ancillary for bank guarantees, leaving €73.2 million available. Therefore, the Company had €158.1 million of liquidity available as at January 29, 2017. The cash balance includes €15.9 million of cash in transit and in tills. Note the €36.0 million of cash used for the collateralised bank guarantee facilities has been excluded. Until the maturity dates of the cash collateralised bank facilities (September 2017 and October 2017), the Company does not have free access to this cash.

cash flow: fiscal year 2015 compared to fiscal year 2014

Total cash flow in 2015 was a cash inflow of €47.2 million, versus an outflow of €142.8 million in 2014. Excluding borrowings and the cash collateralised bank facility, cash flow for 2015 was an outflow of €16.8 million.

The cash flow for 2015 were influenced by
- The stock reduction programme which decreased the inventories, receivables and payables.
- Payment of €2.4 million in connection with restructuring and €4.7 million to the franchisees as a result of the settlement agreement with the VAB.
- The Company drew €76.0 million on the revolving credit facility and entered into the €25.0 million PMO facility (refer to note 19 for more information).
- Increased interest payments of €5.8 million compared to 2014 as a result of the refinancing in 2014.
- In 2015 HEMA entered into two cash collateralised bank guarantee facilities in support of working capital:
  - €20.0 million on May 28, 2015. The maturity date of this facility was September 2016.
  - €17.0 million on December 21, 2015. The maturity date of this facility was December 2016.

In 2015 the Company spent €7.0 million less on capital expenditures than in 2014, due to less expenses for store remodelling.

capitalisation

(in million euros)	January 29 2017	January 31 2016	February 1 2015
capital			
senior secured floating rate notes (proceeds loan)	250.0	250.0	250.0
senior secured fixed rate notes (proceeds loan)	315.0	315.0	315.0
senior notes proceeds loan (proceeds loan)	150.0	150.0	150.0
super senior revolving credit facility	-	76.0	-
super senior pmo facility	26.2	25.4	-
financial lease liabilities	3.9	5.3	4.5
gross debt	**745.1**	**821.7**	**719.5**
less: cash, cash equivalents and bank overdrafts	(84.9)	(80.3)	(33.1)
less: cash in cash collateralised bank facilities	(36.0)	(37.0)	-
net debt	**624.2**	**704.4**	**686.4**
equity	274.5	299.1	374.4
total capital	**898.7**	**1,003.5**	**1,060.8**
leverage ratio			
net debt	624.2	704.4	686.4
EBITDA	85.5	41.8	86.1
adjusted EBITDA	108.2	85.5	103.1
leverage ratio (net debt / EBITDA)	**7.30**	**16.85**	**7.97**
leverage ratio (net debt / adjusted EBITDA)	**5.77**	**8.24**	**6.66**

capitalisation: fiscal year 2016 compared to fiscal year 2015

At the end of 2016 the Company's total net debt was €624.2 million, which was €80.2 million lower compared to 2015, mainly due to the repayment of the Super Senior revolving credit facility.

The Company's net leverage ratio, based on adjusted EBITDA was 5.77x at year-end 2016, versus 8.24x at year-end 2015.

At the end of 2016, HEMA had a total revolving credit facility of €80.0 million and €6.8 million ancillary for bank guarantees, leaving €73.2 million available at year-end 2016. Including the cash balances, HEMA had in total €158.1 million of cash available.

capitalisation: fiscal year 2015 compared to fiscal year 2014

The Company's total net debt at year-end 2015 was €704.4 million versus 686.4 million at year-end 2014.

The Company's leverage ratio, based on adjusted EBITDA was 8.24x at year-end 2015, versus 6.66x at year-end 2014.

HEMA has a total Revolving Credit Facility available of €80.0 million, excluding outstanding bank guarantees. Including outstanding bank guarantees of €3.5 million, the Company had €0.5 million available at year-end 2015. Including the cash balances, HEMA had in total €80.8 million of cash available.

outlook 2017

We will continue to revitalise our stores in the Benelux, expand our international operations in our current markets by opening new stores and invest in our international e-commerce platform to support its continuous growth.

We will also retain a strong focus on working capital management. Based on recent cash flow and earnings analyses we consider it likely that the Company will have sufficient liquidity available throughout 2017 to fulfil its obligations and will be able to comply with its financial covenants under its financing facilities. We continue to actively monitor the Company's liquidity and investment needs and consider financing options.

We are convinced that our reshaped strategy will help us meet consumer expectations and make sure we are distinctively positioned in the market. Delivering on our mission and vision of making daily life easier and more fun for our customers will remain our top priority.

Board of Managing Directors,

Tjeerd Jegen, Chief Executive Officer
Ivo Vliegen, Chief Financial Officer

Amsterdam, the Netherlands, April 13, 2017

MILESTONES

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HEMA opened a new flagship store with no less than three floors on one of the most famous shopping streets in Paris: Rue de Rivoli.

flagship store Paris

report from the supervisory board

HEMA's Supervisory Board is a corporate body responsible for supervising and advising the Board of Managing Directors in performing its management tasks. In carrying out its duties, the Supervisory Board is guided by the interests of the Company and its business.

The Supervisory Board has adopted rules of procedure, including a profile as to its size and composition. The Supervisory Board is responsible for monitoring and assessing its own performance.

composition of the supervisory board

In accordance with its rules of procedure, the Supervisory Board aims for an appropriate combination of knowledge, experience and expertise among its members in relation to HEMA's business.

On April 13, 2015, Andrew Jennings was appointed as an additional member and chairman of the Supervisory Board. Since April 13, 2015 the Supervisory Board consists of five members, two A- members, each representing 2 votes, and three B members, each representing 1 vote. On July 2, 2015 Mary Minnick stepped down from the Supervisory Board and was succeeded by James Cocker. On April 19, 2016 Robert Darwent stepped down from the Supervisory Board at the end of his second four-year term after which he was reappointed for another four-year term. On April 19, 2016 Dolf Collee stepped down from the Supervisory Board at the end of his second four-year term. On May 18, 2016 Tanja Dik was appointed as his successor with the enhanced recommendation of the Works Council.

The Supervisory Board consisted of the following members during 2016:

name	date of birth	date of initial appointment	date of possible reappointment	gender	supervisory board member
Andrew Jennings	September 17, 1948	April 13, 2015	first general meeting after April 13, 2019	male	B, chairman since April 13, 2015
Robert Darwent	October 12, 1972	July 6, 2007	first general meeting after April 19, 2020	male	A, chairman until April 13, 2015
James Cocker	November 22, 1982	July 2, 2015	first general meeting after July 2, 2019	male	A
Anders Moberg	March 21, 1950	April 8, 2009	first general meeting after April 19, 2017	male	B, chairman remuneration & nomination committee
Tanja Dik	December 8, 1968	May 18, 2016	first general meeting after April 19, 2020	female	B, chairman audit committee since May 18, 2016
Mary Minnick	November 27, 1959	July 6, 2007	not applicable, stepped down July 2, 2015	female	A
Dolf Collee	October 24, 1952	April 1, 2008	not applicable stepped down April 19, 2016	male	B, chairman audit committee until april 19, 2016

The Supervisory Board does not consist of at least 30% women. The current members have been appointed based on their qualities, and they were the best possible candidates for the function of Supervisory Board member at the time of appointment. In the future, as in the past, the Supervisory Board will continue to consider female candidates for the position of Supervisory Board member of HEMA, as well as male candidates, in case a new member needs to be appointed.

meetings of the supervisory board

In 2016 the Supervisory Board held 8 meetings either in person or via conference call. The members of the Supervisory Board have regular contact with the CEO, CFO and other members of the Management Board of HEMA outside the scheduled meetings of the Supervisory Board.

activities of the supervisory board

The Supervisory Board devotes considerable time to discuss HEMA's strategy with the Management Board of HEMA, including objectives, associated risks and mechanisms for controlling financial risks and corporate governance. Furthermore, the Supervisory Board reviews and approves quarterly and annual financial statements and annual budgets.

Other topics of discussion included the appointment, performance and remuneration of the Management Board, risk management, international expansion, marketing, e-commerce, franchise, supply chain, financing and cash flow of HEMA. Regular agenda items included the financial and operational performance, market share development and the general course of business.

members of the supervisory board

Andrew Jennings (1948)
Mr. Andrew Jennings was first appointed as member and chairman of the Supervisory Board on April 13, 2015 and has remained in this position since then.

Mr. Jennings has over 45 years of experience as an executive in the retail sector. He has led some of the world's most famous and most prestigious department stores, such as Harrods and House of Fraser in London, Brown Thomas in Ireland, Holt Renfrew in Canada, Saks Fifth Avenue in the US, Woolworths in South Africa and Karstadt in Germany. Mr. Jennings is known for his leadership and performance-driven management style. He has extensive expertise in consumer trends, sales networks and retail. In a world in which everything is changing ever more rapidly, he has a unique ability to translate traditional operating models into modern retailing. Mr. Jennings is currently senior retail advisor at Myer Department Stores in Australia and Majid Al Futtaim Ventures in the Middle East. He is also a member of the PLC Board at Ted Baker. Mr. Jennings is a British citizen residing in the United Kingdom.

Robert Darwent (1972)
Mr. Robert Darwent was first appointed as member and chairman of the Supervisory Board on July 6, 2007, and has remained in this position since then. Mr. Darwent was reappointed by the Annual Meeting of Shareholders in April 2016.

Mr. Darwent is a founding partner of Lion Capital. In the past Mr. Darwent was employed by private equity firm Hicks, Muse, Tate & Furst and by the private equity group of Morgan Stanley. Mr. Darwent received his BA and MA from Cambridge University. Mr. Darwent is a British citizen residing in the United Kingdom.

James Cocker (1982)
Mr. James Cocker was appointed as member of the Supervisory Board on July 2, 2015, and has remained in this position since then.

Mr. Cocker is a partner of Lion Capital. Prior to joining Lion Capital, he was employed by McKinsey & Company in London where he focused on the consumer and retail sectors. Mr. Cocker received his BA and MA from Oxford University. Mr. Cocker is a British citizen residing in the United Kingdom.

Anders Moberg (1950)
Mr. Anders Moberg was first appointed as member of the Supervisory Board on September 1, 2009, and was reappointed on April 19, 2013. He has remained in this position since then.

Mr. Moberg is currently working as a consultant. In the past Mr. Moberg was amongst others CEO of Majid Al Futtaim (MAF) Group LLC (one of the biggest retailers in the Middle East), CEO of Royal Ahold, President International of Home Depot and CEO of IKEA. Mr. Moberg is a Swedish citizen residing in Dubai.

Tanja Dik (1968)
Mrs. Tanja Dik was appointed as member of the Supervisory Board on May 18, 2016 with the enhanced right of recommendation of the works counsel as successor of Mr. Collee. Mrs. Dik has also succeeded Mr. Collee as chairman of the Audit Committee.

Mrs. Dik is Director Consumer Products & Services of Schiphol Group. Mrs. Dik received her master degree in Clinical Psychology from the University of Amsterdam and master degree in Business Administration from the University Nijenrode. Mrs. Dik is a Dutch citizen residing in the Netherlands.

Dolf Collee (1952)
Mr. Dolf Collee was first appointed as member of the Supervisory Board on April 1, 2008, and reappointed on April 10, 2012. He has stepped down from the Supervisory Board on April 19, 2016. The appointment and reappointment of Mr. Collee was made in accordance with the enhanced right of recommendation of the works counsel.

Mr. Collee was Chairman of HEMA's Audit Committee. During the financial year Mr. Collee was CEO of A.F.C. Ajax N.V. In the past Mr. Collee was a member of the Managing Board of ABN Amro Bank. Mr. Collee is a Dutch citizen residing in the Netherlands.

Mary Minnick (1959)
Ms. Mary Minnick was first appointed as member and vice-chairman of the Supervisory Board on July 6, 2007, and was reappointed by the Annual Meeting of Shareholders on April 10, 2012. Ms. Minnick stepped down from the Supervisory Board on July 2, 2015.

Ms. Minnick is a partner of Lion Capital. In the past Ms. Minnick held various management and marketing positions with the Coca-Cola Company. Ms. Minnick is a dual US and UK citizen.

audit committee

In 2011 the Supervisory Board has founded an Audit Committee as a sub-committee of the Supervisory Board. The Audit Committee has adopted rules of procedures, including an overview of tasks and powers and in relation towards independent external auditor.

The Audit Committee assists the Supervisory Board in its responsibilities to oversee the financing, financial statements, financial reporting process, system of internal controls and risk management of HEMA. The Chief Financial Officer is invited to the Audit Committee meetings, as well as other members of senior management and the independent external auditor when the Audit Committee deems it necessary or appropriate.

Mr. Collee acted as Chairman of the Audit Committee until his resignation. Ms. Dik has succeeded Mr. Collee on May 18, 2016. During 2016 the Audit Committee held four meetings. During two meetings the independent external auditor attended to discuss the findings in relation to the audit on the financial statement to express an opinion.

Main topics discussed during the meetings of the Audit Committee include quarterly and annual financial statements, the quality of the internal control environment, tax, financing, the relationship with the franchisees and internal and external audits.

remuneration & nomination committee

In 2015 the Supervisory Board has founded a Remuneration & Nomination Committee as a sub-committee of the Supervisory Board.

The Remuneration & Nomination Committee assists the Supervisory Board in its responsibilities to oversee the nomination and remuneration of the Management Board of HEMA. The Chief Executive Officer is invited to the Remuneration & Nomination Committee meetings, as well as other members of senior management when the Remuneration & Nomination Committee deems it necessary or appropriate.

Mr. Moberg acts as Chairman of the Remuneration & Nomination Committee. During 2016 the Remuneration & Nomination Committee held four meetings.

Andrew Jennings, chairman
Robert Darwent
James Cocker
Dolf Collee
Anders Moberg
Tanja Dik

Amsterdam, the Netherlands, April 13, 2017

MILESTONES

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HEMA opened its first flagship store in Germany, in the city of Cologne. The opening of the Cologne store also marks HEMA's decision to continue expansion in Germany as part its overall expansion plans.

opening of Cologne

corporate governance

HEMA has adopted the structure regime (governance rules applicable to large companies in the Netherlands). The Company's articles of association are available at the trade register of the chamber of commerce and industry of Amsterdam.

management board

HEMA's formal board is the Board of Managing Directors, consisting of the CEO and the CFO. Operationally the Company is managed by its Management Board. In addition to the CEO and the CFO, the Management Board consists of seven other members: the Director of Buying & Merchandising Food & Hard Goods, the Director of Buying & Merchandising Apparel, the Director of International, the Director of the Netherlands, the Director of HR, the Director of Logistics & Supply Chain and the Director of Format & Marketing.

supervisory board

The Supervisory Board supervises the policies pursued by the Board of Managing Directors and the Company's general affairs and the business connected with it. The Supervisory Board also assists the Board of Managing Directors by providing advice. In carrying out its duties, the Supervisory Board is guided by the interests of the Company and its business. The Supervisory Board is supported in its work by the Audit Committee on specific matters including financial reporting, risk management, internal controls and advising the Supervisory Board on the appointment of the independent external auditor of HEMA. The Supervisory Board is supported in its work by the Remuneration & Nomination Committee on specific matters with regards to remuneration and nomination of senior management.

general meeting of shareholders

HEMA's shares are ultimately 100% held by Dutch Lion Coöperatief U.A., an investment company which is owned by several investment funds, advised by Lion Capital as its members. In addition, certain members of HEMA's management have an indirect economic interest in Dutch Lion Coöperatief U.A.

risk factors

HEMA aims to increase the transparency of risk management to its stakeholders by describing its risk management and control systems and procedures, and has identified key risks specific for HEMA.

risk management and control systems and procedures

HEMA has implemented the following risk management and control systems to create an appropriate control environment and to monitor performance closely:

- an annual sign off for compliance to HEMA's Code of Conduct by management and a selection of relevant personnel;
- an internal certification procedure related to the fair presentation of HEMA's financial condition and operations in the quarterly and annual financial statements;
- an authorisation policy with clear procurement authorisations;
- a whistle blower policy to enable employees to anonymously report any misconduct within the Company;

- a confidentiality & disclosure policy and an insider trading policy for people with access to potentially bond price sensitive information;
- a formal planning and control cycle, which includes the preparation and approval of a long-term business plan, annual budget, quarterly forecast, monthly management reporting and weekly KPI reports;
- procedural manuals and an integrated, detailed description of the accounting policies applied;
- an information security policy;
- control self-assessments for certain key parts of the business;
- an internal Audit & Risk department, which conducts and assists with risk assessments within the Company and performs audits on key areas in the business;
- an annual monitoring report to the Management Board on the follow up of recommendations from internal and external audits.

The Management Board reports on and accounts for the internal control environment and the risk management and control systems and procedures within the Company to the Audit Committee. The content and progress on the follow up of recommendations from internal and external audits is annually reported to and discussed with the Audit Committee. The Audit & Risk department plays an important role in providing an objective view and ongoing affirmation of the effectiveness of the overall internal risk management and control systems and procedures.

risk profile

We take strategic and operational risks as a part of doing business. We want to promote entrepreneurship and enter into new businesses but monitor results closely. We seek to minimise compliance and financial reporting risks. A summary of principal risk factors which we currently consider material for HEMA is provided below.

strategic risk

The implementation of our strategy is subject to the recruitment and retention of a strong management team able to implement the aforementioned strategy, general economic and financial conditions in the countries we operate, new and stronger competitors in specific product groups, price and promotion management by our competitors, rapidly changing consumer preferences, fluctuation of foreign exchange rates, prices of raw materials, such as cotton, oil prices, new legislation in the countries in which we and our suppliers operate and exposure to potential negative publicity.

operational risk

Operations may be affected by disruptions in our IT systems, as a result of strikes or calamities at our facilities. Unseasonal or severe weather conditions are known to impact sales. A significant dependency on suppliers outside the European Union exposes us to a variety of related risks. In 2017 we will continue our efforts to improve operational execution, shorten lead times and achieve more flexibility in vendor agreements to meet sudden changes in customer demand. Our results of operations can be impacted by amongst others shoplifting, fraud, higher labor costs, pension fund contributions and a rise in rental costs for new and expiring lease agreements. Other identified principal operational risk factors include risks associated with recruitment and retention of a strong workforce, our payment terms with suppliers, information security and our franchise structure.

compliance risk

HEMA and its contract parties are subject to laws and regulations related amongst others to product safety, health safety, quality, employee protection, consumer protection and the environment. Non-compliance could lead to liability claims, fines, closure of stores or facilities, delays, an increase in compliance costs and reputational damage. We continuously strive to comply with laws and regulations, to avoid legal action and, when necessary, resolve disputes.

financial risk

For a detailed description of financial risks, we kindly refer you to note 26 of the financial statements.

financial reporting risk

Our financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union. Changes in these standards or interpretations thereof, issued by standard-setting bodies for IFRS, may adversely impact our reported financial results or position. The new standard for leases (IFRS 16) will have a significant impact on HEMA's financial statements. For HEMA B.V. this new standard is effective from January 2019, thus financial reporting year 2019 which starts at February 6, 2019. (Please refer to note 2.1.1)

The Management Board and management are responsible for developing and testing internal risk management and monitoring systems designed to identify significant risks, monitor the achievement of targets and ensure compliance with relevant legislation and regulations. The Management Board bears ultimate responsibility for determining the maximum acceptable level of risk. HEMA has adopted the structure regime (governance rules applicable to large companies in the Netherlands). The Company's articles of association are available at the trade register of the chamber of commerce and industry of Amsterdam.

MILESTONES

8

HEMA opened its 50^{th} store in France. The 420 square meter store is located in l'Aubette shopping centre in the centre of Strasbourg.

50^{th} store France

financial statements

The accompanying notes on pages 50 to 95 are an integral part of these consolidated financial statements.

consolidated income statement

from February 1, 2016 up to and including January 29, 2017 (in million euros)	note	2016	2015	2014
net sales	5/6	**1,193.2**	**1,139.3**	**1,077.2**
cost of sales	7	(657.4)	(658.1)	(586.0)
gross profit		**535.8**	**481.2**	**491.2**
operating expenses	8	(506.9)	(497.8)	(582.6)
operating result		**28.9**	**(16.6)**	**(91.4)**
financial expenses	9	(56.0)	(55.6)	(96.7)
financial income	9	1.2	1.9	0.4
result before income taxes		**(25.9)**	**(70.3)**	**(187.7)**
income taxes	10	(0.3)	(2.2)	(1.5)
net result		**(26.2)**	**(72.5)**	**(189.2)**
attributable to				
shareholder		(26.2)	(72.5)	(189.2)
net result		**(26.2)**	**(72.5)**	**(189.2)**

The accompanying notes on pages 50 to 95 are an integral part of these consolidated financial statements.

consolidated statement of comprehensive income

from February 1, 2016 up to and including January 29, 2017 (in million euros)	note	2016	2015
net result		**(26.2)**	**(72.5)**
other comprehensive income			
items that will not be reclassified to profit and loss			
remeasurements on post-employment benefit obligations	18	-	-
tax effect on remeasurements on post-employment benefit obligations	18	-	-
items that may subsequently be reclassified to profit and loss			
cash flow hedges	18	2.1	(3.8)
other reserves	18	-	(0.2)
tax effect relating on these items	18	(0.5)	0.8
other comprehensive (loss) / income for the year, net of tax		**1.6**	**(3.2)**
total comprehensive loss for the year		**(24.6)**	**(75.7)**
attributable to			
shareholder		(24.6)	(75.7)
total comprehensive loss for the year		**(24.6)**	**(75.7)**

The figures presented above are disclosed net of tax. Refer to note 10 for more information on income taxes.

The accompanying notes on pages 50 to 95 are an integral part of these consolidated financial statements.

consolidated statement of financial position

as at January 29, 2017 (in million euros, after appropriation of current year result)	note	January 29 2017	January 31 2016
assets			
property, plant and equipment	11	150.3	169.0
intangible assets	12	1,033.5	1,040.0
other non-current assets	13	4.9	3.4
total non-current assets		**1,188.7**	**1,212.4**
inventories	14	147.9	156.3
trade and other receivables	15	49.7	58.7
other current financial assets	16	40.2	38.6
current tax assets	10	0.8	-
cash and cash equivalents	17	84.9	81.0
total current assets		**323.5**	**334.6**
total assets		**1,512.2**	**1,547.0**
share capital	18	0.0	0.0
share premium	18	629.6	629.6
other reserves	18	2.2	0.6
retained earnings and net result for the year	18	(357.3)	(331.1)
total equity		**274.5**	**299.1**
liabilities			
borrowings	19	730.3	726.1
other non-current financial liabilities	20	17.8	19.2
employee benefits	21	4.9	5.4
deferred tax liabilities	10	98.6	98.6
provisions - long-term	22	4.7	9.2
total non-current liabilities		**856.3**	**858.5**
trade and other payables	23	368.0	296.3
borrowings	19	-	76.0
bank overdrafts	17	-	0.7
other current financial liabilities	24	7.9	10.3
current tax liabilities	10	0.5	1.5
provisions - short term	22	5.0	4.6
total current liabilities		**381.4**	**389.4**
total equity and liabilities		**1,512.2**	**1,547.0**

The accompanying notes on pages 50 to 95 are an integral part of these consolidated financial statements.

consolidated statement of changes in equity

from February 1, 2016 up to and including January 29, 2017 (in million euros)	note	attributable to the shareholders share capital	share premium	other reserves	retained earnings	total equity
balance as of February 1, 2015		**0.0**	**629.6**	**4.4**	**(259.6)**	**374.4**
comprehensive income						
net result for the year		-	-	-	(72.5)	(72.5)
other comprehensive income						-
cash flow hedges, net of tax	18	-	-	(3.0)	-	(3.0)
change in other reserves	18	-	-	(0.8)	1.0	0.2
total comprehensive income		**-**	**-**	**(3.8)**	**(71.5)**	**(75.3)**
transactions with owners						
share premium contribution	18	-	-	-	-	-
change in other reserves	18	-	-	-	-	-
total transactions with owners		**-**	**-**	**-**	**-**	**-**
balance as of January 31, 2016		**0.0**	**629.6**	**0.6**	**(331.1)**	**299.1**
comprehensive income						
net result for the year		-	-	-	(26.2)	(26.2)
other comprehensive income						-
cash flow hedges, net of tax	18	-	-	1.6	-	1.6
change in other reserves	18	-	-	-	-	-
total comprehensive income		**-**	**-**	**1.6**	**(26.2)**	**(24.6)**
balance as of January 29, 2017		**0.0**	**629.6**	**2.2**	**(357.3)**	**274.5**

The accompanying notes on pages 50 to 95 are an integral part of these consolidated financial statements.

consolidated statement of cash flow

from February 1, 2016 up to and including January 29, 2017 (in million euros)	note	2016	2015	2014
cash flow from operating activities				
result before income taxes		(25.9)	(70.3)	(187.7)
provisions recognised in the income statement	22	0.4	18.5	10.1
finance costs recognised in the income statement	9	54.8	53.7	96.3
depreciation, amortisation and impairment of non-current assets	8	56.6	58.4	177.5
operating cash before changes in working capital		**85.9**	**60.3**	**96.2**
movements in working capital, provisions and other				
■ decrease / (increase) in trade and other receivables	15	9.0	9.9	(5.1)
■ decrease / (increase) in inventories	14	8.4	30.6	(39.3)
■ (decrease) / increase in trade and other payables	23	71.7	(24.2)	(15.9)
■ decrease in provisions	21/22	(4.5)	(7.5)	(9.9)
■ change in other assets / liabilities		(7.5)	(1.8)	(2.2)
cash generated from operations		**163.0**	**67.3**	**23.8**
Income taxes received / (paid)		(1.7)	0.4	1.0
net cash generated by operating activities		**161.3**	**67.7**	**24.8**
cash flow from investing activities				
purchase of property, plant & equipment	11	(24.1)	(20.2)	(28.5)
purchase of intangible assets	12	(5.6)	(8.2)	(6.9)
net cash used in investing activities		**(29.7)**	**(28.4)**	**(35.4)**

from February 1, 2016 up to and including January 29, 2017 (in million euros)	note	2016	2015	2014
cash flow from financing activities				
interest paid	9	(50.8)	(51.1)	(45.4)
interest received	9	-	-	0.1
payments for financial leases	21	(1.2)	(1.2)	(1.2)
repayments of borrowings	19	-	-	(783.3)
senior (secured) notes proceeds loans	19	-	-	715.0
super senior PMO facility	19	-	25.0	-
super senior revolving credit facility	19	(76.0)	76.0	-
finance fees paid	19	-	(3.8)	(18.7)
cash collateralised bank facility*	16	1.0	(37.0)	-
net cash used in financing activities		**(127.0)**	**7.9**	**(133.5)**
net (decrease)/increase in cash, cash equivalents and bankoverdrafts		4.6	47.2	(144.1)
cash, cash equivalents and bankoverdrafts at the beginning of the year	17	80.3	33.1	175.9
exchange gains on cash and cash equivalents		-	-	1.3
cash, cash equivalents and bank overdrafts at the end of the year	17	**84.9**	**80.3**	**33.1**

*) The 36.0 million of cash collateralised bank facilities are reported under current financial assets.

notes to the consolidated financial statements

(all amounts in million euros, unless otherwise stated)

1 the Company and its operations

HEMA B.V. ('HEMA' or the 'Company') is a limited liability company with its registered seat and support office in Amsterdam, the Netherlands.

The principal activities of the Company are retail operations in the Netherlands, Belgium, Luxembourg, Germany, France, Spain and the UK. The activities of HEMA are subject to seasonal influences. HEMA's business generally experiences an increase in net sales in the fourth quarter of each year.

HEMA's shares are 100% held by Dutch Lion B.V., an intermediate holding company. Dutch Lion B.V.'s shares are 100% held by Dutch Lion Coöperatief U.A. ('Dutch Lion Coop'), an investment company which is owned by several investment funds advised by Lion Capital.

The following parties are a member of Dutch Lion Coop and the ultimate controlling party:

- Lion Capital (Guernsey) II Limited;
- Lion Capital Fund II L.P.;
- Lion Capital Fund II B L.P.;
- Lion Capital Fund II SBS L.P.;
- Stichting Administratiekantoor Dutch Lion A;
- Stichting Administratiekantoor Dutch Lion B;
- Dutch Lion Management B.V. (Dutch Lion Management B.V. is a subsidiary of and ultimately owned by Stichting Administratiekantoor Dutch Lion C).

2 significant accounting policies

2.1 basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union.

The financial information relating to HEMA is presented in the consolidated financial statements. Accordingly, in accordance with section 402, part 9, book 2 of the Dutch Civil Code ('B2 DCC'), the Company financial statements only contain an abridged income statement.

The consolidated financial statements have been prepared on the historical cost convention, except for the revaluation of financial instruments. The principal accounting policies are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

HEMA's reporting calendar is based on 12 periods of four weeks or five weeks. The financial year is a 52- or 53-week year ending on the Sunday nearest to January 31. Financial year 2016 consists of 52 weeks and ended on January 29, 2017. The comparable financial year 2015 consisted of 52 weeks and ended on January 31, 2016.

changes presentation or classification

If HEMA changes the presentation or classification of items in the financial statement, the comparative amounts are reclassified unless reclassification is impractical. HEMA shall disclose (including as at the beginning of the preceding period):

- The nature of reclassification;

- The amount of each item or class of items that is classified; and
- The reason for the reclassification.

going concern
Considering the current operating performance, the liquidity position of HEMA B.V. and anticipated cash and earning developments for the coming year, management believes the going concern assumption for this annual report is appropriate.

Management monitors cash and liquidity forecasts on a detailed basis. The liquidity forecast for the upcoming 12 months shows that the Company is capable of continuing its business activities, as well as realising its investments plans. The cashflow forecast is based on the same growth and profitability assumptions as the goodwill impairment test (for assumptions applied, refer to note 12).

The Company's cash cycle follows that of a typical retailer with seasonal cash generation weighted towards Q4 in light of significant uplift from Sinterklaas and Christmas sales. Peak cash balance has been reached historically towards the end of the financial year following December trading, with lowest cash balance typically occurring May through September. Most trade and cost creditor payments are paid on the 8th day of each calendar month. Debt service payments under the current capital structure peak during June and December. Cash interest on both Senior Secured Fixed Rate Notes and Senior Notes are paid semi-annually; Senior Secured Floating Rate Notes cash interest expenses are paid quarterly.

During the months with the lowest cash balances (typically May through September), a significant shortfall in sales and/or a material reduction in payment terms, could drive the company to explore additional sources of financing.

The Company continues to actively monitor its liquidity and investment needs and consider its financing options.

2.1.1 changes in accounting policies and disclosures

(a) standards and interpretations effective in the current year
In the current year the Company has adopted the following amendments to International Financial Reporting Standards:

- Amendment IAS 1, Presentation of financial statements' disclosure initiative
- Annual improvements 2012: These annual improvements amend the standards from the 2010-2012 reporting cycle. It includes changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24.
- Annual improvements 2014: These annual improvements amend the standards from the 2012-2014 reporting cycle. It includes changes to IFRS 5, IFRS 7, IAS 19 and IAS 34. Of which only IAS 19 is applicable.
- Amendment to IAS 19, 'Employee benefits' regarding employee or third party contributions to defined benefit plans.
- Amendment IFRS 10, 'consolidated financial statements" and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption.

These amendments do not have a material impact on the financial statements.

b) Standards, amendments and interpretations to existing standards that are not yet effective, have not been early adopted by the Cooperative and are endorsed by the European Union:
The following standards have been published and are not yet effective:

- IFRS 9: Financial Instruments (effective 1 January 2018).
  The Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and HEMA does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

  The new hedge accounting rules under IFRS 9 will align the accounting for hedging instruments more closely with the group's risk management practices. While the Company is yet to undertake a detailed assessment, it would appear that the current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The Company does not intend to adopt IFRS 9 before its mandatory date.

- IFRS 15: Revenue from contract with customers (effective 1 January 2018).
  The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Management is currently assessing the effects of applying the new standard on the financial statements, but IFRS 15 is not expected to have a material impact as the majority of the sales relate to counter sales. It is only expected to have immaterial effect on accounting for 'more HEMA' loyalty programme and the refunds to customers. The Company does not intend to adopt IFRS 15 before its mandatory date.

- IFRS 16: Leases (effective 1 January 2019).
  IFRS 16 will have a significant impact on the financial statements of HEMA. The standard will affect primarily the accounting for HEMA's operating leases as the standard eliminates the classification of leases as either operating leases or finance leases for a lessee. The leases are 'capitalised' by recognising the present value of the lease payments and showing them as lease assets (right-of-use assets). Accordingly, if lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The financial lease liability will increase gross and net debt significantly which has impact on measures such as leverage ratios. Moreover, IFRS 16 replaces the straight-line operating lease expense under IAS 17 with:
  a. a depreciation charge for the lease asset (operating costs); and
  b. an interest expense (finance costs) on the lease liability.
  Although the depreciation charge is typically even, the interest expense reduces over the life of the lease as lease payments are made. This results in a reducing total expense as an individual lease matures. The fairly straight-line operating expense will be replaced by depreciation of the right-to-use asset and interest on the liability, under IFRS 16, boosting performance measures such as EBITDA. The accounting for lessors will not significantly change.

  As at the reporting date, the group has non-cancellable operating lease commitments of €728.7 million, see note 29. However, HEMA has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

  The Company is in the process of evaluating the full impact of these new standards. At this stage, the Company does not intend to adopt the standards before its effective date.

2.2 basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated.

When necessary, amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

The consolidated statement of cash flow has been prepared using the indirect method. Cash flows in foreign currencies are restated into euros at average rates.

HEMA's subsidiaries are listed in note 32.

2.3 foreign currency translation

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

transactions and balances
Foreign currency transactions are translated into the functional currency using an average rate that approximates the actual rate at the date of the transaction. Whenever exchange rates fluctuate significantly, the exchange rates prevailing at the dates of the transactions are used. 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 recognised in the income statement, except when deferred in the hedge reserve in equity as qualifying cash flow hedges.

group companies
Some subsidiaries have a functional currency that is different from the presentation currency. None of these entities has a currency of a hyperinflationary economy. The results and financial position of all these entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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 rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

2.4 net sales
HEMA generates and recognises net sales to retail customers at the point of sale in its stores and upon delivery of products to internet customers. HEMA also generates revenues from the sale of products to retail franchisees, which are recognised upon delivery. HEMA recognises franchise fees as revenue when all material services relating to the contract have been substantially performed. Discounts earned by customers are recognised as a reduction of sales at the time of the sale. Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased. However, for certain products or services, such as the sale of insurance contracts and customised photo books, HEMA acts as an agent and consequently records the amount of commission income in its net sales. Net sales exclude value-added taxes.

2.5 cost of sales
Cost of sales includes the net purchase price of the products sold and other costs incurred in bringing the inventories to their present location and condition. These costs include costs of purchasing, styling, quality control, storing, rent, salaries and transporting products to the extent it relates to bringing the inventories to their present location and condition. The depreciation costs are allocated to the inventory, however when the inventory is sold the depreciation costs (of the costs mentioned above) are recorded under depreciation and not under the cost of sales.

2.6 finance cost
Finance cost covers all interest income and expense attributable to the reporting year on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable. This item also includes gains and losses on hedging activities and amortisation of capitalised financing costs.

2.7 income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that are applicable for the year.

deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the income statement, except when they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

2.8 property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset. Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The estimated useful lives of property, plant and equipment are:

leasehold improvements	10 years
technical installations	10 years
hardware	3 – 5 years
furniture & fixtures	7 years
trucks & cars	7 years

Assets that are expected to have a shorter useful life are depreciated in this shorter period.

Depreciation of assets subject to finance leases and leasehold improvements is calculated on a straight-line basis over either the lease or the estimated useful life of the asset, whichever is shorter.

2.9 leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of HEMA at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

2.10 intangible assets

goodwill and impairment of goodwill

Goodwill represents the excess of fair value of consideration transferred over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of a business combination. Each unit (or group of units) to which the goodwill is allocated, represents the lowest level within the Company at which the goodwill is monitored for internal management purposes and that is not larger than an operating segment. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. An impairment loss is recognised for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash generating unit's fair value less costs of disposal and its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit. An impairment loss recognised for goodwill is not reversed in subsequent years.

other intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

brand
Brands with indefinite useful lives are tested for impairment on an annual basis. During the accounting for business combinations the Company has determined that it cannot reliably measure separately the individual fair values of the complementary assets that together comprise the HEMA brand. Therefore, the brand name HEMA was recognised as a single asset. The Company has determined that the useful life of the HEMA brand is indefinite based on the history and reputation of the brand. The brand name HEMA is tested for impairment annually, or more frequently if there are indications that the brand name HEMA might be impaired. The brand name HEMA does not individually generate cash flows and should therefore not be tested for impairment as a single asset. The HEMA brand name is tested together with the CGUs that were tested for goodwill purposes. For more information, refer to note 12.

customer relationships
The customer relationships have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives.

computer software and others
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Key money has a definite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the key money over their estimated useful lives

Amortisation is computed using the straight-line method based on the estimated useful lives, which are as follows:

customer relationships	10 – 13 years
software	3 – 10 years
other	3 – 12 years

For software, lives in excess of six years are used only when management is satisfied that the lives of these assets will clearly exceed that year. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. HEMA assesses on a yearly basis whether there is any indication that other intangible assets may be impaired.

impairment of non-current assets other than goodwill and brand
HEMA assesses on a yearly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, HEMA estimates the recoverable amount of the asset. Where it is not possible to estimate the recoverable amount of an individual asset, HEMA estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes. Stores are evaluated based on store-EBITDA including allocation of logistic costs. Corporate costs and assets are not allocated to individual stores, as these items cannot be allocated on a reasonable and consistent basis to individual stores. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. In subsequent years, HEMA assesses whether indications exist that impairment losses previously recognised for non-current assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and its carrying amount is increased to the revised recoverable amount, if required. The increase is recognised in operating result as an impairment reversal.

An impairment reversal is recognised only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognised had the original impairment not occurred.

2.11 inventories

Inventories are stated at cost or net realisable value, whichever is lower. Cost consists of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition, net of vendor allowances attributable to inventories. The cost of the inventories is determined using a moving average price method. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories are recognised in the balance sheet when the significant risks and rewards of ownership of the goods have been transferred to HEMA.

2.12 financial assets

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the group has transferred substantially all risks and rewards of ownership.

loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are intitially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.13 cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

2.14 financial liabilities and equity instruments issued by the company

classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by HEMA are recorded at the proceeds received, net of direct issue costs.

financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'other financial liabilities'.

The other financial liabilities including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Other financial liabilities relating to financial lease agreements are stated at the net present value of future lease instalments. Gift cards (included in other liabilities) are carried at nominal value minus a non-redemption percentage, which is based on historical redemption figures. Each year at balance sheet date, the non-redemption percentage will be reassessed and adjusted accordingly. All other liabilities are carried at the nominal value. Repayment commitments on long-term liabilities that are payable within one year are included under short-term borrowings.

derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

2.15 derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate derivative. Further details of derivative financial instruments are disclosed in note 26.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

hedge accounting

HEMA designates certain cash flow hedging instruments. These hedges are accounted for as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and allocated to the other reserves within equity.

FX forwards are used to hedge the foreign currency exposure on purchases. The effective portion of changes in the fair value of the hedging instrument is initially deferred in equity. When the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. This ultimately results in the recognition of the gain or loss relating to the effective portion of the hedging instrument within the 'Cost of goods sold' in the income statement at the moment the hedged item affects the income statement.

HEMA currently does not apply hedge accounting on interest rate derivatives. The gain or loss arising from changes in the fair value of interest rate derivatives are recognized in the income statement within the 'other financial cost'.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

2.16 pensions and other post- and long-term-employment benefits

The net liabilities recognised in the consolidated balance sheet for defined benefit plans represent the present value of the defined benefit obligations.

Contributions to defined contribution plans are recognised as an expense when they are due. Post-employment benefits provided through industry multi-employer plans, managed by third parties, are generally accounted for under defined contribution criteria. Remeasurements for post-employment benefit obligations are recognised in other comprehensive income.

For other long-term employee benefits, such as long-service awards, provisions are recognised on the basis of discount rates and other estimates that are consistent with the estimates used for the defined benefit obligations. For these provisions all remeasurements are recognised in the consolidated income statement immediately.

2.17 provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The amount recognised is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant.

Restructuring provisions are recognised when the Company has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced to those affected by it.

The expected settlements within one year are included under short-term provisions.

2.18 share-based payments

Key personnel of HEMA have been offered the opportunity to invest in Dutch Lion Coop. The investment consists of a membership rights component that is recognised as a share-based payment transaction in accordance with IFRS 2. In addition, part of the investment consists of a loan component that is also disclosed by HEMA in accordance with IAS 24 – Related party transactions for the loan components issued to management. In accordance with IFRS 2, that provides guidance on whether share-based payment transactions should be accounted for as equity-settled or cash-settled share based payment transactions, HEMA has the opinion that the membership right instruments purchased under the Management Equity Plan qualify as an equity settled share-based payment transaction. The instrument is not settled by HEMA as the investment is not in equity instruments of HEMA. Dutch Lion Coop, the ultimate parent of the Company, has the obligation to settle the investment in equity instruments of Dutch Lion Coop. In accordance with IFRS 2, HEMA has the obligation to disclose any information regarding share based payments settled by its shareholder.

For equity settled share based payment arrangements, the fair value of membership right instruments is measured at the grant date and, if applicable the fair value is recognised as an expense with a corresponding increase recognised in equity. The fair value of the membership right instruments purchased under the Management Equity Plan is equal to the difference between (i) the fair market value of the membership right instruments at the date of grant; and (ii) the subscription price payable for the membership right instruments acquired. Where vesting conditions are applicable the expense is recognised over the vesting period of the instruments granted.

3 critical accounting estimates and judgements

The preparation of HEMA's consolidated financial statements requires management to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, of income and expenses and the disclosure of contingent assets and liabilities. Estimates and assumptions may differ from future actual results. The estimates and assumptions that management considers most critical and that have a significant inherent risk of causing a material adjustment are the following:

- **impairment of non-current assets** (notes 11 and 12). Determining whether non-current assets are impaired requires an estimation of the recoverable amount of the asset (or cash generating unit). For this purpose, the Company is required to make estimations and assumptions in respect of future cash flows and the appropriate discount rate. The carrying amount of non-current assets that are subject to an annual impairment test is €614.7 million (goodwill) and €394.4 million (brand name).

- **income taxes** (note 10). HEMA has significant tax loss carry forward positions. Significant judgement is required in determining the consolidated provision for income taxes and the recoverable amounts of deferred tax assets related to tax loss carry forward positions. Currently no deferred tax asset relating to tax losses is recognised. The carrying amount of the deferred tax liability is €98.6 million (2015: €98.6 million).

- **inventories** (note 14). The obsolete stock provision amounts to €9.4 million (2015: €12.7 million). The size of the provision is based on management judgement regarding discounts needed to sell the obsolete stock. This judgement is amongst others based on past experience relating to actual discounts given on sold obsolete stock.

- **employee benefits** (note 21). The employee benefit obligations consists of a jubilee plan (€4.5 million) and early retirement plans (€0.4 million). The calculations for the jubilee plan are determined by independent actuaries. The early retirement plans are calculated based on Company assumptions.

- **provisions and contingencies** (notes 22 and 30). Judgement is required to determine the amount, likelihood and disclosure of provisions and contingencies.

- **financial derivatives** (note 26). The balance sheet includes financial derivatives mainly currency forward contracts and interest rate derivative, with a net fair value of €5.1 million (liability). The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined on the basis of valuation techniques performed by the counterparty.

- **share-based payment** (note 28). HEMA calculates the fair value of the share based payment components of the Management Equity Plan. Significant judgement is required to determine the equity component in this Plan.

4 adjusted EBITDA

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015
bridge to adjusted EBITDA		
operating result (EBIT)	28.9	(16.6)
depreciation and amortisation	55.5	57.2
impairments	1.1	1.2
EBITDA	85.5	41.8
management & oversight fees and other expenses	1.5	2.0
pre-opening costs	2.1	1.4
restructuring costs	0.9	1.4
legal and consulting expenses	11.4	12.0
remodelling expenses	-	0.9
stock clearance expenses	6.8	7.5
VAB agreement	-	18.5
adjusted EBITDA	**108.2**	**85.5**

For a definition of adjusted EBITDA, please refer to the definitions paragraph at the end of this report.

5 segment reporting

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 and assessing performance of the operating segments, has been identified as the Chief Executive Officer and the Chief Financial Officer.

The CODM periodically reviews the Company's performance, primarily focused on the sales through retail stores in regions. The Company identified the following five reporting segments:

- The Netherlands
- Belgium and Luxembourg
- France

- Germany
- other

The reporting segment "other" includes:
- bakeries
- financial services
- retail store sales in Spain and the United Kingdom
- other

In 2015 sales and adjusted EBITDA of e-commerce in the Netherlands were included in the reporting segment "other". In 2016 the net sales are reported in segment "The Netherlands". This reclassification is made as the e-commerce home deliveries of the Netherlands relate to the Netherlands, likewise e-commerce home deliveries of other regions are classified to the corresponding region and not to "other". In addition, the operational expenses of e-commerce are reported under "logistics" as the logistic expenses relate to e-commerce activities for all countries. Comparative amounts are not reclassified as it is impractical.

Segment performance is evaluated based on net sales and adjusted EBITDA per segment, excluding support office and logistics costs. These costs are evaluated separately by the CODM. For more information on adjusted EBITDA, please refer to the definitions paragraph. Although the France and Germany segments do not meet the quantitative thresholds required by IFRS 8 for reportable segments, management has concluded that these segments should be reported, as they are closely monitored by the CODM.

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015
net sales by region		
The Netherlands	928.4	885.9
Belgium and Luxembourg	143.1	141.9
France	90.8	73.3
Germany	13.8	13.6
other	17.1	24.6
total net sales	**1,193.2**	**1,139.3**
adjusted EBITDA by region		
The Netherlands	212.4	163.8
Belgium and Luxembourg	27.7	26.2
France	17.8	14.2
Germany	1.9	1.4
other	9.4	24.5
total adjusted store EBITDA	**269.2**	**230.1**
support office	(116.2)	(105.4)
logistics	(43.2)	(37.6)
other	(1.6)	(1.6)
total adjusted EBITDA	**108.2**	**85.5**

The net sales in the Netherlands in 2016 includes a €16.7 million reclassification of the e-commerce sales home deliveries in the Netherlands. In 2015 the net sales of e-commerce were classified as "other". The adjusted

EBITDA increase from the Netherlands is partially due to €7.2 million EBITDA of e-commerce activities which were classified in 2015 as "other". The decrease of the adjusted EBITDA of "Logistics" is partially due to €9.2 million logistic costs of the e-commerce activities which are performed for all countries, and were classified in 2015 as "other".

The adjusted EBITDA of the other segment is based on the intersegment sales (2016: €47.1 million, 2015: €49.2 million) and external sales. The total net sales do not include the intersegment sales within the segment other, as these sales are recognised in the respective segment as external sales.

The following table shows the non-current assets by country. Please note that the non-current assets by country are including corporate assets, such as support offices and logistics. As a result, this information is not prepared on the same basis as the net sales and adjusted EBITDA by region.

(in million euros)	January 29 2017	January 31 2016
The Netherlands	1,065.6	1,088.8
Belgium and Luxembourg	82.4	84.3
France	28.7	27.7
Germany	2.4	2.3
other	9.6	9.3
total non-current assets	**1,188.7**	**1,212.4**

6 net sales

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015	2014
sales to retail customers	909.9	848.5	788.7
sales to franchisees	279.3	275.3	272.6
other sales	4.0	15.5	15.9
net sales	**1,193.2**	**1,139.3**	**1,077.2**

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015	2014
apparel	400.6	372.8	364.0
household goods & personal care	446.5	409.9	368.9
food & catering	298.9	307.3	292.8
services & other	47.2	49.3	51.5
net sales	**1,193.2**	**1,139.3**	**1,077.2**

These product categories are sold in all countries, however the relative share by country may differ. The food and catering products are mainly sold in the Netherlands.

Please note that due to a reclassification of €16.7 million net sales e-commerce home deliveries, the net sales to retail customers in 2016 increased compared to 2015. In 2015 the net sales (€9.7 million) was classified as "other sales". This reclassification is made in 2016 as the e-commerce home deliveries of the Netherlands relate to Sales to retail customers, likewise e-commerce home deliveries of other regions are classified as Sales to retail customers and not to "other sales".

7 cost of sales

The cost of sales can be specified as follows:

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015	2014
net purchase value	597.8	596.3	535.7
labour costs	41.8	43.0	35.7
transportation costs	7.0	5.8	4.5
rents	5.1	5.9	4.6
other general and administrative expenses	5.7	7.1	5.5
total cost of sales	**657.4**	**658.1**	**586.0**

8 operating expenses

The operating expenses can be specified by nature as follows:

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015	2014
salaries	177.6	163.8	150.9
taxes and social securities	30.4	28.6	29.7
employee benefit expenses	13.3	12.3	12.3
other personnel expenses	6.9	6.8	6.6
total labour costs	**228.2**	**211.5**	**199.5**
housing and rents	136.4	131.2	124.9
other general expenses	84.5	79.8	72.8
other income and expense	0.3	(3.0)	(2.2)
depreciation and amortisation	55.5	57.2	57.5
impairments	1.1	1.2	120.0
costs for VAB agreement	-	18.5	-
restructuring costs	0.9	1.4	10.1
total operating expenses	**506.9**	**497.8**	**582.6**

The housing and rents expenses includes €3.3 million sublease income (2015: €3.8 million).

The employee benefit expenses mainly relate to defined contribution plans. For more information see note 21.

9 finance costs

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015	2014
interest income	-	-	(0.1)
interest expense			
■ cash interest expense	50.7	51.1	48.9
■ non cash interest expense	0.8	0.4	30.5
amortised finance costs	4.5	4.1	17.3
other financial (income) / expense	(1.2)	(1.9)	(0.3)
total finance costs	**54.8**	**53.7**	**96.3**

Interest income is attributable to the interest on cash and cash equivalents. The cash interest expense is attributable to the interest on borrowings (see note 19), financial liabilities, and outstanding balances on the Revolving Credit Facility. The non-cash interest for 2015 and 2016 is attributable to a part of the interest on the PMO facility (see note 19). The non-cash interest is added to the principal of the PMO facility. The non-cash interest for 2014 related to the shareholder loan and the mezzanine facility.

HEMA currently does not apply hedge accounting on interest rate derivatives. The gain or loss arising from changes in the fair value of interest rate derivatives are recognized in the income statement within the 'other financial cost'. The other financial income / expense includes €1.2 million (2015: €1.8 million) of gain or loss relating to changes in the fair value of the interest rate derivative.

10 income taxes

The fiscal unity of which HEMA is part, is headed by the Company's ultimate shareholder Dutch Lion Coöperatief U.A. The fiscal unity consists of Dutch Lion Coöperatief U.A., Dutch Lion B.V., HEMA B.V., HEMA Bakkerijen B.V., HEMA Financiering B.V., HEMA Financial Services B.V., HEMA Bondco I B.V. and HEMA Bondco II B.V.. All taxes for the fiscal unity are paid by HEMA. The current taxes in these consolidated financial statements mainly relate to the income taxes for HEMA Belgium and the fiscal unity. The other tax positions in these consolidated financial statements, such as deferred taxes, only relate to the taxes for HEMA and its subsidiaries.

current taxes

The current tax asset of €0.8 million mainly relates to HEMA France S.A.S., caused by prepaid income tax 2016, and a tax liability which can be offset with CICE tax (credit on social security). The current tax liability of €0.5 million mainly relates to HEMA België B.V.

income tax recognised in profit or loss

The following table specifies the current and deferred tax components of income taxes as recognised in the consolidated income statement.

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015	2014
current income taxes			
domestic taxes	-	-	-
foreign taxes			
■ Asia	(0.1)	(0.1)	(0.1)
■ Europe	(0.9)	(1.5)	(1.4)
total current tax expense	**(1.0)**	**(1.6)**	**(1.5)**
deferred income taxes			
domestic taxes	0.7	(0.6)	2.9
foreign taxes			
■ Europe	-	-	-
total deferred tax expense	**0.7**	**(0.6)**	**-**
total income taxes	**(0.3)**	**(2.2)**	**(1.5)**

effective income tax rate

HEMA's effective tax rate in the consolidated income statement differs from the statutory income tax rate of the Netherlands, which is 25 percent in both 2016 and 2015. The following table reconciles the statutory income tax rate of the Netherlands with the effective income tax rate as shown in the consolidated income statement.

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016		2015	
result before income taxes	(25.9)		(70.3)	
income tax credit at statutory rate	6.5	(25.0%)	17.6	(25.0%)
adjustments to arrive at effective income tax rate:				
■ rate differential (local statutory rates versus the statutory rate of the Netherlands) – effect of different tax rates of subsidiaries operating in different jurisdictions.	-	-	(0.5)	0.7%
■ loss carry forward not recognised	(6.7)	25.9%	(17.7)	25.2%
■ income tax returns previous years	0.2	(0.8%)	0.4	(0.6%)
■ tax effect cash flow hedge	0.5	(1.9%)	(0.8)	1.1%
■ non-deductible and other items	(0.8)	3.0%	(1.2)	1.7%
total income taxes	**(0.3)**	**1.2%**	**(2.2)**	**3.1%**

deferred income tax

The significant components of deferred income tax assets and liabilities as of January 29, 2017 and January 31, 2016 are as follows:

(in million euros)	January 29 2017	January 31 2016	February 1 2015
post-employment and other employee benefits	1.1	1.1	1.5
property, plant & equipment	1.9	2.4	2.3
revaluation of payables in foreign currencies	-	-	-
total gross deferred tax asset	**3.0**	**3.5**	**3.8**
unrecognised deferred tax assets	(1.4)	(1.5)	-
total recognised deferred tax assets	**1.6**	**2.0**	**3.8**
tax losses and tax credits	42.2	32.9	15.2
unrecognised tax losses and tax credits	(42.2)	(32.9)	(15.2)
total recognised tax losses and tax credits	**-**	**-**	**-**
total deferred tax assets position	**1.6**	**2.0**	**3.8**
brand	(98.6)	(98.6)	(98.6)
customer relationships	(0.6)	(1.7)	(2.8)
revaluation of payables in foreign currencies	(0.3)	(0.1)	(1.1)
fair value gains through other comprehensive income	(0.7)	(0.2)	(1.2)
total deferred tax liability	**(100.2)**	**(100.6)**	**(103.7)**
net deferred tax liability	**(98.6)**	**(98.6)**	**(99.9)**

Deferred income tax assets and liabilities are offset in the consolidated balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are levied by the same fiscal authority. For 2016, €1.6 million of the recognised deferred tax assets has been offset with the deferred tax liability relating to the customer relationships and revaluation of payables in foreign currencies of €1.6 million. This results in a deferred tax liability of €98.6 million, presented as non-current. See the table below:

(in million euros)	January 29 2017	January 31 2016	February 1 2015
deferred tax assets	-	-	-
deferred tax liabilities	(98.6)	(98.6)	(99.9)
net deferred tax liability	**(98.6)**	**(98.6)**	**(99.9)**

Refer to the table below when the deferred taxes are expected to be recovered:

(in million euros)	January 29 2017	January 31 2016
deferred tax assets		
■ deferred tax assets to be recovered after more than 12 months	1.2	1.8
■ deferred tax assets to be recovered within 12 months	0.4	0.2
	1.6	**2.0**
deferred tax liabilities		
■ deferred tax liabilities to be recovered after more than 12 months	(99.2)	(99.2)
■ deferred tax liabilities to be recovered within 12 months	(1.0)	(1.4)
	(100.2)	**(100.6)**
deferred tax liability (net)	**(98.6)**	**(98.6)**

As of January 29, 2017, HEMA had unused tax losses, for which no deferred tax asset is recognised in the balance sheet of a total nominal amount of approximately €178.6 million (2015: €131.6 million) which expire as per the table below. Significant judgement is required in determining whether deferred tax assets are realisable. HEMA determines this on the basis of expected taxable profits arising from the reversal of recognised deferred tax liabilities and on the basis of budgets and cash flow forecasts. Where utilisation is not considered probable, deferred tax assets are not recognised.

expiration of unrecognised tax losses (in million euros)	January 29 2017
to expire in:	
2023	0.2
2024	56.6
2025	70.2
2026	27
no expiration	24.6
total unrecognised tax losses	**178.6**

11 property, plant and equipment

(in million euros)	leasehold improve-ments	technical installa-tions	hardware	furniture and fixtures	trucks and cars	work in progress	total
as of February 2, 2014							
at cost	119.2	111.2	37.1	293.1	9.7	9.1	**579.4**
accumulated depreciation and impairment losses	(52.1)	(54.1)	(28.9)	(230.1)	(4.5)	-	**(369.7)**
carrying amount	**67.1**	**57.1**	**8.2**	**63.0**	**5.2**	**9.1**	**209.7**
additions							
at cost	5.2	5.3	0.7	11.7	-	5.6	**28.5**
depreciation	(10.9)	(10.1)	(3.3)	(17.8)	(1.3)	-	**(43.4)**
impairment losses charged to profit & loss	(1.0)	(1.0)	-	-	-	-	**(2.0)**
transfer from WIP	1.7	2.0	0.4	2.3	-	(7.2)	**(0.8)**
disposals							
at cost	(0.1)	-	(0.1)	(0.2)	(0.2)	-	**(0.6)**
accumulated depreciation	0.1	-	0.1	0.2	0.2	-	**0.6**
as of February 1, 2015							
at cost	126.0	118.5	38.1	306.9	9.5	7.5	**606.5**
accumulated depreciation and impairment losses	(63.9)	(65.2)	(32.1)	(247.7)	(5.6)	-	**(414.5)**
carrying amount	**62.1**	**53.3**	**6.0**	**59.2**	**3.9**	**7.5**	**192.0**
additions							
at cost	3.3	3.5	0.5	7.7	1.1	5.2	**21.3**
depreciation	(11.1)	(10.3)	(2.9)	(17.4)	(1.3)	-	**(43.0)**
impairment losses charged to profit & loss	(0.6)	(0.6)	-	-	-	-	**(1.2)**
transfer from WIP	1.0	1.0	1.0	3.4	-	(6.5)	**(0.1)**
disposals							
at cost	(1.5)	(0.6)	(0.1)	(2.3)	(0.9)	-	**(5.4)**
accumulated depreciation	1.5	0.6	0.1	2.3	0.9	-	**5.4**
as of January 31, 2016							
at cost	128.8	122.4	39.5	315.7	9.7	6.2	**622.3**
accumulated depreciation and impairment losses	(74.1)	(75.5)	(34.9)	(262.8)	(6.0)	-	**(453.3)**
carrying amount	**54.7**	**46.9**	**4.6**	**52.9**	**3.7**	**6.2**	**169.0**

(in million euros)	leasehold improve-ments	technical installa-tions	hardware	furniture and fixtures	trucks and cars	work in progress	total
additions							
at cost	2.8	4.5	0.7	4.9	0.3	11.2	**24.4**
depreciation	(10.8)	(10.2)	(2.9)	(16.9)	(1.2)	-	**(42.0)**
impairment losses charged to profit & loss	(0.7)	(0.4)	-	-	-	-	**(1.1)**
transfer from WIP	0.7	2.0	1.7	1.1	-	(5.5)	**-**
disposals							
at cost	(1.0)	(0.7)	(0.3)	(4.0)	(2.0)	-	**(8.0)**
accumulated depreciation	1.0	0.7	0.3	4.0	2.0	-	**8.0**
as of January 29, 2017							
at cost	131.3	128.2	41.6	317.7	8.0	11.9	**638.7**
accumulated depreciation and impairment losses	(84.6)	(85.4)	(37.5)	(275.7)	(5.2)	-	**(488.4)**
carrying amount	**46.7**	**42.8**	**4.1**	**42.0**	**2.8**	**11.9**	**150.3**

The disposals mainly relate to closed, reformatted or relocated HEMA stores. For the contractual commitments for the acquisition of property, plant and equipment, see note 30. The most important component of work in progress is unfinished projects related to HEMA's stores. The impairment loss relates to non-moveable assets of HEMA stores which are open for more than 1 year in the Benelux and more than 2 years for other countries, have a negative EBITDA and are not expected to improve in the next years.

Trucks and cars includes the following amounts where the group is a lessee under a finance lease:

(in million euros)	January 29 2017	January 31 2016
capitalised finance lease – at cost	8.0	9.7
accumulated depreciation	(5.2)	(6.0)
carrying amount	**2.8**	**3.7**

The Company leases various trucks and cars under non-cancellable finance lease agreements. The lease terms are between 5 and 7 years. Lease rentals amounting to €1.6 million (2015: €1.9 million) relating to lease of trucks and cars are included in the income statement on depreciation and finance costs (note 8 and 9).

Essentially all of the property, plant and equipment has been pledged to secure borrowings of the Company (note 19).

There are no capitalised borrowing costs included in the property, plant and equipment as this is not applicable.

12 intangible assets

(in million euros)	goodwill	brand	customer relationships	software	other	intangible assets under development	total
as of February 2, 2014							
at cost	732.7	394.4	43.7	83.8	9.1	4.6	**1,268.3**
accumulated amortisation and impairment losses	-	-	(28.3)	(68.6)	(2.7)	-	**(99.6)**
carrying amount	**732.7**	**394.4**	**15.4**	**15.2**	**6.4**	**4.6**	**1,168.7**
additions							
at cost	-	-	-	2.6	0.1	4.2	**6.9**
amortisation	-	-	(4.3)	(9.0)	(0.9)	-	**(14.2)**
Impairment losses charged to profit & loss	(118.0)	-	-	-	-	-	**(118.0)**
transfer from assets under development	-	-	-	2.7	0.6	(2.5)	**0.8**
disposals							
at cost	-	-	-	(0.1)	-	-	**(0.1)**
accumulated amortisation	-	-	-	0.1	-	-	**0.1**
as of February 1, 2015							
at cost	732.7	394.4	43.7	89.0	9.8	6.3	**1,275.9**
accumulated amortisation and impairment losses	(118.0)	-	(32.6)	(77.5)	(3.6)	-	**(231.7)**
carrying amount	**614.7**	**394.4**	**11.1**	**11.5**	**6.2**	**6.3**	**1,044.2**
additions							
at cost	-	-	-	5.9	1.7	1.7	**9.3**
amortisation	-	-	(4.4)	(8.4)	(0.9)	-	**(13.7)**
Impairment losses charged to profit & loss	-	-	-	-	-	-	**-**
transfer from assets under development	-	-	-	6.2	0.1	(6.1)	**0.2**
disposals							
at cost	-	-	-	-	-	-	**-**
accumulated amortisation	-	-	-	-	-	-	**-**
as of January 31, 2016							
at cost	732.7	394.4	43.7	101.1	11.6	1.9	**1,285.4**
accumulated amortisation and impairment losses	(118.0)	-	(37.0)	(85.9)	(4.5)	-	**(245.4)**
carrying amount	**614.7**	**394.4**	**6.7**	**15.2**	**7.1**	**1.9**	**1,040.0**

(in million euros)	goodwill	brand	customer relation-ships	software	other	intangible assets under develop-ment	total
additions							
at cost	-	-	-	1.3	0.6	4.8	**6.7**
amortisation	-	-	(4.3)	(8.0)	(0.9)	-	**(13.2)**
impairment losses charged to profit & loss	-	-	-	-	-	-	**-**
transfer from assets under development	-	-	-	1.5	(0.8)	(0.7)	**-**
disposals							
at cost	-	-	-	-	(0.2)	-	**(0.2)**
accumulated amortisation	-	-	-	-	0.2	-	**0.2**
as of January 29, 2017							
at cost	732.7	394.4	43.7	103.9	11.2	6.0	**1,291.9**
accumulated amortisation and impairment losses	(118.0)	-	(41.3)	(93.9)	(5.2)	-	**(258.4)**
carrying amount	**614.7**	**394.4**	**2.4**	**10.0**	**6.0**	**6.0**	**1,033.5**

impairment test for goodwill and HEMA brand

Goodwill recognised relates to the acquisition of HEMA. Goodwill acquired in the business combination is allocated, at acquisition, to the cash generating units ('CGUs') or group of CGUs expected to benefit from the business combination. The carrying amounts of goodwill allocated to CGUs within HEMA are as follows:

goodwill per CGU (in million euros)	January 29 2017	January 31 2016
The Netherlands	570.6	570.6
Belgium & Luxembourg	43.6	43.6
Germany	0.5	0.5
total HEMA	**614.7**	**614.7**

The Company has determined that the useful life of the HEMA brand is indefinite, based on the history and reputation of the brand. The brand name HEMA is tested for impairment annually, or more frequently if there are indications that the brand name HEMA might be impaired. The brand name HEMA does not individually generate cash flows and should therefore not be tested for impairment as a single asset. The HEMA brand name is tested together with the CGUs that were tested for goodwill purposes. The carrying amounts of brand allocated to CGUs within HEMA are as follows:

brand per CGU (in million euros)	January 29 2017	January 31 2016
The Netherlands ('CGU-NL')	370.9	370.9
Belgium & Luxembourg ('CGU-BELUX')	23.5	23.5
total HEMA	**394.4**	**394.4**

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU is determined based on fair value less costs of disposal calculations (level 3). Fair value less costs of disposal calculations use post-tax cash flow projections into perpetuity. The cash flow projections are based on assumptions approved by company management. The continuing value is determined based on a 'steady state' set of assumptions for the cash flows in the last forecast year and applying a terminal value multiple to those cash flows.
To calculate the recoverable amount, the actual results for 2016 and the budget for 2017 are used as a starting point. On top of these results, key assumptions are used to calculate the cash flows for the next years.
The Company prepared a forecast for the next 10 years, in order to regain a steady financial state.

The key assumptions used in financial year 2016 for fair value less costs of disposal calculations are:

	2016		2015	
	The Netherlands	Belgium & Luxembourg	The Netherlands	Belgium & Luxembourg
gross profit (average)				
■ next 10 years	49.8%	61.9%	46.1%	59.3%
■ after that	49.8%	62.2%	46.3%	59.6%
sales growth rate (average)				
■ next 10 years	1.3%	1.2%	1.4%	1.7%
■ after that	0.5%	0.5%	0.5%	0.5%
discount rate	6.8%	7.3%	6.6%	6.9%
adjusted EBITDA margin (average)				
■ next 10 years	13.2%	6.3%	10.3%	6.9%
■ after that	12.8%	6.2%	10.7%	7.4%

The calculation of fair value less cost to sell for the cash generating units is most sensitive to the following assumptions:

- Gross margins: The Company determined budgeted gross margin based on past performance, improvements like buying desk savings and its expectations for the market development.

- The discount rate is based on the (post-tax) weighted average cost of capital ('WACC'): the market-based weighted average of the after-tax cost of debt and cost of equity. The target long-term level of debt and equity in HEMA's capital structure is estimated using the median of market-based values for debt and equity based on a peer group of comparable listed companies. The cost of equity for both CGUs is calculated based on the Capital Asset Pricing Model ('CAPM'), including (1) a risk free rate based on a 30-year country specific government bonds, (2) an estimated company specific levered beta (based on the median beta of the peer group) multiplied by the excess market return and (3) an additional risk premium that takes into account the illiquidity and size of each CGU as compared to the peer group of listed companies. The cost of debt for both CGUs is calculated by adding a (default) spread to the risk-free rate. The spread has been derived by deducting the country specific risk free rate from the yields for listed bonds with similar credit ratings as the listed peer group companies.

- Growth rates: future growth rates are displayed in the table and differ by geography.

outcome of the goodwill impairment analysis

The calculation of the fair value less cost of disposal at year-end 2016 for CGU-NL led to a recoverable amount of €1,346.2 million, which is higher than the carrying amount of €882.1 million. As the recoverable amount is higher than the carrying amount, no impairment charge is recognised. The headroom at year-end for CGU NL is €464.1 million.

The calculation of the fair value less cost of disposal at year-end 2016 for CGU-BELUX led to a recoverable amount of €75.9 million, which is higher than the carrying amount of €55.3 million. As the recoverable amount is higher than the carrying amount, no impairment charge is recognised. The headroom at year-end for CGU-BELUX is €20.6 million.

sensitivity analysis key assumptions

The key assumptions are mainly based on historical achieved results, strategic plans and market expectations. Certain unexpected future developments, currently not reflected in the cash flow projections, might result in a goodwill impairment. For that reason, the Company included a sensitivity analysis. All sensitivities are calculated on all future years, except for 2017.

For example, a 0.5%-point lower sales growth rate for CGU-NL and CGU-BELUX for all years lead to a headroom of €296.4 million for CGU-NL and €10.5 million for CGU-BELUX. A higher discount rate of 1.0%-point will lead to a headroom of €282.6 million for CGU-NL and €10.0 million for CGU-BELUX.

customer relationships

As a result of the accounting for business combinations, customer relationships relating to franchise agreements and insurance policies have been recognised in 2007. The customer relationships are amortised over the expected economic life time of the contracts being 10 respectively 13 years. The remaining expected economic life time of the customer relationships relating to franchise agreements and insurance policies are 0.4 years and 3.4 years.

other

Other intangibles relate to key money. In France it is necessary to acquire the lease rights (e.g. key money) from the previous tenant before the full benefits of a lease agreement can be enjoyed. The lease rights give the holder the right to a free and peaceful use of the premises, the right to rent control and rights relating to the duration of the lease and renewal rights. When a new tenant takes over a property, the lease rights are sold to the new tenant. Key money is amortised over the expected economic life time of the lease contracts being 10 to 12 years.

intangible assets under development

The most important component of intangible assets under development are unfinished IT projects.

All of the intangible assets represented by legal titles or of similar status have been pledged to secure borrowings of the Company (note 19).

13 other non-current assets

(in million euros)	January 29 2017	January 31 2016
other	4.9	3.4
total other non-current assets	**4.9**	**3.4**

The other non-current assets mainly relate to deposits paid for rental contracts in Germany, Spain and France.

14 inventories

(in million euros)	January 29 2017	January 31 2016	February 1 2015
trade inventory	152.7	164.7	195.4
raw materials	2.7	2.3	2.1
other inventories	1.9	2	1.8
	157.3	**169**	**199.3**
provision for obsolete and slow moving inventory	(9.4)	(12.7)	(12.4)
total inventories	**147.9**	**156.3**	**186.9**

The raw materials and other inventories concern food, photo and packaging materials.

An amount of €1.2 million has been recognised as write-offs of inventories in the consolidated income statement (2015: €0.5 million).

All of the inventories are pledged to secure borrowings of the Company (note 19).

15 trade and other receivables

(in million euros)	January 29 2017	January 31 2016	February 1 2015
trade receivables	27.8	29.5	35.8
provision for impairment	(0.6)	(0.8)	(0.9)
trade receivables - net	**27.2**	**28.7**	**34.9**
receivables from related parties	5.1	4.8	4.2
prepayments	7.5	15.8	16.8
other receivables	9.9	9.4	12.7
total trade and other receivables	**49.7**	**58.7**	**68.6**

Refer to note 27 for more information on the related party receivable.

The ageing of the trade receivables was as follows:

(in million euros)	January 29 2017	January 31 2016	February 1 2015
0 – 30 days	27.0	28.1	35.1
31 – 60 days	-	0.5	0.1
61 – 90 days	0.2	0.1	-
91 – 180 days	-	0.2	0.1
> 181 days	0.6	0.6	0.5
total trade receivables	**27.8**	**29.5**	**35.8**

Movements on the provision for impairment were as follows:

(in million euros)	January 29 2017	January 31 2016	February 1 2015
beginning of the year	(0.8)	(0.9)	(0.8)
additions	(0.1)	(0.1)	(0.1)
used	0.3	0.2	-
end of the year	**(0.6)**	**(0.8)**	**(0.9)**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

All of the trade and other receivables are pledged to secure borrowings of the Company (note 19).

16 other current financial assets

(in million euros)	January 29 2017	January 31 2016
derivative financial instruments	4.2	1.6
cash collateralised bank facilities	36.0	37.0
total other current financial assets	**40.2**	**38.6**

The derivative financial instruments at January 29, 2017, relate to the fair value of the foreign exchange contracts. Refer to note 26 for more information on these instruments.

HEMA has entered into the following cash collateralised bank guarantee facilities in support of working capital:

- a €3.0 million facility which was entered into on November 1, 2016 and will mature on October 31, 2017.
- a €16.0 million facility which was entered into on October 1, 2016 and will mature on September 30, 2017.
- a €17.0 million facility which was entered into on December 20, 2016, and will mature on September 30, 2017.

Until the maturity dates of these facilities, the Company does not have free access to this cash. As a result, these balances are reported under other financial assets.

17 cash and cash equivalents

(in million euros)	January 29 2017	January 31 2016	February 1 2015
cash on hand	15.9	16.2	15.2
cash in banks and cash equivalents	69.0	64.8	42.7
total cash and cash equivalents	**84.9**	**81.0**	**57.8**
bank overdrafts	-	(0.7)	(24.7)
total cash, cash equivalents and bank overdrafts	**84.9**	**80.3**	**33.1**

Cash and cash equivalents include all cash on hand balances, cheques, debit and credit receivables in transfer. Cash on hand mainly relates to cash in tills and transit.

The bank overdrafts relate to bank accounts with negative balances within the cash pool. For reporting purposes, the negative balances on accounts in the cash pool cannot be offset with positive balances. In 2016, the cash pool had a positive balance of €58.0 million (2015: €54.5 million).

All of the bank accounts are pledged to secure borrowings of the Company (note 19).

18 equity attributable to shareholders

ordinary shares and share capital

As of January 29, 2017, the Company has 90,000 authorised ordinary shares with a par value of €1, of which 18,000 are fully paid. This is unchanged compared to previous year.

share premium

The total amount paid by the shareholders at the issuance of the shares was €108.9 million. In 2014 €221.4 million was contributed to the capital by Dutch Lion B.V. which was settled with part of the shareholder loan. In 2009 and 2011 a similar set-off was executed for an amount of €80.0 million and €219.3 million respectively. As of January 29, 2017, the total share premium contribution amounts therefore €629.6 million.

legal reserves

HEMA is a company incorporated under Dutch law. In accordance with B2 DCC, legal reserves have to be established in certain circumstances. The cash flow hedging reserve is a legal reserve. Legal reserves are not available for distribution to the Company's shareholders. If the cash flow hedging reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance.

(in thousand euros)	cash flow hedging reserve	other reserves	currency translation reserve	total
balance as of February 1, 2015	**3.6**	**0.6**	**0.2**	**4.4**
cash flow hedges				
■ fair value gains / loss	0.8	-	-	**0.8**
■ transfers to inventory	(9.1)	-	-	**(9.1)**
■ transfers to income statement	4.5	-	-	**4.5**
remeasurements of employee benefits	-	(0.8)	-	**(0.8)**
currency translation difference	-	-	(0.2)	**(0.2)**
tax impact	0.8	0.2	-	**1.0**
balance as of January 31, 2016	**0.6**	**-**	**-**	**0.6**
cash flow hedges				
■ fair value gains	2.8	-	-	**2.8**
■ transfers to inventory	(1.1)	-	-	**(1.1)**
■ transfers to income statement	0.4	-	-	**0.4**
remeasurements of employee benefits	-	-	-	**-**
currency translation difference	-	-	-	**-**
tax impact	(0.5)	-	-	**(0.5)**
balance as of January 29, 2017	**2.2**	**-**	**-**	**2.2**

Items in the previous statement are disclosed net of tax. The total change in 2016 in the cash flow hedging reserve amounts to an increase of €1.6 million (2015: decrease of €3.0 million).

Gains and losses on forward contracts recognised in cash flow hedging reserve will be released to the income statement in the next year.

The cash flow hedging reserve amounting to €2.2 million relates to the fair value of foreign exchange forward contracts and the revaluations of the trade creditors in foreign currencies.

other reserves

The other reserves relate to remeasurements of employee benefit obligations. As the employee benefit plan for the Netherlands has terminated in 2015, the past remeasurements were released to the retained earnings.

retained earnings

(in million euros)	
at February 1, 2015	**(259.6)**
net result for the year	(72.5)
change in other reserves	0.8
at January 31, 2016	**(331.1)**
net result for the year	(26.2)
change in other reserves	-
at January 29, 2017	**(357.3)**

19 borrowings

	January 29, 2017		January 31, 2016	
(in million euros)	non-current portion	current portion	non-current portion	current portion
borrowings	730.3	-	726.1	76.0
total	**730.3**	**-**	**726.1**	**76.0**

The fair values of these borrowings, corresponding derivatives and the foreign exchange and interest rate risk management policies applied by HEMA are disclosed in note 26.

borrowings

On June 30, 2015, HEMA entered into a €25.0 million super senior secured purchase money financing facility (the "PMO Facility") to further bolster liquidity ahead of the annual peak in the working capital cycle. This piece of financing is a term loan facility with a maturity in line with HEMA's existing Revolving Credit Facility (Dec-18). The cost of the PMO facility is EURIBOR + 7.00%, a portion of which is required to be paid in cash and the remainder in non-cash interest which accrues and capitalizes at the end of each interest period. The PMO facility benefits from the same guarantee and collateral package as the existing Revolving Credit Facility and the Notes. It is secured on a super senior basis and has substantially the same incurrence covenants as in HEMA's existing financing documents and no financial covenants. The PMO facility was provided by a single third party provider of capital with HEMA B.V. as the borrowing entity.

The Revolving Credit Facility, the PMO Facility and the Senior Secured Notes are secured by first-ranking security interests, including:

- Dutch law governed pledges over all the shares of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and each of the other Senior Secured Notes Guarantors;
- Dutch law governed omnibus pledge agreements in respect of the assets of the Senior Secured Notes Issuer's, the Senior Notes Issuer, the Company and each of the other Senior Secured Notes Guarantors;
- Belgian law governed pledges over bank accounts, receivables and business and a business pledge mandate, each in relation to HEMA Belgie B.V.;
- Luxembourg law governed pledge over bank accounts of HEMA Belgie B.V.; and
- Dutch law governed security over intercompany receivables (including preferred equity certificates) owed to Dutch Lion B.V. by HEMA B.V.

The Senior Notes are secured by security interests on a second-ranking basis, including:

- Dutch law governed pledges over all the shares of the Senior Secured Notes Issuer, the Senior Notes Issuer and the Company;
- Dutch law governed omnibus pledge agreements in respect of the Senior Secured Notes Issuer's Rights under the Senior Secured Notes Proceeds Loan, the assets of the Senior Notes Issuer (including the Senior Notes Proceeds Loan); and
- Dutch law governed security over intercompany Receivables (including preferred equity certificates) owed to Dutch Lion B.V. by HEMA B.V.

The amount and due dates of the facilities as of January 29, 2017 are as follows:

principal (in million euros)	due	within 1 year	between 1 and 5 years	after 5 years	January 29 2017
senior secured floating rate notes proceeds loan	June 2019	-	250.0	-	250.0
senior secured fixed rate notes proceeds loan	June 2019	-	315.0	-	315.0
senior notes proceeds loan	December 2019	-	150.0	-	150.0
super senior PMO facility	December 2018	-	25.0	-	25.0
super senior revolving credit facility	December 2018	-	-	-	-
total		**-**	**740.0**	**-**	**740.0**
rolled up interest PMO facility		-	1.2	-	1.2
deferred financing costs		(3.8)	(7.1)	-	(10.9)
total		**(3.8)**	**734.1**	**-**	**730.3**

Outstanding amounts of the super senior Revolving Credit Facility are payable within one year, if amounts are drawn. Based on election of the Company, these amounts may be rolled over, if applicable.

The senior secured floating rate notes carries a floating interest rate of 3-months EURIBOR plus a spread of 5.25%. The senior secured fixed rate notes and the senior notes carry a fixed rate of 6.25% and 8.50% respectively. The interest for the floating rate notes are paid on a quarterly basis. The fixed rate notes are paid semi-annually. The Revolving Credit Facility carries an interest of 3.00% + EURIBOR and is paid based on a 1-months, 3-months or 6-months basis, depending the chosen maturity date by the Company.

The amount and due dates of the facilities as of January 31, 2016 were as follows:

principal (in million euros)	due	within 1 year	between 1 and 5 years	after 5 years	January 31 2016
senior secured floating rate notes proceeds loan	June 2019	-	250.0	-	250.0
senior secured fixed rate notes proceeds loan	June 2019	-	315.0	-	315.0
senior notes proceeds loan	December 2019	-	150.0	-	150.0
super senior PMO facility	December 2019	-	25.0	-	25.0
revolving credit facility	December 2018	76.0	-	-	76.0
total		**76.0**	**740.0**	**-**	**816.0**
rolled up interest PMO facility		-	0.4		0.4
deferred financing costs		(4.3)	(10.0)	-	(14.3)
total		**71.7**	**730.4**	**-**	**802.1**

All borrowings have to be repaid at maturity. Fees and other costs directly related to the issuance of the proceeds loans are deferred and are amortised over the term of maturity of the loans.

group credit facility

HEMA has the Revolving Credit Facility in the amount of €80.0 million, which expires in December 2018, of which at January 29, 2017 no amount was drawn. The ancillary agreements for bank guarantees amount to €6.8 million. Therefore, the Company had €73.2 million available at year-end 2016.

exposure to market interest rates

The exposure of the Company's borrowings (excluding finance leases and bank overdrafts) to interest rate changes and the contractual re-pricing dates before and after the effect of the interest rate derivative on the balance sheet dates are as follows:

(in million euros)	2016	2017	2018	2019	2020
senior secured floating rate notes proceeds loan	250.0	250.0	250.0	250.0	-
super senior PMO facility	25.0	25.0	25.0	-	-
super senior revolving credit facility	-	76.0	76.0	-	-
interest rate derivative	(200.0)	(200.0)	(200.0)	-	-
total	**75.0**	**151.0**	**151.0**	**250.0**	**-**

HEMA has hedged an amount of €200.0 million with an interest rate cap of 1.0%, until September 2018. As a result, exposure increases from that point. Please refer to note 26.

covenants

The facilities contain customary covenants that place restrictions on disposals, mergers, acquisitions, investments and the incurrence of debt by the Company and its subsidiaries. In addition, the Revolving Credit Facility is subject to one financial covenant and is related to a minimum amount of "EBITDA" as defined in the Revolving Credit Facility Agreement of €70.0 million. The financial covenant only applies in case of drawing on the Revolving Credit Facility of €16.0 million or more on the relevant date. During the financial year 2016 the Company has not been in breach with these covenants. At the end of the year the covenant was not applicable as no amount was drawn.

Substantially all of HEMA's assets have been pledged to secure the facilities.

20 other non-current financial liabilities

(in million euros)	January 29 2017	January 31 2016	January 1 2015
financial lease liabilities	2.3	3.4	2.9
derivative financial instruments	-	-	3.4
long term lease incentives	15.5	15.8	15.7
total other financial liabilities	**17.8**	**19.2**	**22.0**

For more information on derivative financial instruments, see note 26.

financial lease liabilities

Financial lease liabilities are payables as follows:

(in million euros)	January 29, 2017			January 31, 2016		
	future minimum lease payments	interest portion	present value of minimum lease payments	future minimum lease payments	interest portion	present value of minimum lease payments
within one year	1.7	(0.1)	1.6	1.9	(0.1)	1.9
between one and five years	2.4	(0.3)	2.1	3.7	(0.5)	3.2
after five years	0.3	(0.1)	0.2	0.3	(0.1)	0.2
total	**4.4**	**(0.5)**	**3.9**	**5.9**	**(0.7)**	**5.3**
current portion	1.7	(0.1)	1.6	1.9	(0.1)	1.9
non-current portion	2.7	(0.4)	2.3	4.0	(0.6)	3.4
	4.4	**(0.5)**	**3.9**	**5.9**	**(0.7)**	**5.3**

The financial leases primarily relate to trucks used for logistic operations. Lease terms range from 6 to 7 years. At the time of entering into finance lease agreements, the commitments are recorded at their present value using the interest rate implicit in the lease, if this is practicable to determine; if not, the operating company specific interest rate applicable for long-term borrowings is used. During financial year 2016, new financial lease contracts are discounted at a rate of 6.3 percent (2015: 6.3 percent).

The Company has options to purchase the trucks for a nominal amount at the end of the lease agreements. For some contracts the Company has the obligation to purchase the trucks for a nominal amount at the end of the lease term. This obligation is included in the financial lease liabilities.

The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

21 employee benefits

(in million euros)	January 29 2017	January 31 2016	February 1 2015
balance sheet obligations for			
retirement benefit obligations	0.4	0.6	1.0
other long-term benefits	4.5	4.8	6.0
	4.9	**5.4**	**7.0**
current portion	0.6	1.1	1.1
non-current portion	4.3	4.3	5.9
income statement charge for			
retirement benefit obligations	-	(0.1)	0.1
other long-term benefits	0.5	(0.6)	0.8
	0.5	**(0.7)**	**0.9**

retirement benefit obligations

HEMA operates unfunded defined benefit plan for qualifying employees of its subsidiary in Belgium. Under the plan, the employees are entitled to retirement benefits as a percentage of final salary on attainment of an early retirement age of 61 to 63. No other post-retirement benefits are provided to these employees. For the obligation a discounted rate of 6.9 percent is used (2015: 6.6 percent), and an inflation of 1.25 percent. Movements in the present value of the defined benefit obligation in the current year were as follows:

(in million euros)	January 29 2017	January 31 2016	February 1 2015
opening defined benefit obligation	**0.6**	**1.0**	**1.3**
current service costs	-	-	0.1
interest costs	-	-	-
	-	**-**	**0.1**
remeasurements			
■ experience gains	-	-	-
■ assumptions losses / (gains)	-	-	-
	-	**-**	**-**
contributions from plan participants	-	-	-
liabilities extinguished on settlements	-	(0.1)	(0.2)
benefits paid	(0.2)	(0.3)	(0.2)
closing defined benefit obligation	**0.4**	**0.6**	**1.0**

The amounts classified under liabilities extinguished on settlement relate to lump sum payments to BpfD ('stichting bedrijfstakpensioenfonds voor de detailhandel'). HEMA pays a lump sum to BpfD the moment an employee decides to make use of the plan. After settlement, HEMA has no further legal or constructive obligation to pay further amounts should the BpfD not pay the employee benefits.

Management does not expect substantial changes in the contribution to the plan.

long-term employee benefits

The Company provides a jubilee plan for all active employees under the collective labor agreement.
The most recent actuarial valuations of the present value of the long-term employee benefits were carried out at January 29, 2017 by independent actuaries. The valuation is carried out with a discount rate of 1.2 percent, an expected rate of salary increase of 2.0 percent, and a retirement age of 67 year and 3 months.

An actuarial loss of €0.1 million is assumed as a result of a lower discount rate. Due to the increase of the retirement age with 3 months and changes in the employee-base an additional loss of €0.1 million is recognized.

multi-employer plan

The Company has a multi-employer plan. Virtually all employees of HEMA are covered by this plan that is financed by employees and employer. The plan is insured with BpfD and is a defined contribution scheme in respect of the retirement pensions. Paid pensions are related to the employee's average salary and the total employment period covered by the plan. HEMA has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.
The total employee benefit expense related to the defined contribution plan amount in 2016 €13.3 million (2015: €12.3 million).

22 provisions

The table below specifies the change in total provisions (current and non-current):

(in million euros)	restructuring	VAB agreement	total
as of January 31, 2016			
current portion	-	4.6	4.6
non-current portion	-	9.2	9.2
closing carrying amount	**-**	**13.8**	**13.8**
charged / credited to the income statement			
additions charged to income	0.4	-	0.4
used during the year	-	(4.5)	(4.5)
closing carrying amount	**0.4**	**9.3**	**9.7**
as of January 29, 2017			
current portion	0.4	4.6	5.0
non-current portion	-	4.7	4.7
closing carrying amount	**0.4**	**9.3**	**9.7**

VAB agreement

In September 2014 two franchisees initiated an arbitration with the support of the VAB, which is the association of franchisees representing the collective interest of almost all of HEMA's franchisees. These two franchisees claimed they are entitled to a portion of HEMA's Marketing Strategy Fund ("MSF"). This fund was set up by HEMA in 2008 and is funded by contributions from HEMA suppliers and used for sales promotion. On November 25, 2015 HEMA reached an agreement with the association of franchisees (VAB) following which both parties jointly agreed to terminate the arbitration process. The settlement agreement addresses a wide range of disputes between the VAB and HEMA dating back to 2009. At that date, the agreement required a total provision of €18.5 million which was booked in 2015. In 2015 the first instalment, for an amount of €4.7 million, has been paid to the franchisees. After the first instalment an amount of €0.5 million including interest is monthly paid to the VAB as agreed.

HEMA and the VAB continue discussions to come to an optimal mutual understanding of certain elements of the agreement. There is no indication of any outflows at this moment.

23 trade and other payables

(in million euros)	January 29 2017	January 31 2016	January 1 2015
trade payable	170.7	148.8	172.0
accrued expenses	81.6	65.3	75.2
payroll taxes, social security and VAT	43.0	15.3	8.4
amounts due to related parties	14.5	14.7	14.8
payroll accruals	44.2	40.0	39.3
other	14.0	12.2	10.8
total trade and other payables	**368.0**	**296.3**	**320.5**

Refer to note 27 for more information on the amount due to related parties.

24 other current financial liabilities

(in million euros)	January 29 2017	January 31 2016
financial lease liabilities – current portion	1.6	1.9
interest	6.2	7.0
derivative financial instruments	0.1	1.4
total other financial liabilities	**7.9**	**10.3**

25 cash flow

The following table presents a reconciliation between the cash flow statements and the cash and cash equivalents as presented in the consolidated balance sheet:

(in million euros)	January 29 2017	January 31 2016
cash, cash equivalents and bank overdrafts at the beginning of the year	80.3	33.1
net cash from operating, investing and financing activities	4.6	47.2
cash, cash equivalents and bank overdrafts at the end of the year	**84.9**	**80.3**

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet.

Cash and cash equivalents exclude €36.0 million of cash in cash collateralised bank facilities. This balance is reported under other current financial assets (note 16).

26 financial risk management and financial instruments

financial risk management

HEMA's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on HEMA's financial performance and capital. HEMA uses derivative financial instruments solely for the purpose of hedging exposure which corresponds to managing the interest rate and foreign exchange rate risks arising from the Company's operations and its sources of finance. HEMA does not enter into derivative financial instruments for speculative purposes.

HEMA's primary market risk exposures relate to foreign currency exchange rate and interest rate. In order to manage the risk arising from these exposures, various financial instruments may be utilised.

foreign exchange rate risk

The international purchase activities expose HEMA to a foreign cash flow exchange risk, mainly due to purchases in US dollar. It is HEMA's policy to cover foreign exchange transaction exposure in relation to existing firm purchase commitments. To protect the value of future foreign currency cash flows, HEMA enters into forward contracts.

- **Foreign currency sensitivity analysis** – The impact of a 10% decrease or increase of the EURO versus the foreign currencies is as follows.

(in million euros)	EURO increases versus FX + 10%	EURO decreases versus FX - 10%
impact on		
assets	(12.3)	15.1
liabilities	2.9	(3.6)
equity	9.3	(11.3)
income statement	0.1	(0.2)

interest rate risk

HEMA's interest rate risk arises primarily from its debt. To manage interest rate risk, HEMA has an interest rate management policy aimed at reducing volatility in its interest expense. HEMA's financial position is largely fixed by long-term debt issues and the use of derivative financial instruments such as interest rate caps. The current interest rate derivative has a notional amount of €200 million, with a cap rate of 1 percent. As at January 29, 2017, after fully taking into account the effect of interest rate derivative, approximately 90 percent of HEMA's long-term borrowings are at a fixed rate of interest.

- **Interest rate sensitivity analysis** – Changes in EURIBOR only have an impact on the variable part of the debt (10 percent) as long as the EURIBOR is below 1 percent. A change of 1%-point in EURIBOR and if the EURIBOR is above 1 percent, the change has an impact of €0.8 million on financial expenses.

credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments as well as wholesale customers including outstanding receivables and committed purchase transactions. For banks and financial institutions, it is the Company's policy that only independently rated parties with a minimum rating of A are accepted. Currently the Company's main bank has a rating of Ba1 (Moody's), but the Company is in the process of changing to a bank with an A1 rating (Moody's). This change to the other bank will be completed during the course of financial year 2017. For wholesale customers' contracts of guarantee are used. Also the credit quality is monitored bi-weekly. HEMA has no significant concentrations of credit risk. Sales to retail customers are settled in cash or by use of a credit card of one of the major credit card companies.

The majority of HEMA's past due but not impaired financial assets as of January 29, 2017, consists of receivables and is past due less than three months. The concentration of credit risk with respect to receivables is limited as it relates to the deliveries to more than 100 independent franchisees. Currently there is no significant backlog in payments from franchisees. As a result, management believes there is no further credit risk provision required in excess of the normal individual impairment analysis as performed as of January 29, 2017. For further discussion on HEMA's receivables, see note 15.

liquidity risk

The Company's cash cycle follows that of a typical retailer with seasonal cash generation weighted towards Q4 in light of significant uplift from Sinterklaas and Christmas sales. Peak cash balance has been reached historically towards the end of the financial year following December trading, with lowest cash balance typically occurring May through September. Most trade and cost creditor payments are paid on the 8th day of each calendar month. Debt service payments under the current capital structure peak during June and December. Cash interest on both Senior Secured Fixed Rate Notes and Senior Notes are paid semi-annually; Senior Secured Floating Rate Notes cash interest expenses are paid quarterly.

As at January 29, 2017 the Company had no amount drawn on its Revolving Credit Facility and €6.8 million ancillary for bank guarantees, leaving €73.2 million available. Therefore, the Company had €158.1 million of liquidity available as at January 29, 2017 (2015: €80.8 million). The cash balance includes €15.9 million of cash in transit and in tills. Note the €36.0 million of cash used for the collateralised bank guarantee facilities has been excluded. Until the maturity dates of the cash collateralised bank facilities (October 2017 and September 2017), the Company does not have free access to this cash.

Based on recent cash flow and earnings analyses we consider it likely that the Company will have sufficient liquidity available throughout 2017 to fulfill its obligations and will be able to comply with its financial covenants under its financing facilities. We continue to actively monitor the Company's liquidity and investment needs and consider its financing options.

The following tables summarise the maturity profile of the Company's derivative and non-derivative financial liabilities as of January 29, 2017, and January 31, 2016, respectively, based on contractual undiscounted payments.

(in million euros)	net carrying amount	contractual cash flows			
January 29, 2017		within 1 year	between 1 and 5 years	after 5 years	total
non derivative financial liabilities	1,102.2	417.0	822.1	0.3	**1,239.4**
borrowings (long-term)	730.3	47.3	819.7	-	**867.0**
borrowings (short-term)	-	-	-	-	**-**
financial lease liabilities	3.9	1.7	2.4	0.3	**4.4**
trade and other payables	368.0	368.0	-	-	**368.0**
derivative financial liabilities	0.1	0.1	-	-	**0.1**
derivatives inflow (including interest)		9.5	-	-	**9.5**
derivatives outflow (including interest)		(9.4)	-	-	**(9.4)**
	1,102.3	**417.1**	**822.1**	**0.3**	**1,239.5**

(in million euros)	net carrying amount	contractual cash flows			
January 31, 2016		within 1 year	between 1 and 5 years	after 5 years	total
non derivative financial liabilities	**1,103.7**	**422.8**	**880.5**	**0.3**	**1,303.6**
borrowings (long-term)	726.1	47.4	876.8	-	**924.2**
borrowings (short-term)	76.0	77.2	-	-	**77.2**
financial lease liabilities	5.3	1.9	3.7	0.3	**5.9**
trade and other payables	296.3	296.3	-	-	**296.3**
derivative financial liabilities	**1.4**	**1.2**	**-**	**-**	**1.2**
derivatives inflow (including interest)		(24.0)	-	-	**(24.0)**
derivatives outflow (including interest)		25.2	-	-	**25.2**
	1,105.1	**424.0**	**880.5**	**0.3**	**1,304.8**

All instruments held at the reporting date and for which payments are already contractually agreed have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curves interest rates as of January 27, 2017 and January 29, 2016 respectively.

capital risk management

The Company's primary objective when managing capital is optimisation of its debt and equity balance in order to sustain the future development of the business and to maximise shareholder value. The Company is restricted by capital requirement. The Company cannot directly or indirectly, redeem, retire or otherwise withdraw any capital contributions made to the capital reserves. Nor can the Company convert such capital contributions into shareholder loans or redeem, purchase, retire or otherwise acquire for consideration any shares or warrants issued. The capital structure of the Company consists of the following elements

(in million euros)	note	January 29 2017	January 31 2016
total borrowings (excluding unamortised finance costs)	19	741.2	816.4
financial lease liabilities	20	3.9	5.3
less: cash, cash equivalents and bankoverdrafts	17	(84.9)	(80.3)
less: cash, cash equivalents and bankoverdrafts	16	(36.0)	(37.0)
net debt		**624.2**	**704.4**
equity	18	274.5	299.1
total capital		**898.7**	**1,003.5**

financial instruments - categories

The following tables present the carrying amounts for each of the categories of financial instruments as at January 29, 2017:

(in million euros)	financial assets at amortised cost	assets at fair value through profit and loss	derivatives used for hedging	total
January 29, 2017				
assets as per balance sheet				
trade and other receivables excluding pre-payments	42.2	-	-	**42.2**
derivative financial instruments	-	-	4.2	**4.2**
cash collateralised bank facilities	36.0	-	-	**36.0**
cash and cash equivalents	84.9	-	-	**84.9**
total	**163.1**	**-**	**4.2**	**167.3**

(in million euros)	liabilities at fair value through profit and loss	derivatives used for hedging	other financial liabilities at amortised costs	total
January 29, 2017				
liabilities as per balance sheet				
borrowings (non-current)	-	-	730.3	**730.3**
financial lease liabilities	-	-	3.9	**3.9**
derivative financial instruments	-	0.1	-	**0.1**
trade and other payables	-	-	368.0	**368.0**
total	**-**	**0.1**	**1,102.2**	**1,102.3**

The following tables present the carrying amounts for each of the categories of financial instruments as at January 31, 2016:

(in million euros)	loans and receivables	assets at fair value through profit and loss	derivatives used for hedging	total
January 31, 2016				
assets as per balance sheet				
trade and other receivable excluding pre-payments	42.9	-	-	**42.9**
derivative financial instruments	-	-	1.6	**1.6**
cash collateralised bank facilities	37.0	-	-	**37.0**
cash and cash equivalents	81.0	-	-	**81.0**
total	**160.9**	**-**	**1.6**	**162.5**

(in million euros)	liabilities at fair value through profit and loss	derivatives used for hedging	other financial liabilities at amortised costs	total
January 31, 2016				
liabilities as per balance sheet				
borrowings (current)	-	-	76.0	**76.0**
borrowings (non-current)	-	-	726.1	**726.1**
Financial lease liabilities	-	-	5.3	**5.3**
derivative financial instruments	-	1.4	-	**1.4**
trade and other payables	-	-	296.3	**296.3**
bank overdrafts	-	-	0.7	**0.7**
total	**-**	**1.4**	**1,104.4**	**1,105.8**

financial instruments - fair values

The following table presents the fair values of the Company's financial instruments, compared to the carrying amounts as included on the balance sheet.

	January 29, 2017		January 31, 2016	
(in million euros)	carrying amount	fair value	carrying amount	fair value
trade and other receivable excluding pre-payments	42.2	42.2	42.9	42.9
cash and cash equivalents	84.9	84.9	81.0	81.0
cash collateralised bank facility	36.0	36.0	37.0	37.0
derivative financial instruments	4.2	4.2	1.6	1.6
total financial assets	**167.3**	**167.3**	**162.5**	**162.5**

	January 29, 2017		January 31, 2016	
(in million euros)	carrying amount	fair value	carrying amount	fair value
borrowings (current)	-	-	76.0	76.0
borrowings (non-current)	730.3	680.1	726.1	509.4
trade and other payables	368.0	368.0	296.3	296.3
bank overdrafts	-	-	0.7	0.7
financial lease liabilities	3.9	3.9	5.3	5.3
total liabilities at amortised cost	**1,102.2**	**1,052.0**	**1,104.4**	**887.7**
derivative financial instruments	0.1	0.1	1.4	1.4
total financial liabilities	**1,102.3**	**1,052.1**	**1,105.8**	**889.1**

Of HEMA's financial instruments, only derivatives are measured and recognised on the balance sheet at fair value using level 2. These derivatives are valued using quoted prices as input. These quoted prices are observable in the market, either directly (i.e. as prices) or indirectly (derived from prices). The fair value of the derivative instruments is based on the rates and quotations obtained from third parties, credit risk and the Company's own risk of non-performance.

The carrying amount of receivables, cash and cash equivalents, cash collateralised bank facilities, accounts payable, the Revolving Credit Facility and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because of the fact that any recoverability loss is reflected in an impairment loss.

As the terms of the proceeds loans mirror the respective Notes, the fair value of the proceeds loans are set equal to the fair value of the respective Notes. The Notes are available for trading on a public market and are therefore valued at level 1.

derivatives

The number and maturities of derivative contracts, the fair values and the qualification of the instruments for accounting purposes are presented in the table below:

	January 29, 2017			January 31, 2016		
(in million euros)	# contracts	assets	liabilities	# contracts	assets	liabilities
interest rate derivative – cash flow hedges						
within one year	-	-	-	1	-	(1.1)
between one and five years	1	-	-	-	-	-
after five years	-	-	-	-	-	-
total interest rate derivative – cash flow hedges	**1**	**-**	**-**	**1**	**-**	**(1.1)**
foreign currency forwards – cash flow hedges						
within one year	87	4.2	(0.1)	171	1.6	(0.3)
between one and five years	-	-	-	-	-	-
after five years	-	-	-	-	-	-
foreign currency forwards – cash flow hedges	**87**	**4.2**	**(0.1)**	**171**	**1.6**	**(0.3)**
total derivative financial instruments	**88**	**4.2**	**(0.1)**	**172**	**1.6**	**(1.4)**

Interest rate derivatives are used to hedge cash flow EURIBOR interest rate risk on floating rate debt. As of June 2016 HEMA entered, into a new interest rate cap as the previous interest rate swap ended. The new interest rate cap will end September 15, 2018. For the interest rate cap, HEMA has opted not to apply hedge accounting. Foreign currency forwards designated as cash flow hedges are used to hedge the variability in future cash flows denominated in foreign currencies. Due to timing differences in receiving the foreign currencies and the actual payment date, foreign exchange results might occur. In 2016 a gain of €1.0 million was recorded in the profit and loss, due to these timing differences (2015: €1.3 million loss).

The notional amounts of the derivative financial instruments outstanding as of January 29, 2017, are summarised in the following table. The summary is based on the currency of the exposures being hedged and includes the gross amount of all notional values for outstanding contracts.

(in million original currencies)	HKD	GBP	USD	EUR
interest rate derivative and interest rate cap				
within one year	-	-	-	-
between one and five years	-	-	-	200.0
after five years	-	-	-	-
foreign currency forwards				
within one year	36.4	-	134.1	-
between one and five years	-	-	-	-
after five years	-	-	-	-

As of the balance sheet date the forward contracts and interest rate cap are valued at fair value. HEMA has opted for hedge accounting for its foreign exchange rate contracts. Fair value changes recognised in the income statement relate to the interest rate cap, for which hedge accounting was revoked. See note 18 for more information about fair value movements of derivative financial instruments.

The stated value of the financial instruments is based on the mark-to-market value and is derived from the mid-market price as of the balance sheet date which is obtained from third parties.

27 related party transactions

management and oversight fee Lion Capital

Lion Capital LLP ('Lion Capital') is a leading private equity firm focused on the consumer sector. Entities managed by and/or related to Lion Capital own, or have an economic interest in (derivatives related to) capital and loan instruments of HEMA, HEMA's parent Dutch Lion B.V. and/or HEMA's ultimate shareholder Dutch Lion Coöperatief U.A. HEMA and Lion Capital have entered into a monitoring and oversight agreement under which Lion Capital provides consultancy and advisory services for an annual advisory fee. The annual fee includes a charge of 1.25% of the budgeted adjusted EBITDA and some reimbursed costs. The total amount in 2016 was €1.5 million (2015: €2.0 million). Dutch Lion Coöperatief U.A. prepares consolidated financial statements, which are publicly available.

balances within the Dutch Lion Coop group

HEMA has balances with its parent companies as follows (see note 15 and 23):

(in million euros)	January 29 2017	January 31 2016
Dutch Lion Management B.V.	0.2	0.2
Dutch Lion Coöperatief U.A.	3.0	3.0
Dutch Lion B.V.	(14.6)	(14.7)
Stichting Administratiekantoor Dutch Lion A	0.4	0.3
Stichting Administratiekantoor Dutch Lion B	0.9	0.8
Stichting Administratiekantoor Dutch Lion C	0.5	0.5
total intercompany	**(9.6)**	**(9.9)**

The amounts due from parent companies relate to finance costs and invoices that have been paid by HEMA on behalf of these companies. The amount payable to Dutch Lion B.V. relates to corporate income taxes paid by HEMA on behalf of the fiscal unity, which is partially settled with invoices paid by HEMA on behalf of Dutch Lion B.V.. The balances will be settled at the time of exit and, accordingly, it is uncertain when these amounts will be settled. As a result, the amounts are presented under current assets and liabilities.

Refer to note 1 for more information of the structure of the Dutch Lion Coop group.

senior (secured) notes issued by HEMA Bondco I B.V. and HEMA Bondco II B.V.

The Notes were issued by HEMA Bondco I B.V. and HEMA Bondco II B.V. ("the Issuers"), which are both 100% directly owned by Dutch Lion B.V. The proceeds are lent by the Issuers to HEMA on the same terms as those of the respective Notes. The agreements between HEMA and the Issuers provide that HEMA will ensure timely payments of interest on the Notes so that the Issuers can timely satisfy their obligations under indentures governing the Notes. For the amounts due relating the Notes, refer to the tables below.

(in million euros)	January 29 2017	January 31 2016
HEMA Bondco I B.V.		
■ senior secured floating rate notes proceeds loan	250.0	250.0
■ senior secured fixed rate notes proceeds loan	315.0	315.0
HEMA Bondco II B.V.		
■ senior notes proceeds loan	150.0	150.0
accrued interest on proceeds loans	6.1	6.0
total	**721.1**	**721.0**

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015
accrued interest on proceeds loans at beginning of year	6.0	6.4
interest accrued for proceeds loans (income statement)	45.8	46.0
interest paid for proceeds loans (cash flow statement)	(45.7)	(46.4)
accrued interest on proceeds loans at year-end	**6.1**	**6.0**

The terms of the proceeds loans are at arm's length as these terms exactly match the terms of the Notes.

key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company determined that key management personnel consists of members of the management board. The compensation paid or payable to key management for employee services is shown in the table below:

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015
salaries and other short-term employee benefits	4.5	5.6
termination benefits	1.1	1.6
share based payments (see note 28)	-	-
post-employment benefits (defined contribution)	0.2	0.2
	5.8	**7.4**

Of the €5.8 million €1.3 million (2015: €3.8 million) is considered to be non-recurring. See note 18 to the company financial statements for information on the remuneration of the board of managing Directors.

supervisory board

The remuneration of Mr. Darwent, Mrs. Minnick and Mr. Cocker as members of the supervisory board is included in fees paid to Lion Capital. The remuneration with respect to 2016 for Mr. Jennings, Mr. Collee, Mr. Moberg and Mrs. Dik as members of the supervisory board was €857 thousand euro in total (2015: €370 thousand euro in total). On top of their remuneration, expenses of Mr. Jennings, Mr. Collee, Mr. Moberg and Mrs. Dik are also reimbursed (if and when applicable).

28 share-based payment

Following the acquisition of HEMA on 6 July 2007, circa 70 senior managers of HEMA were offered the possibility to invest in Dutch Lion Coop, the ultimate parent of the Company. Under the plan introduced in February 2008, eligible management was offered, subject to certain terms and conditions, an investment in financial instruments of Dutch Lion Coop at the same conditions as Lion Capital. In December 2008 the plan was amended to reflect the new fiscal legislation related to this investment. The outstanding rights before and after the amendments were equal to each other. At the same time, but not related, a relatively small amount of additional investment was offered to the senior managers that participated in the plan at the same conditions as the earlier investment. All financial instruments are issued through foundations (Dutch: administratiekantoren) that hold the voting rights of the underlying instruments. The members of the board of managing Directors at the time were part of the senior managers who were offered the possibility to invest. The investment contains a loan component and a membership right component. The investment in the loan component is disclosed by HEMA in accordance with IAS 24 'Related party transactions'. The membership right component falls under the scope of IFRS 2 'Share based payments'.

The total amounts invested by senior management with respect to the plan are:

(in million euros)	January 29 2017	January 31 2016
amount of outstanding balances at beginning of the year	**0.4**	**0.7**
amounts purchased by senior management	-	-
amounts sold by senior management	-	(0.3)
amount of outstanding balances at the end of the year	**0.4**	**0.4**

According to IFRS 2 the membership right component of the investment is considered to be an equity settled share-based payment transaction, since HEMA has no obligation to settle the share-based payment transaction (Dutch Lion Coop the ultimate parent of the Company has the obligation to settle). HEMA has prepared a valuation of the investment of the managers at each grant date. The fair market value applied for the underlying membership rights is based on the shareholder value, which has been derived from the Enterprise Value ('EV') for the Company. For the determination of the fair value, EV/EBITDA multiples are applied which are based on a market approach by using trading multiples of comparable companies as a benchmark. No expense with respect to the investment has been incorporated in the income statement. Although this does not directly relate to HEMA, this disclosure is made to comply with IFRS 2, as it relates to the ultimate parent company.

29 operating leases

HEMA leases all of its stores, as well as distribution centres, offices and other assets, under operating lease arrangements. Various properties leased under operating leases are (partially) subleased to third parties. The aggregate amounts of HEMA's minimum lease commitments payable to third parties under non-cancellable operating lease contracts are disclosed in the table on the next page.

(in million euros)	January 29 2017 nominal	January 31 2016 nominal
within one year	94.9	103.0
between one and five years	368.5	363.7
after five years	265.3	303.4
total	**728.7**	**770.1**

Commitments for rent exclude total sub-lease payments to be received amounting to €11.9 million (2015: €12.2 million).

Certain store leases provide for contingent additional rentals based on a percentage of sales. Substantially all of the store leases have renewal options for additional terms. None of HEMA's leases impose restrictions on the ability of HEMA to pay dividends, incur additional debt, or enter into additional leasing arrangements.

The annual costs of HEMA's operating leases are disclosed in the table below.

from February 1, 2016 up to and including January 29, 2017

(in million euros)	2016	2015
minimum rentals	99.2	96.1
sublease income	(3.3)	(3.8)
total	**95.9**	**92.3**

30 commitments and contingencies

The contracted capital expenditure and purchase commitments at the end of the reporting year but not yet incurred is as follows:

January 29, 2017 (in million euros)	purchase commitments	capital expenditure commitments	total
no later than 1 year	132.4	7.0	**139.4**
later than 1 year but no later than 5 years	-	-	**-**
later than 5 years	-	-	**-**
total	**132.4**	**7.0**	**139.4**

January 31, 2016 (in million euros)	purchase commitments	capital expenditure commitments	total
no later than 1 year	111.1	3.6	**114.7**
later than 1 year but no later than 5 years	-	-	**-**
later than 5 years	-	-	**-**
total	**111.1**	**3.6**	**114.7**

The purchase commitments are based on agreed purchase orders for €74.6 million and commitments according contracts for €57.8 million. Prices and volume according contracts give direction for orders, but are actually agreed when the order is made. The commitments will be exercised next reporting year unless, in the rare case, orders are cancelled.

The capital expenditure commitments are based on contracts of current projects, and will also exercise next reporting year. The capital expenditure commitments as per January 29, 2017 consists of €3.4 million expenditures for HEMA stores, €3.1 million for IT and e-commerce and €0.6 million for other.

For the Netherlands, bank guarantees totalling of €4.1 million have been issued by HEMA mainly relating to the rent of the support office in the Netherlands (€1.3 million), the customs (€2.1 million) and other (€0.6 million). For France in total €1.5 million and for Germany in total €0.7 million in bank guarantees have been issued. In total, at reporting date, HEMA has issued €6.3 million in bank guarantees.

Received claims from the normal operations are disclosed in accordance with IAS 37.

31 independent auditor's fees

The independent auditor's fees paid per category can be summarised as follows:

from February 1, 2016 up to and including January 29, 2017
(In thousand euros)

	2016	2015
audit of the financial statements	489.1	361.6
other audit engagements	33.9	56.6
tax consultancy	426.2	164.8
other non-audit engagements	47.4	463.7
total	**996.6**	**1,046.7**

32 list of subsidiaries

The following are HEMA's subsidiaries as of January 29, 2017. These are all wholly owned consolidated subsidiaries.

The Netherlands
HEMA Bakkerijen B.V.*, Amsterdam
HEMA Duitsland B.V.*, Amsterdam
HEMA Financial Services B.V.*, Amsterdam
HEMA Financiering B.V., Amsterdam

Europe
HEMA Belgie B.V.B.A.*, Ukkel, Belgium
HEMA Deutschland GmbH, Essen
HEMA GmbH & CO KG**, Essen
HEMA France S.A.S., Paris, France
HEMA Retail Limited, London, United Kingdom***
HEMA Spain S.L., Barcelona, Spain

Rest of the world
HEMA Far East Ltd., Hong Kong

* Pursuant to section 403 B2 DCC, HEMA has issued declarations of liability for these subsidiaries.
** HEMA GmbH & Co. KG, Essen, Germany, makes use of the exemption clause under Section 264b of the German Commercial Code regarding the preparation, auditing and publication of its financial statements.
*** The entity opted for statutory audit exemption under s479a of the United Kingdom Companies Act 2006.

HEMA (Shanghai) trading Consultancy Co., Ltd., Shanghai, China

This list is unchanged compared to previous year.

33 employees

The table below shows the average number of employees and FTE for the years 2016 and 2015.

number of employees and full-time equivalents	2016		2015	
	employees	fte	employees	fte
The Netherlands	9,428	4,215	9,573	4,199
Belgium	858	632	873	649
France	487	428	392	339
Germany	110	60	110	59
Luxembourg	27	18	28	19
Hong Kong	9	9	9	8
China	35	35	33	33
Bangladesh	15	15	14	14
Spain	48	37	20	17
United Kingdom	60	47	37	32
total	**11,077**	**5,496**	**11,089**	**5,369**

For salaries, pensions and social security charges, please refer to note 8.

For information on the remuneration of the board of Managing Directors and the Supervisory Board see note 18 to the company financial statements.

MILESTONES

9

HEMA has set up a Children's Council, an initiative of the Missing Chapter Foundation. The Royal Highness, Princess Laurentien of the Netherlands, is the founder and director of the Missing Chapter Foundation. HEMA has installed the council to obtain advice from a different perspective on societal issues that involve a wide range of interests in which HEMA feels it has a role to play.

council for children

company financial statements

company income statement

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015
result from subsidiaries after income taxes	13.0	18.3
other result after income taxes	(39.2)	(90.8)
net result	**(26.2)**	**(72.5)**

The accompanying notes on pages 100 – 109 are an integral part of these company financial statements.

company balance sheet

as at January 29, 2017 (in million euros, after appropriation of current year result)	note	January 29 2017	January 31 2016
assets			
property, plant and equipment	2	105.5	123.9
intangible assets	3	1,026.9	1,032.0
financial fixed assets	4	19.7	37.9
other non-current assets	5	0.1	0.1
total non-current assets		**1,152.2**	**1,193.9**
inventories	6	130.9	138.5
trade and other receivables	7	93.5	96.7
other current financial assets	8	40.2	38.6
cash and cash equivalents	9	71.0	57.5
total current assets		**335.6**	**331.3**
total assets		**1,487.8**	**1,525.2**
share capital		0.0	0.0
share premium		629.6	629.6
other reserves		2.2	0.6
retained earnings and net result for the year		(357.3)	(331.1)
total equity	10	**274.5**	**299.1**
employee benefits	13	4.4	4.6
deferred tax liabilities		98.6	98.6
provisions - long-term	14	13.2	18.4
total provisions		**116.2**	**121.6**
liabilities			
borrowings	11	730.3	726.1
other financial liabilities	12	12.9	14.9
total non-current liabilities		**743.2**	**741.0**
trade and other payables	15	341.3	272.4
borrowings	11	-	76.0
bank overdrafts	9	-	0.7
other financial liabilities	16	7.6	9.8
provisions - short-term	14	5.0	4.6
total current liabilities		**353.9**	**363.5**
total equity and liabilities		**1,487.8**	**1,525.2**

The accompanying notes on pages 100 – 109 are an integral part of these company financial statements.

notes to the company financial statements

1 significant accounting policies

basis of preparation

The company financial statements of HEMA B.V. have been prepared in accordance with Section 402, Part 9, Book 2 of the Dutch Civil Code ('B2 DCC'). In accordance with subsection 8 of section 362, B2 DCC, the measurement principles applied in these company financial statements are the same as those applied in the consolidated financial statements (see note 2 of the consolidated financial statements).

In accordance with Section 402, Part 9, B2 DCC, the income statement is presented in condensed form.

investments in subsidiaries

In the company financial statements, investments in subsidiaries are stated at net asset value if the Company effectively exercises influence of significance over the operational and financial activities of these investments. The net asset value is determined on the basis of the accounting principles applied by the Company. In case the net asset value of an investment in subsidiaries is negative, a provision for group companies is set up only in case the Company is legally held liable for the subsidiaries' liabilities. As long as the net asset value of subsidiaries is negative no result from participations is recorded.

2 property, plant and equipment

(in million euros)	leasehold improvements	technical installations	hardware	furniture and fixtures	trucks and cars	work in progress	total
as of February 1, 2015							
at cost	98.4	90.7	31.3	233.3	6.4	4.7	**464.8**
accumulated depreciation and impairment losses	(48.4)	(49.1)	(27.4)	(189.8)	(3.8)	-	**(318.5)**
carrying amount	**50.0**	**41.6**	**3.9**	**43.5**	**2.6**	**4.7**	**146.3**
additions							
at cost	0.5	1.4	0.3	3.4	1.0	3.4	**10.0**
depreciation	(8.5)	(7.7)	(1.9)	(12.5)	(0.9)	-	**(31.5)**
impairment losses charged to profit & loss	(0.3)	(0.3)	-	-	-	-	**(0.6)**
transfer from work in progress	0.2	0.5	0.8	2.5	-	(4.3)	**(0.3)**
disposals							
at cost	(1.4)	(0.4)	(0.1)	(2.0)	(0.9)	-	**(4.8)**
accumulated depreciation	1.4	0.4	0.1	2.0	0.9	-	**4.8**
as of January 31, 2016							
at cost	97.7	92.2	32.3	237.2	6.5	3.8	**469.7**
accumulated depreciation and impairment losses	(55.8)	(56.7)	(29.2)	(200.3)	(3.8)	-	**(345.8)**
carrying amount	**41.9**	**35.5**	**3.1**	**36.9**	**2.7**	**3.8**	**123.9**
additions							
at cost	0.7	1.9	0.3	2.1	0.2	7.4	**12.6**
depreciation	(8.3)	(7.8)	(2.0)	(12.0)	(0.9)	-	**(31.0)**
impairment losses charged to profit & loss	-	-	-	-	-	-	**-**
transfer from work in progress	0.4	1.4	1.0	0.7	-	(3.5)	**-**
disposals							
at cost	(0.8)	(0.4)	(0.2)	(3.0)	(1.2)	-	**(5.6)**
accumulated depreciation	0.8	0.4	0.2	3.0	1.2	-	**5.6**
as of January 29, 2017							
at cost	98.0	95.1	33.4	237.0	5.5	7.7	**476.7**
accumulated depreciation and impairment losses	(63.3)	(64.1)	(31.0)	(209.3)	(3.5)	-	**(371.2)**
carrying amount	**34.7**	**31.0**	**2.4**	**27.7**	**2.0**	**7.7**	**105.5**

3 intangible assets

(in million euros)	goodwill	brand	customer relation-ships	software	other	intangible assets under develop-ment	total
as of February 1, 2015							
at cost	732.2	394.4	43.7	85.2	-	6.3	**1,261.8**
accumulated amortisation and impairment losses	(118.0)	-	(32.6)	(74.2)	-	-	**(224.8)**
carrying amount	**614.2**	**394.4**	**11.1**	**11.0**	**-**	**6.3**	**1,037.0**
additions							
at cost	-	-	-	4.5	1.3	1.8	**7.6**
amortisation	-	-	(4.4)	(8.1)	(0.1)	-	**(12.6)**
Impairment losses charged to profit & loss	-	-	-	-	-	-	**-**
transfer from assets under development	-	-	-	6.2	-	(6.2)	**-**
disposals							
at cost	-	-	-	-	-	-	**-**
amortisation	-	-	-	-	-	-	**-**
as of January 31, 2016							
at cost	732.2	394.4	43.7	95.9	1.3	1.9	**1,269.4**
accumulated amortisation and impairment losses	(118.0)	-	(37.0)	(82.3)	(0.1)	-	**(237.4)**
carrying amount	**614.2**	**394.4**	**6.7**	**13.6**	**1.2**	**1.9**	**1,032.0**
additions							
at cost	-	-	-	1.6	(0.3)	5.6	**6.9**
amortisation	-	-	(4.3)	(7.3)	(0.4)	-	**(12.0)**
impairment losses charged to profit & loss	-	-	-	-	-	-	**-**
transfer from assets under development	-	-	-	1.5	-	(1.5)	**-**
disposals							
at cost	-	-	-	-	-	-	**-**
amortisation	-	-	-	-	-	-	**-**
as of January 29, 2017							
at cost	732.2	394.4	43.7	99.0	1.0	6.0	**1,276.3**
accumulated amortisation and impairment losses	(118.0)	-	(41.3)	(89.6)	(0.5)	-	**(249.4)**
carrying amount	**614.2**	**394.4**	**2.4**	**9.4**	**0.5**	**6.0**	**1,026.9**

4 financial fixed assets

The movements in the investments from subsidiaries are as follows:

(in million euros)	January 29 2017	January 31 2016
opening balance	**37.9**	**33.9**
additions from investments	-	-
dividend	(30.5)	(13.5)
revaluation	-	-
income from subsidiaries	13.0	18.3
change in provision for subsidiaries	(0.7)	(0.8)
closing balance	**19.7**	**37.9**

For a list of significant subsidiaries see note 32 to the consolidated financial statements.

With respect to the separate financial statements of the Dutch legal entities included in the consolidation, these companies availed itself of the exemption laid down in section 403, subsection 1 of B2 DCC. Pursuant to section 403 HEMA has issued declarations of liability for these subsidiaries (marked with an asterisk, see note 32 to the consolidated financial statements).

5 other non-current assets

(in million euros)	January 29 2017	January 31 2016
other	0.1	0.1
total other non-current assets	**0.1**	**0.1**

6 inventories

(in million euros)	January 29 2017	January 31 2016
trade inventory	136.8	146.7
raw materials	0.9	0.9
other inventories	1.9	1.9
	139.6	**149.5**
provision for obsolete and slow moving inventory	(8.7)	(11.0)
total inventories	**130.9**	**138.5**

The raw materials and other inventories concern food, photo and packaging materials.
An amount of €1.2 million has been recognised as write-offs of inventories in the income statement (2015: €0.5 million). All of the inventories are pledged to secure borrowings of the Company.

7 trade and other receivables

(in million euros)	January 29 2017	January 31 2016
trade receivables	26.4	28.3
provision for impairment	(0.6)	(0.8)
trade receivables - net	**25.8**	**27.5**
receivables from related parties	5.1	4.8
receivables from subsidiaries	51.0	44.9
prepayments	2.3	10.4
other receivables	9.3	9.1
total trade and other receivables	**93.5**	**96.7**

8 other current financial assets

For further information on borrowings and credit facilities see note 19 of the consolidated financial statements.

9 cash and cash equivalents

(in million euros)	January 29 2017	January 31 2016
cash on hand	11.5	11.2
cash in banks and cash equivalents	59.5	46.3
bank overdrafts	-	(0.7)
total cash, cash equivalents and bank overdrafts	**71.0**	**56.8**

10 equity

(in million euros)	share capital	share premium	other reserves: cash flow hedging reserve	other reserves: other reserves	retained earnings	net profit / (loss)	equity attributable to share-holders
balance as of February 1, 2015	**0.0**	**629.6**	**3.5**	**0.8**	**(70.4)**	**(189.2)**	**374.4**
proceeds from share premium contribution	-	-	-	-	-	-	**-**
appropriation of net profit / (loss)	-	-	-	-	(189.2)	189.2	**-**
net result for the year	-	-	-	-	-	(72.5)	**(72.5)**
other equity movements	-	-	(3.0)	(0.8)	0.8	-	**(3.0)**
balance as of January 31, 2016	**0.0**	**629.6**	**0.6**	**-**	**(258.6)**	**(72.5)**	**299.1**
proceeds from share premium contribution	-	-	-	-	-	-	**-**
appropriation of net profit / (loss)	**-**	**-**	**-**	**-**	**(72.5)**	**72.5**	**-**
net result for the year	-	-	-	-	-	(26.2)	**(26.2)**
other equity movements	-	-	1.6	-	-	-	**1.6**
balance as of January 29, 2017	**0.0**	**629.6**	**2.2**	**-**	**(331.1)**	**(26.2)**	**274.5**

11 borrowings

For further information on other current financial assets see note 19 of the consolidated financial statements.

12 other non-current financial liabilities

(in million euros)	January 29 2017	January 31 2016
financial lease liabilities	2.1	2.8
derivative financial instruments	-	-
long-term lease incentive	10.8	12.1
total other non-current financial liabilities	**12.9**	**14.9**

financial lease liabilities

Financial lease liabilities are payables as follows:

(in million euros)	January 29, 2017			January 31, 2016		
	future minimum lease payments	interest portion	present value of minimum lease payments	future minimum lease payments	interest portion	present value of minimum lease payments
within one year	1.3	-	1.3	1.5	-	1.5
between one and five years	2.2	(0.3)	1.9	3.1	(0.5)	2.6
after five years	0.3	(0.1)	0.2	0.3	(0.1)	0.2
total	**3.8**	**(0.4)**	**3.4**	**4.9**	**(0.6)**	**4.3**
current portion	1.3	-	1.3	1.5	-	1.4
non-current portion	2.5	(0.4)	2.1	3.4	(0.6)	2.8
	3.8	**(0.4)**	**3.4**	**4.9**	**(0.6)**	**4.3**

13 employee benefits

(in million euros)	January 29 2017	January 31 2016
balance sheet obligations for		
retirement benefit obligations	-	-
other long-term benefits	4.4	4.6
	4.4	**4.6**
income statement charge for		
retirement benefit obligations	-	(0.1)
other long-term benefits	0.6	(0.7)
	0.6	**(0.8)**

14 provisions

The table below specifies the change in total provisions (current and non-current):

(in million euros)	subsidiaries	VAB agreement	other	total
as of January 31, 2016				
current portion	-	4.6	-	**4.6**
non-current portion	9.2	9.2	-	**18.4**
	9.2	**13.8**	**-**	**23.0**
changes in the provision during the year				
additions	-	-	0.4	**0.4**
used during the year	-	(4.5)	-	**(4.5)**
release to income	(0.7)	-	-	**(0.7)**
closing carrying amount	**8.5**	**9.3**	**0.4**	**18.2**
as of January 29, 2017				
current portion	-	4.6	0.4	**5.0**
non-current portion	8.5	4.7	-	**13.2**
	8.5	**9.3**	**0.4**	**18.2**

The provision for subsidiaries represents the negative equity value of the Company's subsidiary HEMA Duitsland B.V..

For more information on the VAB agreement provisions, see note 22 of the consolidated financial statements.

15 trade and other payables

(in million euros)	January 29 2017	January 31 2016
trade payable	151.0	133.5
amounts due to related parties	14.6	14.7
amounts due to subsidiaries	9.6	6.6
accrued expenses	74.7	59.6
payroll taxes, social security and VAT	39.6	10.5
payroll accruals	38.3	35.7
other	13.5	11.8
total trade and other payables	**341.3**	**272.4**

16 other current financial liabilities

(in million euros)	January 29 2017	January 31 2016
interest	6.2	7.0
financial lease liabilities (current portion)	1.3	1.4
derivative financial instruments	0.1	1.4
total other current financial liabilities	**7.6**	**9.8**

17 commitments

See note 30 of the consolidated financial statements.

18 remuneration of the board of managing directors and the supervisory board

In 2016 a total remuneration of €3.0 million was accounted for with respect to the members of the board of managing directors (2015: €6.3 million). See the table below for more information.

from February 1, 2016 up to and including January 29, 2017 (in million euros)	2016	2015
salaries and other short-term employee benefits	2.9	4.6
termination benefits	-	1.6
share based payments (see note 28)	-	-
post-employment benefits (defined contribution)	0.1	0.1
	3.0	**6.3**

The remuneration of Mr. Darwent, Mrs. Minnick and Mr. Cocker as members of the supervisory board is included in fees paid to Lion Capital. The remuneration with respect to 2015 for Mr. Jennings, Mr. Collee, Mr. Moberg and Mrs. Dik as members of the supervisory board was €857 thousand euro in total (2015: €370 thousand euro in total). On top of their remuneration, expenses of Mr. Jennings, Mr. Collee, Mr. Moberg and Mrs. Dik are also reimbursed (if and when applicable).

19 employees

The average number of employees and full-time equivalents during 2016 was 9,200 and 3,990 respectively (2015: 9,332 and 3,974).

20 events after reporting date

On April 1, 2017 Tico Schneider (42) was appointed to the Management Board as Director of the Netherlands. Mr. Schneider has been with HEMA since 2002 in several positions most recently as head of e-commerce. And, on April 1, 2017 Adrian Porteous (53) was appointed to the Management Board as Director Logistics & Supply Chain. Mr. Porteous has been with HEMA since 2015 as head of supply chain.

In April 2017 certain members of the Management Board and the Supervisory Board are offered to enter into, subject to certain terms and conditions, in financial instruments of Dutch Lion Coop through newly set up foundations (Dutch: administratiekantoren). The investment reflects membership rights and falls under the scope of IFRS 2 'Share based payments'.

21 statutory appropriation of the result

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to article 25 of the articles of association the income, after reservations made by the Board of Managing Directors in consultation with the Supervisory Board, will be available for distribution to the common shareholders upon approval at the General Meeting of Shareholders.

Amounts not paid in the form of dividends will be added to accumulated general reserves. Consequently, net profit according to the company statements of operations is fully attributable to common shareholders.
The proposed profit-sharing statement reads as follows:

(in million euros)	January 29 2017	January 31 2016
net result	(26.2)	(72.5)
dividends	-	-
charged to the general reserves	**(26.2)**	**(72.5)**

board of managing directors
Tjeerd Jegen, Chief Executive Officer
Ivo Vliegen, Chief Financial Officer

supervisory board
Andrew Jennings, chairman
Robert Darwent
James Cocker
Dolf Collee
Anders Moberg
Tanja Dik

Amsterdam, the Netherlands, April 13, 2017

MILESTONES

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HEMA launched its largest back-to-school product range ever. The accompanying school campaign 'Eigen School, Eigen Ding' (Own school, own thing) emphasises the fact that school pupils create their own identity by customising their school gear.

back to school

other information

independent auditor's report

To: the general meeting and supervisory board of HEMA B.V.

report on the financial statements for the period 1 February 2016 to 29 January 2017

our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of HEMA B.V. as at 29 January 2017 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of HEMA B.V. as at 29 January 2017 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

what we have audited

We have audited the accompanying financial statements for the period 1 February 2016 to 29 January 2017 of HEMA B.V., Amsterdam ('the company'). The financial statements include the consolidated financial statements of HEMA B.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 29 January 2017;
- the following statements for the period 1 February 2016 to 29 January 2017: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 29 January 2017;
- the company profit and loss account for the period 1 February 2016 to 29 January 2017;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

the basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

independence

We are independent of HEMA B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report from the management board;
- the report from the supervisory board;
- the corporate governance report
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.
The management board is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

responsibilities for the financial statements and the audit

responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 13 April 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by P.J. Robben RA

appendix to our auditor's report on the financial statements for the period 1 February 2016 to 29 January 2017

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

the auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.
Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.

- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MILESTONES

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launch loyalty pro- gramme

HEMA launched a loyalty programme under the name 'meer HEMA' for its customers in the Netherlands. The programme allows customers to use both a digital customer card in the updated HEMA app and a physical customer card to save up for extra discounts on HEMA products.

cautionary notice

This annual report contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those included in such statements. Many of these risks and uncertainties relate to factors that are beyond HEMA's ability to control or estimate precisely. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report.

definitions

adjusted EBITDA
Adjusted EBITDA is defined as operating result of the company determined on the basis of IFRS plus depreciation, amortisation and impairments; provided, however, that there will not be included in such:

- pre-opening costs, defined as salary costs incurred with respect to new stores prior to such stores' respective opening dates plus rent in respect of new stores incurred prior to such stores' respective opening dates;
- an annual oversight fee, which refers to the annual fee for the services provided by Lion Capital to the Company under a monitoring and oversight agreement;
- any items of a non-recurring, extraordinary or exceptional nature.

EBITDA
EBITDA is defined as operating result of the company determined on the basis of IFRS plus depreciation, amortisation and impairments.

consumer sales
HEMA defines consumer sales as the total sales transactions registered in the point of sale systems and are based on actual prices charged to customers for both directly operated stores and franchised stores. The consumer sales of the franchised store differ from the reported gross sales, which include the value of products delivered to the franchise stores.
Consumer sales for the purpose of determining like-for-like consumer sales (refer to below) also includes commission the Company receives on insurances which HEMA provides as an agent and the full sale price of other products sold on behalf of third parties such as vouchers, which is different from the treatment of sales of such products under IFRS. Consumer sales for both directly owned stores and for franchise stores include VAT which is 6% in respect of food and 21% in respect of virtually all other products and services.

like-for-like sales
HEMA defines like-for-like consumer sales as year-on-year percentage growth of the consumer sales of the stores that have been open for the entire year prior to the period under review, including consumer sales in respect of products ordered online and picked up in stores, items ordered online for home delivery, and deliveries from the bakeries to third parties.

contact information

general information
HEMA corporate communication
NDSM-straat 10
1033 SB Amsterdam
The Netherlands
t 020 311 44 11
e corporatecommunicatie@hema.nl

visiting address
NDSM-straat 10
1033 SB Amsterdam
The Netherlands

p.o. box
postbus 37110
1030 AC Amsterdam

www.hema.nl
www.hema.net

trade register no. 34215639

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