



BREDERODE

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ANNUAL REPORT 2014

Never predict  
currencies  
don't buy  
hedges expect some  
pain  
diversify  
and hold on

From "Currencies. Money talk".  
LEX Column. Financial Times  
4<sup>th</sup> March 2015

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## 1. Mission statement

Brederode is an internationally active investment company listed on the Brussels Euronext and Luxembourg stock exchanges. It manages a portfolio of listed and unlisted (private equity) investments.

Its ambition is to increase the net worth of its shareholders over the long term, not only by generating recurring dividend income but also and above all through capital gains on its investments. This objective – which has always guided Brederode in the past years - was first set in 1977, at the time of our stock market flotation and of the change in the majority shareholder.

For over twenty years Brederode has been focusing on Private Equity, a sector which has in the meantime become our core business. The appeal of Private Equity is closely linked to the opportunity of achieving a return that is superior to that achievable in the stock market. Its success is largely due to the stringent selection of an international network of quality General Partners.

The experience accumulated in this field by the Brederode management team contributed significantly to the group's performance.

Brederode also benefits from the stability of its controlling shareholder from which the executive management emanates.

Finally, the group's overall management costs compare favorably with the market without compromising on corporate governance.

## 2. Board of directors

- Pierre van der Mersch, Chairman
- Luigi Santambrogio, Managing director
- Axel van der Mersch, Managing director
- Michel Delloye<sup>(1)</sup>
- Bruno Colmant Academic SPRL<sup>(1) (2)</sup>

<sup>(1)</sup>Independent director

<sup>(2)</sup>Represented by Bruno Colmant

### 3. Corporate governance statement

Brederode complies with the « X Principles of Corporate Governance published by the Luxembourg stock exchange, 3rd revised edition ». In addition, Brederode adopted a Governance Charter on 30th May 2014 which came into effect on 19th July 2014. Both this charter and the corporate governance statement can be consulted on the company website [www.brederode.eu](http://www.brederode.eu), under the item « management ».

### 4. Managing directors' statement

In the name and on behalf of Brederode we hereby confirm that to our knowledge:

- a) The consolidated financial statements drawn up according to the applicable accountancy rule give a true and fair view of the consolidated assets and liabilities, the consolidated financial position and the consolidated profits and loss account pertaining to both Brederode and the companies that are part of the consolidation perimeter; and
- b) The management report contains a true account of the business trends, results and financial position of Brederode and the companies included in the consolidation perimeter, and a description of the main risks and uncertainties they are exposed to.

Luxembourg, 4th March 2015

On behalf of the Board of Directors  
Luigi Santambrogio & Axel van der Mersch  
Managing Directors

## 5. Key figures

Key figures (in € million)	2014	2013	2012	2011	2010
Financial assets	1,278.31	1,089.96	1,011.14	936.64	905.78
- listed securities	650.26	572.29	485.69	424.62	441.85
- Private Equity	628.06	517.67	525.45	512.02	463.92
Shareholders' equity	1,301.95	1,118.97	1,034.81	946.81	906.48
Financial liabilities				12.23	21.00
Change in fair value of financial assets	207.51	93.36	100.00	45.74	79.00
Dividends and interest received	30.04	29.63	24.82	25.21	25.96
Profit for the year (group share)	226.44	103.68	116.69	69.38	95.32

Adjusted figures per share (in €)	2014	2013	2012	2011	2010
Shareholders' equity	45.80	38.18	35.22	31.59	29.63
Profit for the year (group share)	7.83	3.54	3.95	2.29	3.07
Distributions (gross figure distributed in the course of the next fiscal year)	0.65	0.62	0.60	0.58	0.57
Market price					
Highest	30.00	27.80	24.23	20.80	19.00
Lowest	27.32	24.01	17.93	16.10	15.00
On 31st December	29.10	27.50	23.95	18.21	18.10

Ratios	2014	2013	2012	2011	2010
P/BV (Price <sup>(1)</sup> /book value)	0.64	0.72	0.68	0.58	0.61
P/E (Price <sup>(1)</sup> / profit group share)	3.72	7.78	6.06	7.94	5.90
Return on equity					
(Profit / average of shareholders' equity in %)	18.7%	9.6%	11.8%	7.5%	10.9%
Gross return (Gross dividend / price <sup>(1)</sup> as a %)	2.2%	2.3%	2.5%	3.2%	3.1%

Eligible number of shares:

2010 :	For shareholders' equity:	30,591,393
	For basic earnings:	31,070,204 <sup>(a)</sup>
2011 :	For shareholders' equity:	29,966,375
	For basic earnings:	30,235,701 <sup>(a)</sup>
2012 :	For shareholders' equity:	29,377,221
	For basic earnings:	29,528,389 <sup>(a)</sup>
2013 :	For shareholders' equity:	29,304,878
	For basic earnings:	29,328,822 <sup>(a)</sup>
2014 :	For shareholders' equity:	28,424,295
	For basic earnings:	28,917,807 <sup>(a)</sup>

<sup>(1)</sup> Stock exchange price at year-end

<sup>(a)</sup> Weighted average number of shares in circulation in accordance with IAS 33.

## 6. Management report

Ladies and gentlemen,

This annual report contains detailed information about the evolution of the business activities and the consolidated results as of 31st December 2014 of the Luxembourg company Brederode, previously called Acturus. The company has adopted the name « Brederode » following the merger of the Belgian company Brederode (hereinafter called « Brederode BE ») which was dissolved.

The following action was taken on the basis of resolutions taken by the competent bodies of the companies in question.

1. The cross-border merger following the acquisition of Brederode BE by Brederode (called Acturus at the time) in accordance with the Directive 2005/56/CE of the European Parliament and the Council of Ministers of 26th October 2005 on cross-border mergers of investment companies, the sections 772/1 and 671 of the Belgian Companies Act and the sections 257, par. 3 until 5, and 259, § 1 of the Luxembourg Act of 10th August 1915 on commercial companies. On the date this merger came into effect, being 19th July 2014, Brederode BE was dissolved without liquidation and its Assets and Liabilities were transferred to Brederode by means of the allocation of Brederode shares to the shareholders of Brederode BE. Brederode BE ceased to exist and does not have offices any more in Belgium.

This project is described in more detail in the joint project concerning the cross-border merger signed by Brederode and Brederode BE on 27th March 2014 which can be consulted on the company's website.

2. The revision and modification of Brederode's (called Acturus at the time) articles of association for the purpose of the name change into « Brederode ». This revision and modification of the articles of association came into effect on 19th July 2014.

3. The contribution of Brederode's total assets and liabilities to Algol, a Luxembourg limited liability company, in application of section 308bis-4 of the Luxembourg Act of 10th August 1915. This contribution was made following the merger mentioned in point 1 and came into effect on 19th July 2014.

4. The contribution by Algol S.à r.l. of its total assets and liabilities to Geysler, a Luxembourg limited liability company, in application of section 308bis-4 of the Luxembourg Act of 10th August 1915. This contribution was made following the merger mentioned in point 1 and the contribution mentioned in point 3 above and came into effect on 19th July 2014.

5. The trading admission of Brederode shares on the regulated markets of the Luxembourg stock exchange and Euronext Brussels starting from 21st July 2014.

### 6.1. Consolidated accounts

Although Brederode acquired the assets and liabilities of Brederode BE, the aforementioned action did not interrupt the economic activity of the Brederode Group. The consolidated accounts include the consolidated accounts of Brederode BE from 1st January until 19th July 2014 and the accounts from 1st January until 31st December 2014 of Brederode (previously called Acturus) and the companies which were its subsidiaries on 31st December 2014.

Apart from the aforementioned action no changes took place within the group's consolidation perimeter during the past fiscal year. The consolidated statements for 2013 of Brederode BE and the consolidated statements for 2014 of Brederode are therefore perfectly comparable.

### 6.1.1. Profit and loss statement

(in million €)	31st Dec. 2014	31st Dec. 2013
Dividends and interest received	30.04	29.63
Change in the fair value of financial assets	207.51	93.36
- Listed securities	47.81	30.90
- Private Equity	159.70	62.46
Other income and expenses related to portfolio management	-9.27	-9.41
<b>Profit from portfolio management (1)</b>	<b>228.28</b>	<b>113.58</b>
Other income and expenses	3.83	2.51
<b>Operating profit</b>	<b>232.11</b>	<b>116.09</b>
Net financial income (expenses)	0.53	0.34
Changes in deferred taxes	0.50	-0.25
Net income tax	-6.69	-12.50
<b>Profit and loss for the period</b>	<b>226.45</b>	<b>103.68</b>
Other profit and loss elements:	-0.31	-0.09
- changes in the revaluation reserves	-0.49	-0.04
- changes in the conversion reserves	0.19	-0.05
<b>Profit for the period</b>	<b>226.14</b>	<b>103.60</b>
Profit of loss for the period attributable:	226.44	103.67
- to the parent company	0.01	0.01
- to minority interests		
Profit or loss for the period attributable:		
- to the parent company	226.14	103.59
- to minority interests	0.00	0.01

During the year under review the Brederode group generated a consolidated profit of € 226.45 million or € 7.83 per share compared to € 103.68 million or € 3.54 per share in 2013.

### 6.1.2. Changes in shareholders' equity

On 31st December 2014 the total consolidated assets amounted to € 1,315.4 million compared to € 1,138.0 million one year earlier. This amount almost entirely corresponds to the fair value of the financial asset portfolio which is more or less equally divided between Private Equity investments and listed securities.

The table below shows the impact on shareholders' equity of changes in the group's assets and liabilities between the start and end of the financial year.

(in million €)	2014	2013
<b>Shareholders' equity at the beginning of the period</b>	<b>1,118.97</b>	<b>1,034.81</b>
<b>Movements in non-current financial assets</b>	<b>188.36</b>	<b>78.81</b>
Net movements of sales and purchases	-19.15	-14.55
Change in fair value	207.51	93.36
<b>Other movements in respect of portfolio management</b>	<b>20.77</b>	<b>20.22</b>
Dividends and interests	30.04	29.63
Share option premiums	0.23	0.29
Private Equity management fees	-9.23	-9.49
Other banking costs	-0.27	-0.21
<b>Movements of other non-current assets</b>	<b>-3.23</b>	<b>0.03</b>
Net purchases	0.04	0.12
Other changes	-3.27	-0.09
<b>Other movements</b>	<b>-22.91</b>	<b>-14.91</b>
Net financial income (costs)	0.53	0.34
Other net operating income	3.83	2.51
Dividends paid	-18.10	-17.60
Movement in net treasury resources	-5.23	18.10
Change in financial debt		
Purchase of own shares	-25.32	-1.82
Other	21.38	-16.44
<b>Shareholders' equity at the end of the period</b>	<b>1,301.95</b>	<b>1,118.97</b>

## 6.2. Portfolio management

During 2014 the group was net buyer of listed shares for an amount of € 30 million and net seller in Private Equity for an amount of € 50 million.

(in million €)	Listed securities	Private Equity	Total
<b>Fair value at the beginning of the period</b>	<b>572.29</b>	<b>517.67</b>	<b>1,089.96</b>
Investments	30.16	120.70	150.87
Disposals		-170.02	-170.02
Change in fair value	47.81	159.70	207.51
<b>Fair value at the end of the fiscal year</b>	<b>650.26</b>	<b>628.06</b>	<b>1,278.31</b>

### 6.2.1. Listed securities portfolio

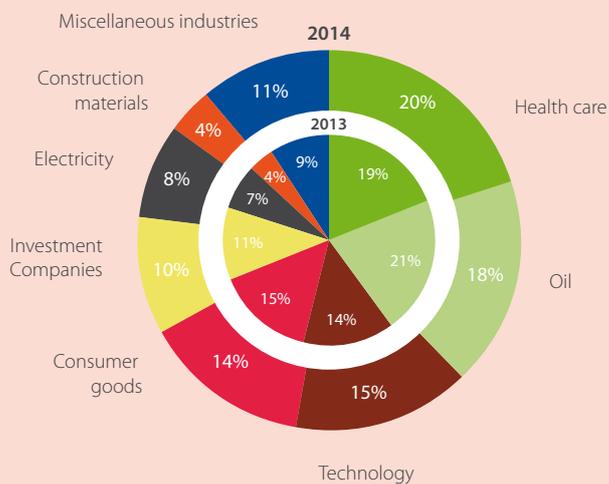
The group actively manages a large portfolio of shares listed, for the most part, on the stock exchanges of Zurich, Amsterdam, Paris, Brussels, London, Milan, Frankfurt, New York, Madrid, Oslo and Copenhagen. These are minority positions that generally benefit from ample liquidity and are suitable for the occasional issue of put or call options.

#### Movements during the year

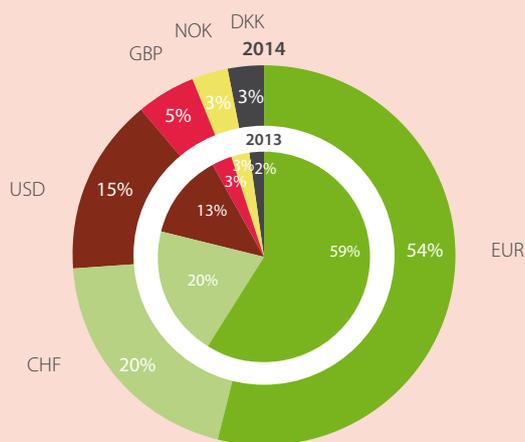
(in million €)	2014	2013
<b>Fair value at the beginning of the period</b>	<b>572.29</b>	<b>485.69</b>
Investments	30.16	58.10
Disposals		-2.41
Change in fair value	47.81	30.90
<b>Fair value at the end of the fiscal year</b>	<b>650.26</b>	<b>572.29</b>

During 2014 the composition of Brederode's listed share portfolio changed slightly. Again the emphasis is put on blue-chip stocks with a large market capitalisation and generating a solid return based on real long-term prospects for growth. The substantial net cash generated by Private equity enabled us to build a new position in Rolls-Royce, one of the world's best known aircraft engine manufacturers and to strengthen our participations in Coloplast, Intel, Mastercard, Syngenta and Capita. The group also received new Royal Dutch and Iberdrola shares through the exercise of the scrip dividend option.

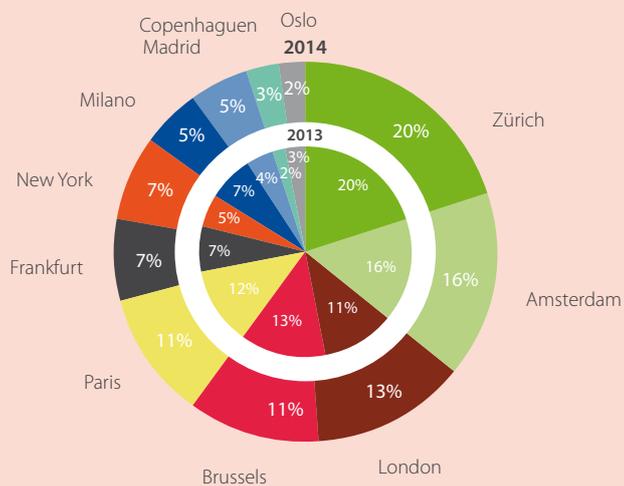
### Sector break-down



### Currency break-down



### Market break-down



## Portfolio composition

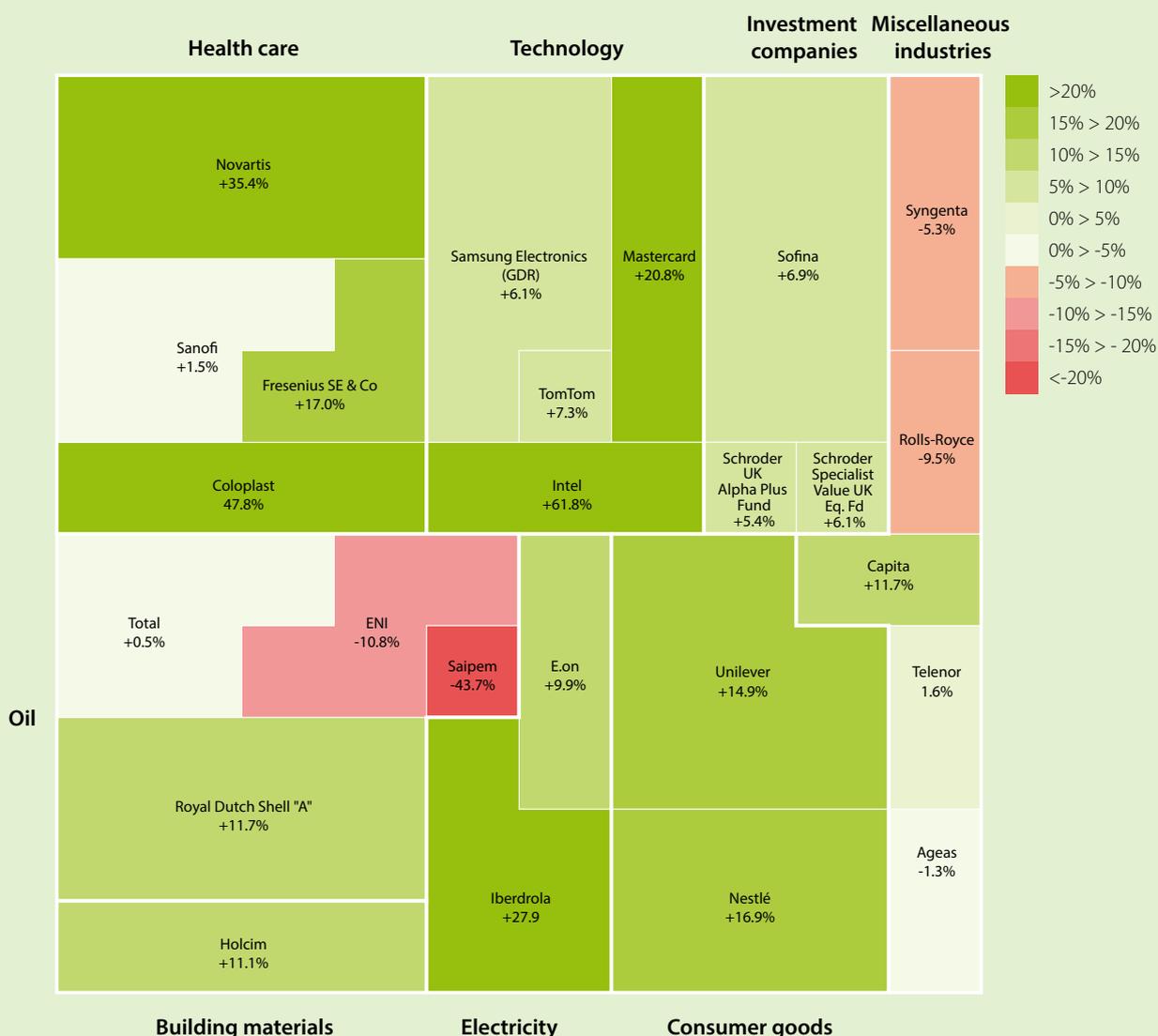
On 31st December 2014 the group owned the following listed securities, expressed in € million:

Securities	31st Dec. 2013	Purchase (sale)	Change in fair value	31st Dec. 2014	Performance <sup>(*)</sup>	Weight
<b>Health care</b>	<b>108.65</b>	<b>0.87</b>	<b>20.75</b>	<b>130.27</b>	<b>21.6%</b>	<b>20.0%</b>
Novartis	36.25		11.75	48.00	35.4%	7.4%
Sanofi	36.25		-0.69	35.56	1.5%	5.5%
Fresenius SE & Co	24.04		3.85	27.89	17.0%	4.3%
Coloplast	12.11	0.87	5.84	18.82	47.8%	2.9%
<b>Oil</b>	<b>120.58</b>	<b>1.17</b>	<b>-7.62</b>	<b>114.12</b>	<b>-1.3%</b>	<b>17.6%</b>
Royal Dutch Shell "A"	44.76	1.17	3.04	48.97	11.7%	7.5%
Total	36.51		-1.65	34.87	0.5%	5.4%
ENI	30.59		-5.21	25.38	-10.8%	3.9%
Saipem	8.71		-3.81	4.91	-43.7%	0.8%
<b>Technology</b>	<b>78.16</b>	<b>4.49</b>	<b>16.09</b>	<b>98.74</b>	<b>20.7%</b>	<b>15.2%</b>
Samsung Electronics (GDR)	47.35		2.48	49.83	6.1%	7.7%
Intel	16.32	0.95	10.14	27.41	61.8%	4.2%
Mastercard	12.90	3.54	3.35	19.80	20.8%	3.0%
Tom Tom	1.59		0.12	1.71	7.3%	0.3%
<b>Consumer goods</b>	<b>83.08</b>		<b>10.47</b>	<b>93.55</b>	<b>15.7%</b>	<b>14.4%</b>
Unilever	47.19		5.42	52.61	14.9%	8.1%
Nestlé	35.90		5.05	40.94	16.9%	6.3%
<b>Investment companies</b>	<b>64.96</b>		<b>3.29</b>	<b>68.25</b>	<b>6.8%</b>	<b>10.5%</b>
Sofina	56.64		2.81	59.45	6.9%	9.1%
Schroder UK Alpha Plus Fund	4.14		0.22	4.37	5.4%	0.7%
Schroder Specialist Value UK Eq. Fd	4.18		0.25	4.43	6.1%	0.7%
<b>Electricity</b>	<b>41.63</b>	<b>1.92</b>	<b>6.10</b>	<b>49.66</b>	<b>20.5%</b>	<b>7.6%</b>
Iberdrola	23.66	1.92	5.06	30.64	27.9%	4.7%
E.on	17.98		1.05	19.02	9.9%	2.9%
<b>Building materials</b>	<b>22.45</b>		<b>2.05</b>	<b>24.50</b>	<b>11.1%</b>	<b>3.8%</b>
Holcim	22.45		2.05	24.50	11.1%	3.8%
<b>Miscellaneous industries</b>	<b>52.78</b>	<b>21.71</b>	<b>-3.33</b>	<b>71.16</b>	<b>-1.7%</b>	<b>10.9%</b>
Syngenta	18.46	1.05	-1.47	18.04	-5.3%	2.8%
Rolls-Royce		16.92	-1.73	15.19	-9.5%	2.3%
Telenor	17.29		-0.54	16.76	1.6%	2.6%
Capita	6.41	3.73	0.93	11.08	11.7%	1.7%
Ageas	10.45		-0.49	9.97	-1.3%	1.5%
Other holdings < € 1 MM	0.16		-0.04	0.12		0.0%
<b>TOTAL</b>	<b>572.29</b>	<b>30.16</b>	<b>47.81</b>	<b>650.26</b>	<b>11.1%</b>	<b>100.0%</b>

(\*) Indicative performance = (change in fair value + net dividends) / (fair value on 1st January + purchases during the fiscal year)

**Performance of the listed stock portfolio in 2014.**

The surfaces reflect the proportion to the values realized at the end of the fiscal year. The colours indicate the performance in the course of the fiscal year.



## 6.2.2. Private equity portfolio

### Introduction

Brederode's private equity portfolio is primarily the result of commitments to fixed-term partnerships (10-12 years), which are usually known as « Limited Partnerships ». These partnerships consist of a team of managers on the one hand, i.e. the « General Partner », staffed by experienced professionals, and on the other hand, institutional investors, i.e. the « Limited Partners ».

The latter undertake to respond, during a period generally limited to five years (the 'commitment period'), to capital calls from the General Partner up to a maximum amount known as the « Commitment ». The General Partner invests the amounts called during the commitment period in various projects and manages them until the time of their exit, generally after 3 to 7 years.

Brederode typically commits to Partnerships that follow a « buy-out » strategy, meaning that they aim to acquire, with an appropriate financial leverage (« a leveraged buy-out »), an interest – in principle a controlling interest – on mature businesses with predictable cash flows and offering opportunities for expansion or consolidation.

The group also analyses all opportunities to co-invest directly, generally alongside a limited partnership in which it already participates, in projects it considers to be promising.

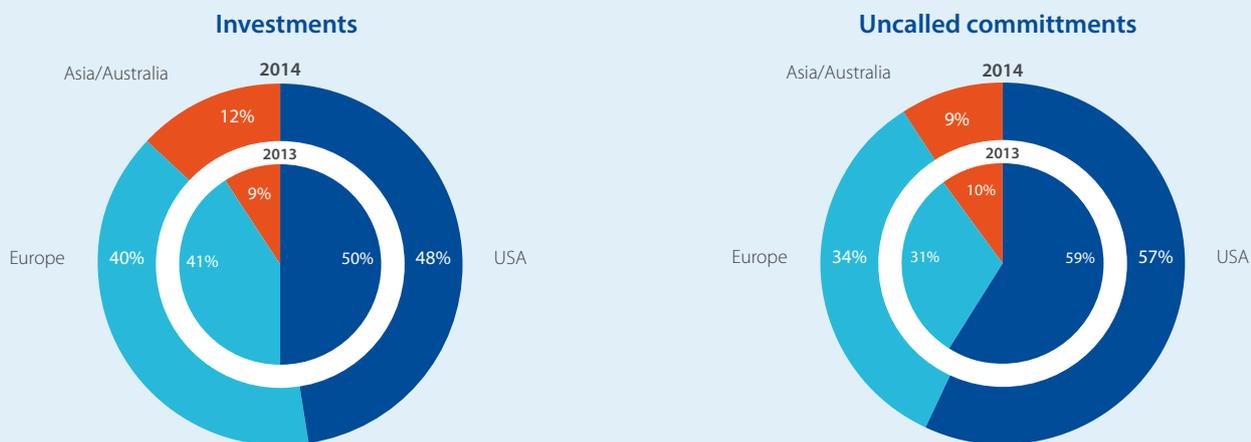
Each decision to invest is only made after an in-depth due diligence procedure, which systematically includes discussions with the general partners and an in-depth examination of all ad hoc documents.

The initial analysis relates, in particular, to the quality and cohesion of the management teams, the investment strategy and market opportunities, past performance, deal origination, value creation capabilities, and future exit options.

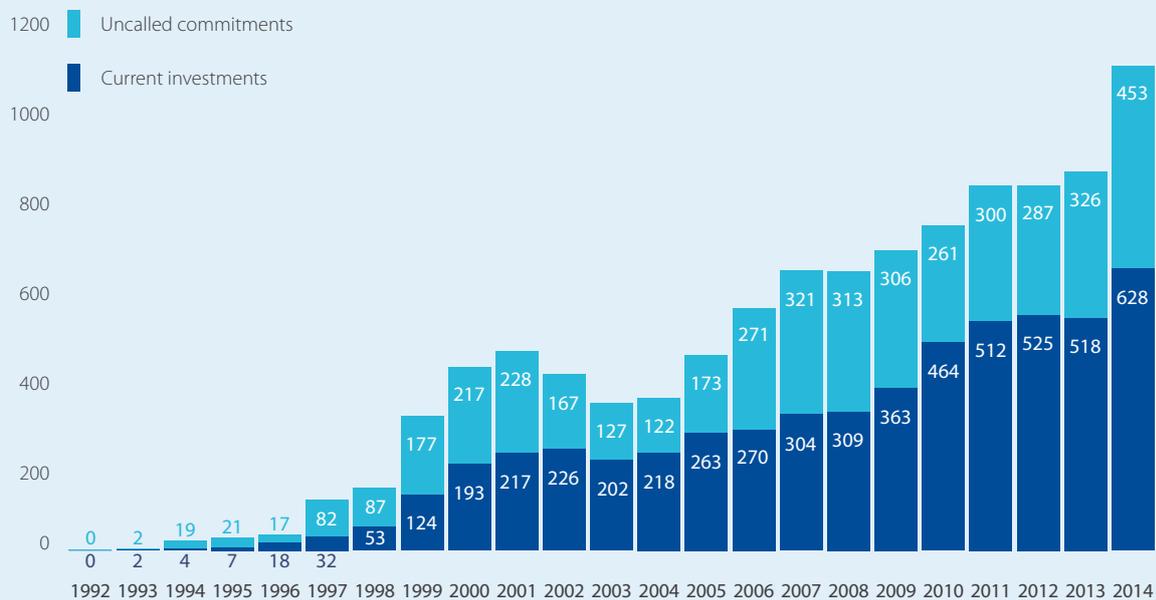
Investments are monitored on the basis of detailed quarterly reports as well as the audited annual accounts of the partnerships and through direct and frequent contact with the managers.

Brederode's Private Equity operations go back to 1992. Relying on the strength of its cumulative experience, the Brederode group is able to focus on the most promising projects led by the best teams of specialised managers.

### Geographical breakdown and uncalled Private Equity commitments



### Evolution of Private Equity commitments (in million €)



### Performance history of the Private Equity portfolio

The indicative performance on the basis of the fair value set according to IFRS in respect of Brederode's consolidated financial statements and the annual cash flows is divided as follows:

(in million €)	10 years	5 years	3 years	1 year
Valuation at the beginning of the period	<sup>(*)</sup> 218.20	363.16	512.02	517.67
Cash flows	179.17	148.04	150.54	47.70
Valuation at the end of the period	628.06	628.06	628.06	628.06
<b>IRR</b>	<b><sup>(*)</sup> 16.8%</b>	<b>17.4%</b>	<b>16.8%</b>	<b>31.9%</b>

<sup>(\*)</sup> The valuations at the beginning of the period relate to the valuations reported in the IFRS-accounts on the basis of preliminary information available on the closing date of the accounts. The difference with the final valuations is minimal insofar as performance is concerned except for the difference over ten years which on the basis of the final valuations as of 31/12/2004 would have resulted in a 14.4% IRR.

At the end of 2014 the group had made investments through 142 partnerships managed by 48 Private Equity teams amounting to € 590 million compared to € 486 million one year earlier. Of these 142 partnerships 48 were still in the investment phase, while the others are pursuing their management activities with a view to realising the best price for their residual assets. In addition to these investments, there were direct co-investments worth a total of € 37 million at the end of 2014 vs 31 million a year earlier.

### Evolution of the total number of Private Equity commitments (in million €)

In 2014 the undrawn commitments progressed as follows:

(in million €)	2014	2013
<b>Commitment at the start of the year</b>	<b>326.38</b>	<b>286.61</b>
Changes in existing commitments	-82.87	-78.83
New commitments	209.38	118.60
<b>Commitments at the year-end</b>	<b>452.89</b>	<b>326.38</b>

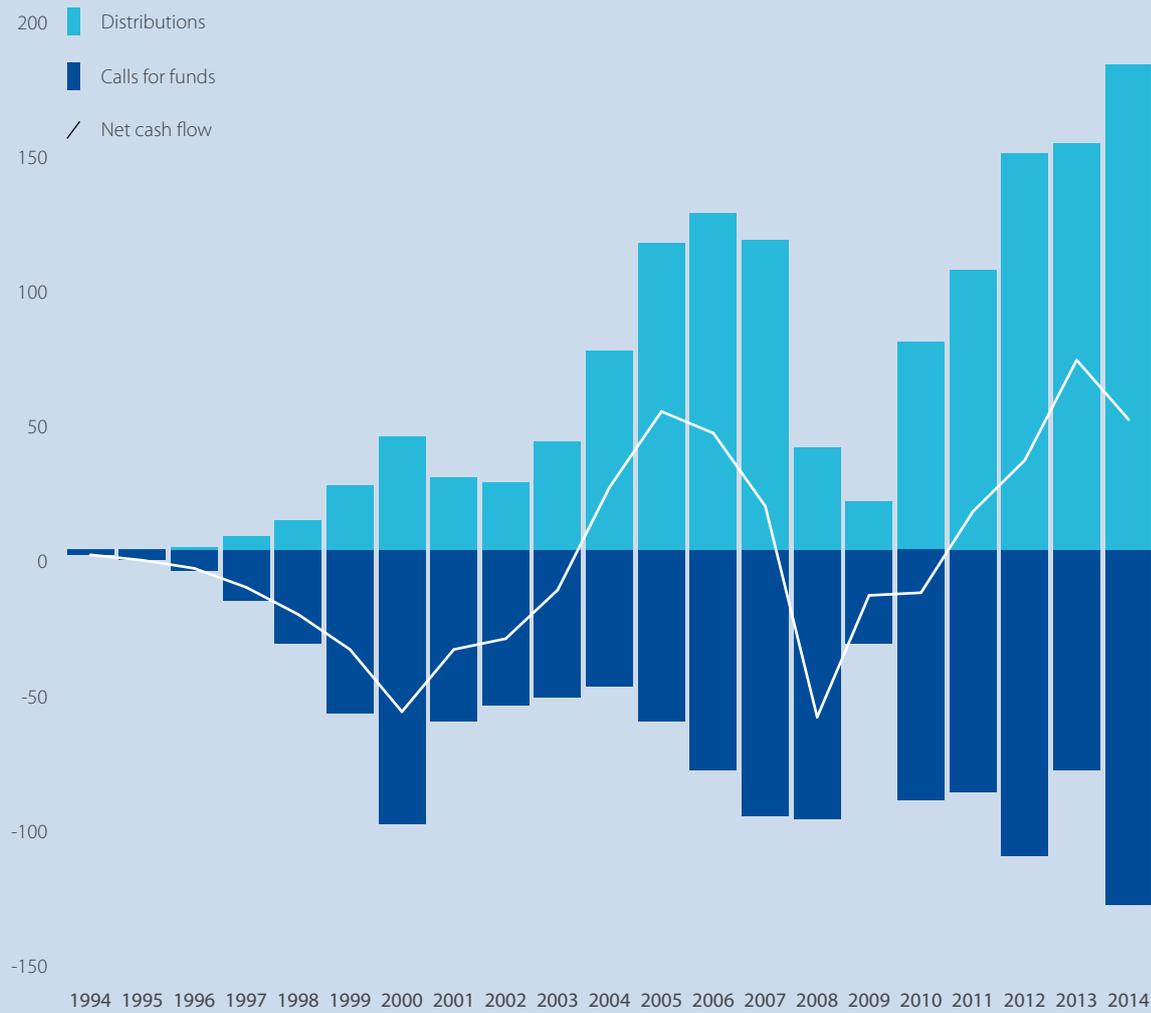
### Cash flow trend (in € million)

The chart opposite shows that during the period 2004 to 2007 the Private Equity portfolio has been self-financing, i.e. cash calls have been more than covered by exits. The period 2008 to 2010 shows an opposite trend. Since 2011 the Private Equity portfolio has returned to a self-financing position. The positive net cashflow generated by these activities amounted to € 7.7 million in 2014 compared to € 69.9 million in 2013.

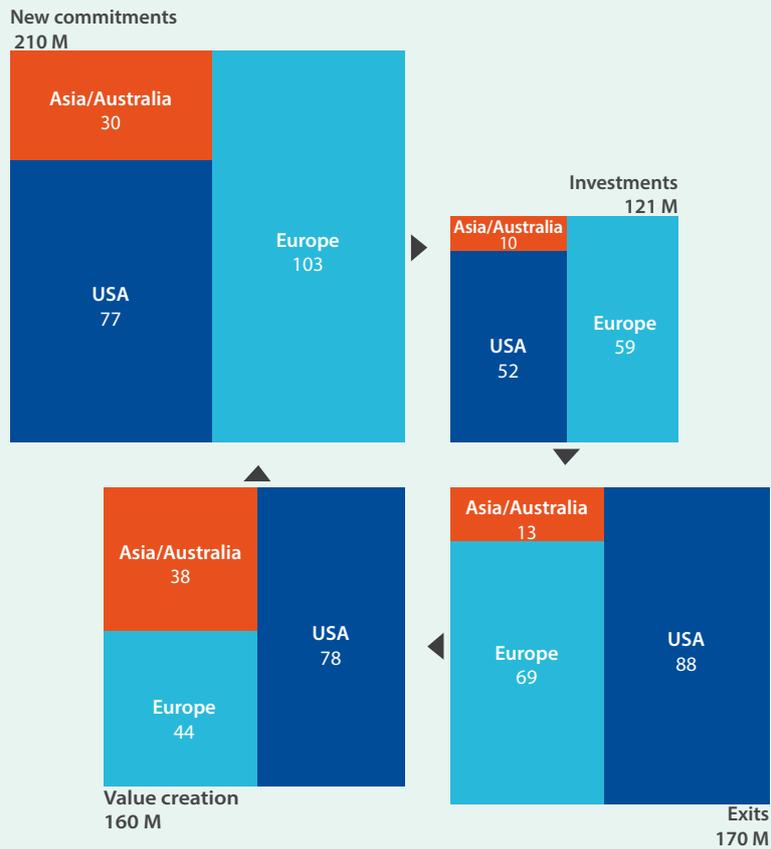
The requests for payment are generally spread over time (usually five years) on condition that the manager completes his portfolio. In general the financing requirements of the private equity portfolio are covered by the following sources:

- The use of existing cash resources
- Cash receipts generated by the disposal of investments from within the private equity portfolio
- Dividends and interest received
- Lines of credit
- Possibly the sale of a part of the listed portfolio can serve as a *cash buffer*.

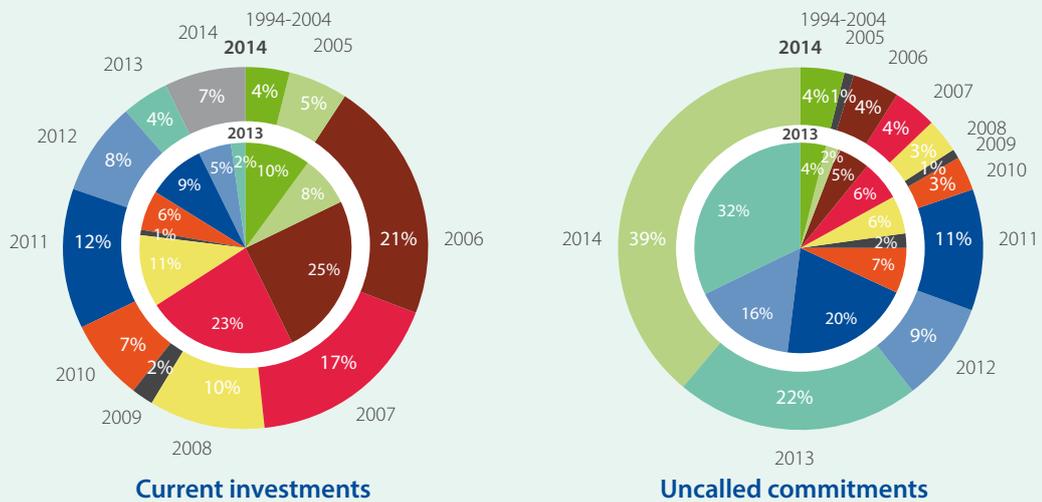
## Cash flow trend (in € million)



**Geographical breakdown of Private Equity in 2014 (in € million)**



**Breakdown of Private Equity investments per vintage year**



## Trend in private equity investments

(in € million)	2014	2013
<b>Fair value at the beginning of the year</b>	<b>517.67</b>	<b>525.45</b>
Additions	120.70	70.10
Disposals	-170.02	-140.34
Change in fair value	159.70	62.46
<b>Fair value at the year-end</b>	<b>628.06</b>	<b>517.67</b>

## List of the main private equity holdings in 2014 (in € million)

Names	Investments at fair value	Uncalled commitments	Total commitments
THE CARLYLE GROUP	58.82	38.50	97.32
BAIN CAPITAL PARTNERS	34.08	37.34	71.43
ARDIAN	37.83	25.76	63.59
CAPITAL TODAY	47.67	12.02	59.69
HIG CAPITAL	25.16	29.09	54.25
PROVIDENCE EQUITY PARTNERS	24.42	20.32	44.74
CATTERTON PARTNERS	30.50	9.87	40.37
EQT	32.53	6.82	39.35
UPFRONT VENTURES	24.03	12.84	36.87
AMERICAN SECURITIES	13.95	22.56	36.51
APOLLO MANAGEMENT	13.61	22.66	36.27
STONEPOINT CAPITAL	16.99	17.14	34.13
SWANCAP PARTNERS	19.81	13.73	33.54
RIVERSTONE HOLDINGS	24.11	7.34	31.45
DOUGHTY HANSON & CO,	26.57	4.86	31.44
TRITON	17.30	13.33	30.63
PAI	13.64	12.42	26.06
PACIFIC EQUITY PARTNERS	7.68	18.27	25.95
STIRLING SQUARE CAPITAL PARTNERS	13.55	11.30	24.85
SUN CAPITAL PARTNERS	10.98	12.69	23.67
BC PARTNERS	12.44	7.46	19.90
BELHEALTH INVESTMENT PARTNERS	6.76	11.47	18.22
MONTAGU PRIVATE EQUITY	11.12	6.75	17.88
TRILANTIC CAPITAL	2.20	15.46	17.65
LBO FRANCE GESTION	16.44	0.68	17.11

THE CAPSTREET GROUP	3.25	13.79	17.04
HARVEST PARTNERS	10.14	3.75	13.89
CHARTERHOUSE CAPITAL PARTNERS	10.23	3.55	13.78
HGGC	3.33	10.43	13.75
ARLINGTON CAPITAL PARTNERS	8.66	3.84	12.50
MADISON DEARBORN PARTNERS	8.30	1.99	10.28
CUBERA PRIVATE EQUITY	2.66	7.28	9.94
FRONTENAC COMPANY	2.73	6.59	9.32
CITIC CAPITAL PARTNERS	6.75	2.12	8.87
ABRY PARTNERS	5.45	2.79	8.24
JF LEHMAN & COMPANY	3.95	3.46	7.41
HEADLAND CAPITAL PARTNERS	5.17	1.38	6.55
OTHERS	15.24	1.26	16.50
<b>TOTAL</b>	<b>628.06</b>	<b>452.89</b>	<b>1,080.94</b>

### 6.2.3. Own shares

In the course of the fiscal year the group acquired 881,291 own shares for a total amount of € 25.3 million, at an average unit price of € 28.73. All these shares are owned by its subsidiary GEYSER. The voting rights in connection with these shares are suspended.

### 6.2.4. Derivative instruments

#### Options on listed shares

As an occasional issuer of options on listed shares the group plays a type of insurance role for investors wishing to protect themselves against a significant fall (put) or rise (call) in share prices. The premiums received as remuneration for this role adds to the return of the portfolio.

The positions taken do not generally exceed two months and are not speculative in nature; any issue of call options, for example, is always 100% covered by shares held in the portfolio.

In 2014 the premiums received amounted to € 0.23 million compared to € 0.29 million in 2013.

#### Currency hedging transactions

To manage its policy of covering exchange risks, the group occasionally enters into forward exchange contracts whose duration varies between one and six months. The amount of currency hedging transactions varies in line with the group's view of the currency concerned. No currency hedging transactions took place in 2014.

### 6.3. Insurance activities at Lloyd's

2014 was another profitable year for our British subsidiary, Athanor Ltd.

It is important to note that the result of our investments in Lloyd's syndicates is influenced by their specific accounting methods, involving closing their accounts with a time-lag of three years. This delay enables a more precise estimate to be made of the impact of claims.

Athanor's results for 2014 are therefore primarily based on its insurance activities in 2012, adjusted for the provisions, if necessary, on the technical results of 2013 and 2014. The contribution on the basis of Athanor's activities to the group's results has remained stable and amounts to € 1.2 million.

During the year Athanor increased its participation in a high quality syndicate the company had been following for quite some time.

Positive technical results are expected for 2013 and 2014.

### 6.4. Law on transparency obligations

On 28th July 2014 Brederode received a joint notification from Stichting Administratiekantoor (STAK) Holdicam and Holdicam S.A. This notification is based on the Luxembourg Act and regulations of 11th January 2008 on transparency obligations for issuers of securities.

According to the content of this notification and its issue date the final control over Brederode S.A. lies with STAK Holdicam. STAK Holdicam owns 100.00% of Holdicam S.A. which in turn owns 55.67% of Brederode S.A.. The latter owns 100% of Algol S.à R.L. which in turn owns 99.99% of Geysers S.A. The latter owns 0.60% of Brederode S.A.

### 6.5. Activities in the field of research and development

Not applicable

### 6.6. Events following the reporting period

Not applicable

### 6.7. Outlook

The company's solid financial position and the quality of its portfolio enable us to look at the future with confidence.

### 6.8. Main characteristics of internal controls and risk management

#### Preliminary remarks

There is no management committee or specific internal auditor position. Considering the Brederode Group's size and the targeted nature of its activities, risk management is assigned to the executive directors themselves. No need is felt for the position of internal auditor given the proximity of the executive directors who personally supervise the transactions carried out on the company's behalf.

Internal control functions are discharged firstly by the executive directors, and secondly by the Audit Committee (none of its members holds any executive position). The overall philosophy is based on values of integrity, ethics and competence which are required of each person involved in running the group. These values constitute the foundation on which the group is built and according to which it operates.

### **6.8.1. Control environment**

The control environment is determined mainly by the laws and regulations of the three countries in which the group has subsidiaries (Luxembourg, Great Britain and Belgium) and by the articles of association of each of the companies in question.

The accounts of the various companies are kept by one person. The financial affairs of the company are the responsibility of one of the Managing Directors. The consolidated statements are drawn up using a high-quality software programme. The data are entered and monitored by the managing directors.

### **6.8.2. Risk management process**

The company's strategic and operational objectives, and those concerning the reliability of financial information, both internal and external, are defined by the executive directors and approved by the Board of Directors. The implementation of these objectives is periodically checked by the Audit Committee.

#### **Market risks**

##### a) Currency risk

The currency risk is defined as the risk that the value of a financial instrument may fluctuate due to changes in the exchange rate of foreign currencies.

Exposure to currency risk is directly linked to the amounts invested in financial instruments denominated in currencies other than the euro and is influenced by the hedging policy adopted by the group.

The policy on covering currency risk is guided by a medium-term vision of the trend of exchange rates relative to the euro.

Outstanding forward exchange transactions carried out for the purpose of reducing currency risk are valued at the fair value of these hedging instruments and are mentioned in the balance sheet notes as « derivative instruments » under current financial assets (liabilities).

On both the profit and loss account and the balance sheet the effect of changes in the fair value of hedging instruments is shown separately from changes in the fair value of financial assets.

##### b) Interest rate risk

For financial assets the risk of changes in fair value directly related to interest rate movements is insignificant, given that almost all financial assets are equity instruments.

For financial liabilities this risk is limited by the short duration of financial debt.

##### c) Other price risks

Price risk is defined as the risk that the value of a financial instrument may fluctuate due to market price variations.

i. Listed portfolio

For the listed portfolio the risk of price fluctuations related to market price variations is determined by price volatility on the stock exchanges where the group is active (Amsterdam, Brussels, Copenhagen, Frankfurt, London, Madrid, Milan, Oslo, Paris and Zurich).

The group's policy is to maintain diversification on these markets which have a high cash flow ratio and are less volatile than the so-called emerging markets. The price risk relating to listed assets is also reduced by the portfolio's high level of geographical and market diversification. Changes in the breakdown of the listed portfolio by currency and by market are included in the management report of this document.

ii. Private Equity Portfolio

For the portfolio of unlisted securities, statistical and theoretical studies reach different conclusions as to whether or not the volatility of such holdings is greater than that of listed markets. Purchase and sale prices are clearly influenced by multiples such as EV/EBITDA that are found on the market for listed securities. To a large extent these similarities in the bases for valuation explain the significant correlation between price fluctuations on these two markets. Recent experience from the financial crisis that started in 2008 has confirmed the greater degree of stability in valuations in the private equity portfolio compared to that of the listed portfolio. The price risk related to unlisted securities is also reduced by the very high level of diversification maintained in the portfolio. An initial level of diversification results from the large number of General Partners that Brederode works with. A second level of diversification is present within each Partnership which will typically spread its investments among fifteen to twenty separate projects. The trend of the geographical breakdown of the Private Equity portfolio is shown above.

iii. Share options

The price risk is reflected directly in the price levels prevailing on the option markets. Greater volatility on stock exchanges will be reflected in higher option premiums. The price risk on this type of transaction is monitored on a daily basis and is limited by the group's policy of issuing only call options (undertakings to sell at a given price and time) on shares it holds in its portfolio.

iv. Sensitivity analysis of other price risks

a. Listed portfolio

The value of this portfolio is based on stock market prices which are by definition difficult to predict.

b. Private Equity Portfolio

The value of this portfolio can also be influenced by changes in valuations on listed markets. Nevertheless, this influence is moderated by the following factors:

- The objective to create value relates to a longer term,
- The manager is able to take decisions faster and more effectively in order to turn around a deteriorating situation,
- In our opinion the interests of managers are better aligned in private equity with those of investors.

It seems pointless to quantify the influence of these factors. For information purposes a 5% change in the valuation of the portfolio would result in a change in fair value of € 31.4 million (€ 28.6 million in 2013).

### **Credit risk**

This is defined as the risk that a counterparty to a financial transaction may default on its obligation, thus causing the other party to incur a financial loss.

As an investor in listed shares the main credit risk we face lies in the ability of our intermediaries to ensure the successful outcome of our purchases or sale transactions. This risk is in principle eliminated by the “delivery against payment” system of settlement.

In the case of share options it is up to the Brederode group itself to demonstrate its creditworthiness, thereby enabling it to operate as an issuer in the “Over The Counter” market which is reserved for institutional investors of acknowledged competence and solvency. As an issuer of share options the credit risk on this type of transaction is taken by our counterparties. Bank deposits actually constitute the main credit risk incurred by our group. We constantly review the quality of our bankers.

### **Liquidity risk**

The liquidity risk or the financing risk is defined as the risk that an entity may experience difficulties raising funds to honour its commitments related to financial instruments. One of the characteristics of a “Private Equity” investment is that the investor has no control over the liquidity of the investments. The manager alone decides when to acquire or dispose of an investment. There is a secondary market for holdings in private equity funds, but this constitutes a niche market and the selling process may prove relatively long and costly. The evolution of the group’s uncalled commitments to private equity funds is monitored closely to ensure optimal management of net cash movements.

The portfolio of listed securities is made up of highly liquid minority positions, so that significant cash movements generated by the unlisted portfolio can be absorbed, if necessary.

The group carefully balances its use of these credit lines to limit its liquidity risk. Some of these lines of credit are committed and offer a source of guaranteed financing in the event of a liquidity crisis on the market. The group also makes sure that its level of financial debt is kept below the level of its confirmed lines of credit.

### **Cash flow interest rate risk**

This is the risk that future cash flows of financial instruments may fluctuate due to variations in market interest rates. Our group is not affected by this risk.

### **6.8.3. Control activities**

On-going control, on an almost daily basis, is exercised by the executive directors who also sit on the Boards of the main subsidiaries. The executive directors also meet formally each month to conduct a detailed examination of the accounting situation of each group company, a valuation of its assets, general monitoring of its activities, financing requirements and an assessment of risks, new commitments etc. The group’s financial assets representing over 96% of the total consolidated balance sheet are held by third party bankers, trustees etc., which significantly reduces the risks of negligence, error and internal fraud.

#### **6.8.4. Information, communication and oversight**

The reliability, availability and pertinence of accounting and financial information are overseen directly by the executive directors and subsequently by the Audit Committee. Particular attention is paid to any remarks or requests formulated not only by the supervisory authorities but also by shareholders and financial analysts. The maintenance and updating of computer systems are assigned to external IT service providers. The executive directors oversee the quality of the services thus provided and satisfy themselves that the degree of dependency vis-à-vis these service providers remains within acceptable limits. The security of computer systems is maximised using technical processes available in this field: access right, back-up, anti-virus software, etc. Executive directors prepare, check and disseminate information after it has been submitted for approval to the Board of Directors, an external legal advisor and the Auditor.

#### **6.8.5. Audit**

Until 19th July 2014 Mr Luigi Santambrogio was Brederode's (Acturus') auditor. On the aforementioned date Brederode appointed an authorized company auditor, being Mazars Luxembourg, an authorized audit company with registered office in 2530 Luxembourg, 10A, rue Henri M. Schnadt, registered with the trade register under the number B 159.962 for a period of three years. Mazars Luxembourg and its representative Mr Thierry Salagnac are members of the Institut des Réviseurs d'Entreprises (Institute of Company Auditors), established by virtue of the Luxembourg Law of 18th December 2009 on the profession of company auditor.

Luxembourg, 4th March 2015

On behalf of the Board of Directors  
Luigi Santambrogio & Axel van der Mersch

## 7. Brederode shares listing

### Financial instruments

The Brederode shares are traded on the regulated markets of Euronext Brussels (ticker BREB) and the Luxembourg stock exchange (ticker BREL). All shares can be traded freely. The Brederode shares are ordinary shares and all shares have the same rights. Each share has the same rights to dividends and to the reserves in the event of liquidation or reduction of the shareholders' equity. Each share entitles the holder to the same voting rights during Brederode's general meetings. All shares are required to be dematerialised. Not a single shareholder is permitted to have his/her shares converted into nominal or bearer shares.

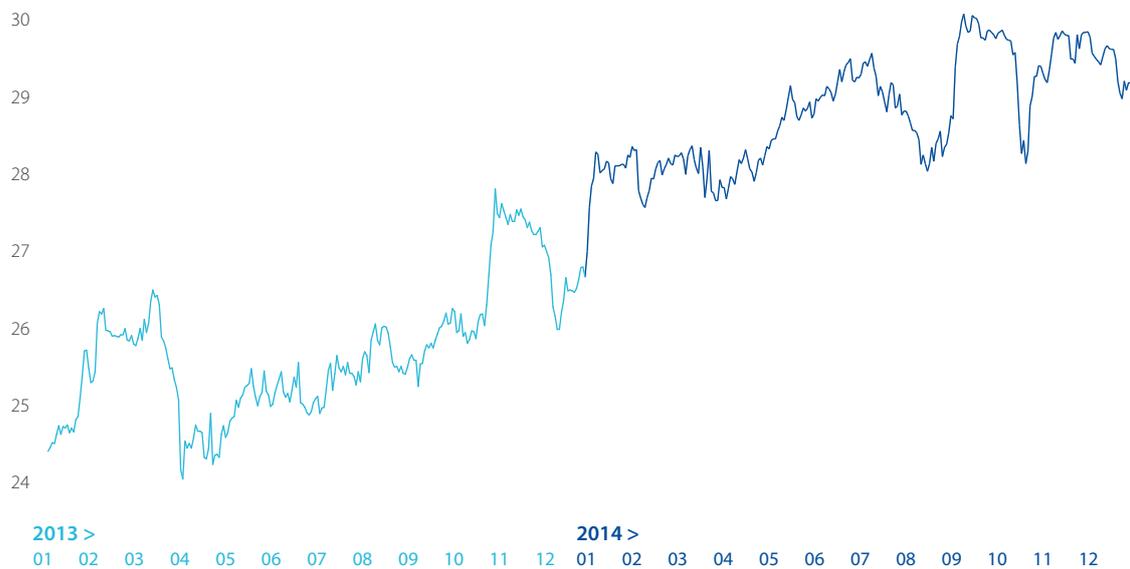
### Stock market capitalization

At the end of 2014 Brederode's stock market capitalization amounted to € 853 million compared to € 808 million a year earlier.

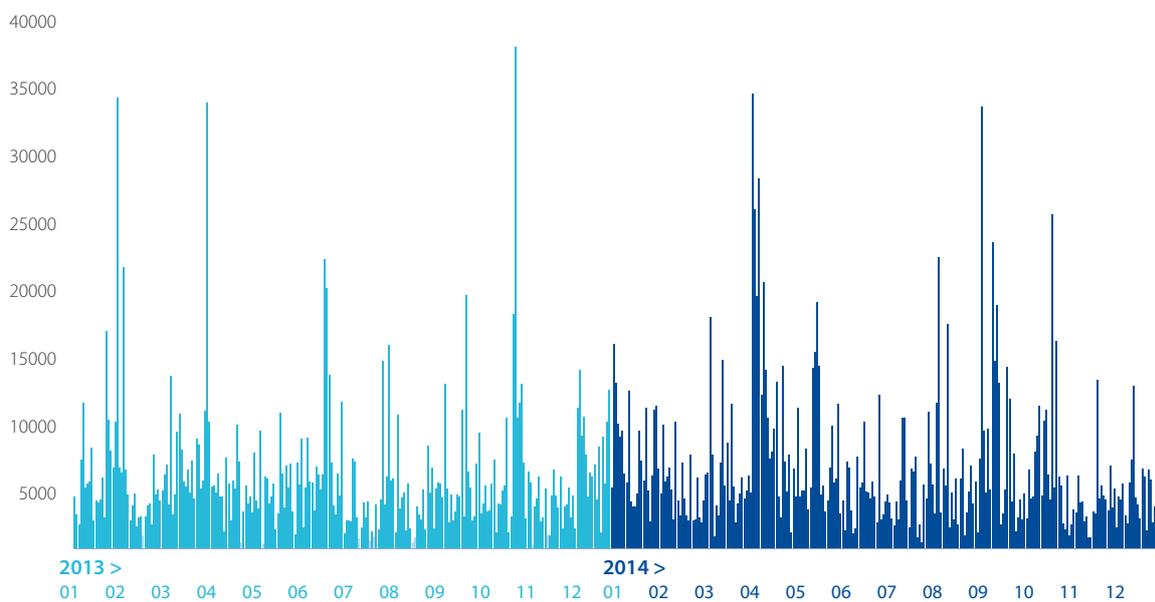
### Evolution of the share price and liquidity of Brederode shares on Euronext Brussels in 2013-2014

The weighted average price of a Brederode share during the year 2014 was € 28.57 compared to € 25.64 in 2013 with 1.5 million shares traded in 2014 vs. 1.4 million in 2013.

### Closing prices (€)



### Daily volume (in number of shares)



## 8. Consolidated financial statements as of 31st december

### 8.1. Consolidated profit and loss account as of 31st december

(in € million)	2014	2013
Dividends and interest received (1)	30.04	29.63
Change in fair value of financial assets (2)	207.51	93.36
- Listed securities	47.81	30.90
- Private Equity	159.70	62.46
Other income and expenses pertaining to portfolio management (3)	-9.27	-9.41
<b>Profit from portfolio management</b>	<b>228.28</b>	<b>113.58</b>
Other operational income and expenses (4)	3.83	2.51
<b>Operating result</b>	<b>232.11</b>	<b>116.09</b>
Net financial income (expenses) (5)	0.53	0.34
Change in deferred tax liabilities (6)	0.50	-0.25
Tax on the net result (6)	-6.69	-12.50
<b>Profit for the period</b>	<b>226.45</b>	<b>103.68</b>
Other elements of the overall result which can be used in the net result		
- change in revaluation reserves	-0.49	-0.04
- change in conversion reserves	0.19	-0.05
<b>Overall result for the period</b>	<b>226.14</b>	<b>103.60</b>
<b>Result for the period attributable to:</b>		
- the owners of the parent company	226.44	103.67
- minority interests	0.01	0.01
<b>Overall result for the period attributable to:</b>		
- the owners of the parent company	226.14	103.59
- minority interests	0.00	0.01

The data mentioned in the appendices on pages 30 to 39 are part of the consolidated financial statements.

## 8.2. Consolidated balance sheet as of 31st december

(in € million)	31st Dec. 2014	31st Dec. 2013
<b>NON-CURRENT ASSETS</b>	<b>1,281.04</b>	<b>1,095.29</b>
Intangible fixed assets (7)	1.72	1.05
Tangible fixed assets (8)	0.57	0.78
Real estate investments (9)		3.09
Financial assets at fair value in the profit and loss statement (2)	1,278.31	1,089.96
- listed securities	650.26	572.29
- Private Equity	628.06	517.67
Other fixed assets	0.44	0.41
<b>CURRENT ASSETS</b>	<b>34.38</b>	<b>42.71</b>
Short term receivables (10)	4.21	7.75
Financial assets (11)	0.18	0.19
Other current assets	1.36	0.92
Cash and cash equivalents (12)	28.62	33.85
<b>TOTAL ASSETS</b>	<b>1,315.42</b>	<b>1,138.00</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,301.95</b>	<b>1,118.97</b>
<b>Issued share capital and reserves attributable to owners of the parent company</b>	<b>1,301.92</b>	<b>1,118.94</b>
Issued share capital (13)	182.71	182.68
Share premiums (13)	774.06	63.29
Consolidation reserves (14)	345.15	872.98
Minority interests	0.03	0.03
<b>NON-CURRENT LIABILITIES</b>		<b>0.50</b>
Deferred tax liabilities		0.50
<b>CURRENT LIABILITIES</b>	<b>13.47</b>	<b>18.53</b>
Tax payable	11.70	10.39
Other current liabilities (15)	1.74	8.13
<b>TOTAL LIABILITIES</b>	<b>1,315.42</b>	<b>1,138.00</b>

The data mentioned in the appendices on pages 30 to 39 are part of the consolidated financial statements.

### 8.3. Consolidated cash flows statement

(in € million)	31st Dec. 2014	31st Dec. 2013
<b>Operating activities</b>		
Pre-tax profit for the year (group share)	233.14	116.18
Taxes for the year	-6.69	-12.50
Net result for the fiscal year (group share)	226.44	103.68
Net result for the fiscal year (third party share)	0.01	0.00
Depreciation of tangible fixed assets	-0.35	0.07
<i>Impairment reversal</i> of tangible fixed assets	0.24	
<i>Impairment</i> of intangible fixed assets	0.22	
Loss in value on investment property	0.31	-0.30
Capital gains/losses on intangible fixed assets	-0.09	
Capital gains/losses on tangible fixed assets	0.04	
Change in deferred taxes	-0.50	0.25
Other changes (exchange differences + other current financial liabilities)	0.13	0.00
Change in value	-207.51	-93.36
<b>Gross cash flow</b>	<b>18.94</b>	<b>10.34</b>
<b>Change in working capital requirements</b>	<b>-1.96</b>	<b>13.75</b>
<b>Cash flow resulting from operating activities</b>	<b>16.98</b>	<b>24.09</b>
<b>Investment activities</b>		
Net purchase of investment property		-0.03
Acquisition of tangible assets	-0.04	-0.12
Acquisition of intangible assets	-0.82	-1.05
Acquisition of financial assets	-150.87	-128.20
<b>Total investments</b>	<b>-151.72</b>	<b>-129.39</b>
Disposal of investment property	2.78	
Disposal of tangible and intangible fixed assets	0.13	0.07
Disposal of financial assets	170.02	142.74
<b>Total disinvestments</b>	<b>172.93</b>	<b>142.81</b>
Change in other financial assets	0.01	0.01
<b>Cash flow from investment activities</b>	<b>21.22</b>	<b>13.43</b>

<b>Financing activities</b>		
Dividend paid to shareholders	-18.10	-17.60
Acquisition of own shares	-25.32	-1.82
Net change in financial liabilities falling due within one year		
<b>Cash flow resulting from financing activities</b>	<b>-43.43</b>	<b>-19.42</b>
Net movement in cash in cash and cash equivalents	-5.23	18.10
Cash and cash equivalents on 1st January	33.85	15.75
<b>Cash and cash equivalents on 31st December</b>	<b>28.62</b>	<b>33.85</b>

The data mentioned in the appendices on pages 30 to 39 are part of the consolidated financial statements.

#### 8.4. Consolidated statement of movements in shareholders' equity

(in € million €)	Capital	Share premium	Revaluation reserves	Own shares	Consolidated reserves	Exchange differences	Minority interests	Total
<b>Balance on 1st January 2013</b>	<b>182.68</b>	<b>63.29</b>	<b>0.58</b>		<b>788.17</b>	<b>0.05</b>	<b>0.05</b>	<b>1,034.81</b>
- Dividend paid 2012					-17.60			-17.60
- result for the year					103.68		0.00	103.68
- movement in other items of the overall result						-0.05		-0.05
- acquisition of own shares				-1.82				-1.82
- other			-0.04		0.00		-0.02	-0.06
<b>Balance on 31st December 2013</b>	<b>182.68</b>	<b>63.29</b>	<b>0.54</b>	<b>-1.82</b>	<b>874.25</b>	<b>0.00</b>	<b>0.03</b>	<b>1,118.97</b>
<b>Balance on 1st January 2014</b>	<b>182.68</b>	<b>63.29</b>	<b>0.54</b>	<b>-1.82</b>	<b>874.25</b>	<b>0.00</b>	<b>0.03</b>	<b>1,118.97</b>
- Dividend paid 2013					-18.10			-18.10
- Year's result					226.44		0.00	226.45
- movement in other elements of the overall result						0.19		0.19
- acquisition of own shares				-25.32				-25.32
- cancellation of own shares				1.82	-1.82			
- Disposals		710.77	-0.25		-710.52			
- other	0.03		-0.24		-0.02		0.00	-0.23
<b>Balance on 31st December 2014</b>	<b>182.71</b>	<b>774.06</b>	<b>0.05</b>	<b>-25.32</b>	<b>370.24</b>	<b>0.19</b>	<b>0.03</b>	<b>1,301.95</b>

The data mentioned in the appendices on pages 30 to 39 are part of the consolidated financial statements.

## 8.5. Notes

### (1) Dividends and interests received

(in € million)	2014	2013
Gross dividends	26.52	24.91
Listed portfolio	21.13	18.55
Private Equity portfolio	5.39	6.36
Interests	3.52	4.72
<b>Total</b>	<b>30.04</b>	<b>29.63</b>

### (2) Changes in fair value of non-current assets

(in € million)	2014	2013
<b>At the beginning of the period</b>	<b>1,089.96</b>	<b>1,011.14</b>
Listed portfolio	572.29	485.69
Private Equity portfolio	517.67	525.45
<b>Purchases</b>	<b>150.87</b>	<b>128.20</b>
Listed portfolio	30.16	58.10
Private Equity portfolio	120.70	70.10
<b>Sale</b>	<b>-170.02</b>	<b>-142.74</b>
Listed portfolio		-2.41
Private Equity portfolio	-170.02	-140.34
<b>Change in fair value</b>	<b>207.51</b>	<b>93.36</b>
Listed portfolio	47.81	30.90
Private Equity portfolio	159.70	62.46
<b>At the end of the period</b>	<b>1,278.31</b>	<b>1,089.96</b>
Listed portfolio	650.26	572.29
Private Equity portfolio	628.06	517.67

### Fair value hierarchy

The valuation at fair value is performed according to a three level hierarchy: level 1 pertains to data that are entirely verifiable (unadjusted price observable on active markets); level 2 concerns data which are only indirectly observable and may require adjustments ; level 3 concerns non-observable data.

(in € million)	31st Dec. 2014	31st Dec. 2013
Financial data		
Level 1 (listed securities and OLO)	650.44	572.29
Level 2 (Private Equity and issued options)	628.06	517.67
Level 3	-	-
<b>Total</b>	<b>1,278.50</b>	<b>1089.96</b>

During the fiscal year no transfers took place between level 1 and level 2. Assuming that a change in the fair value level is required, the group will modify the classification on the date of the event that produced such change or in which the circumstances changed and justified the transfer.

### (3) Other portfolio income and charges

(in € million)	2014	2013
Bank charges	-0.11	-0.11
Option premiums	0.23	0.29
Management fees pertaining to the Private Equity portfolio	-9.23	-9.49
Buying/selling expenses pertaining to shares	-0.13	-0.09
Custody charges	-0.03	-0.01
<b>Total</b>	<b>-9.27</b>	<b>-9.41</b>

### (4) Other operating results

(in € million)	2014	2013
<b>A. Income</b>	<b>9.55</b>	<b>7.48</b>
Result from Lloyd's insurance	1.56	1.45
Profits on the sale of tangible fixed assets	0.05	
Rent received	0.22	0.21
<i>Write backs</i>	0.25	0.30
Exchange rate result	1.03	0.60
Financial income	0.95	0.09
Other income <sup>(*)</sup>	5.48	4.83
<b>B. Expenses</b>	<b>-5.72</b>	<b>-4.97</b>
Directors' remunerations	-0.97	-0.90
Staff costs	-0.36	-0.31
Fees <sup>(*)</sup>	-2.30	-1.88
Depreciations	-0.08	-0.02
Costs related to dividend payment	-0.00	-0.00
Result from Lloyd's insurance	0.00	-0.00

Other financial costs	-0.29	-0.08
Exchange rate result	-0.23	-0.86
<i>Impairment of tangible assets</i>	-0.31	
<i>Impairment of intangible assets</i>	-0.22	-0.08
Depreciation of tangible assets		-0.06
Other expenses	-0.96	-0.79
<b>Total</b>	<b>3.83</b>	<b>2.51</b>

<sup>(\*)</sup> For the most part related to the collection of receivables from the Democratic Republic of Congo (Contingent assets).

### Average number of employees

Average number of employees	6.00	6.00
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The group's employees benefit from a defined-contribution group insurance policy for which the premiums are split between the employer and the employee.

### (5) Net financial income (expenses)

(in € million)	2014	2013
Interest received	0.60	0.37
On short-term investments	0.60	0.37
Late-payment interest	0.00	0.00
Interest paid	-0.06	-0.03
On short-term bank loans	-0.05	-0.02
On commercial paper	-0.01	0.01
Net interest received (charges)	0.53	0.34

### (6) Taxes

(in € million)	2014	2013
Tax base		
Profit before tax	232.64	116.43
Profit exempt from tax	-207.51	-93.36
<b>Taxable profit</b>	<b>25.13</b>	<b>23.07</b>
Tax on profits		
Taxes relating to the current year	4.11	12.03
Taxes relating to the previous years	2.58	0.47
<b>Effective tax charge</b>	<b>6.69</b>	<b>12.50</b>
Effective tax rate	2.88%	10.74%

Deferred tax asset		
At the beginning of the period	-	-
Entered into the year's result	-	-
<b>Deferred tax liability</b>		
At the beginning of the period	0.50	0.25
Entered into the year's results	-0.50	0.25
<b>At the end of the period</b>		<b>0.50</b>

Tax-exempt profits are changes in fair value. Dividends received are not deemed to be exempt as they are subject to a deduction at source which can only be recovered to differing degrees.

Differed taxation is derived mainly from temporary differences in tangible fixed assets. No active deferred taxation is calculated in taxes carried forward. The main tax litigation cases are explained in section 10.

### (7) Intangible fixed assets

Acquisition costs for our participations in Lloyd's insurance syndicates. This «admission ticket» was paid in 2014 following an auction in which Athanor participated in order to strengthen its underwriting capacity at Lloyd's. Auction prices have increased given the scarcity of supply.

### (8) Tangible fixed assets

(in € million)	Furniture and rolling stock	Other tangible fixed assets	Total
<b>Acquisition value</b>			
At the end of the previous fiscal year	0.61	0.27	0.88
Purchases	0.04	-	0.04
Sales	-0.19	-0.17	-0.35
At the end of the fiscal year	0.46	0.10	0.56
<b>Capital gains</b>			
At the end of the previous fiscal year	-	0.54	0.54
Purchases	-	-	-
Sales	-	-0.24	-0.24
At the end of the fiscal year	-	0.30	0.30
<b>Depreciations/Impairments</b>			
At the end of the previous fiscal year	-	-0.25	-0.25
Purchases	-	0.25	0.25
Sales	-	-	-
At the end of the fiscal year	-	-	-

<b>Depreciations</b>				
At the end of the previous fiscal year		-0.38	-0.01	-0.39
Purchases	-0.08		-0.08	
Sales	0.18		0.18	
At the end of the fiscal year		-0.29	-0.01	-0.29
<b>Net accounting value at the end of the fiscal year</b>		<b>0.17</b>	<b>0.40</b>	<b>0.57</b>

### (9) Investment property

<b>(in € million)</b>	<b>2014</b>	<b>2013</b>
Estimated fair value at the beginning of the fiscal year	3.09	2.76
Prepayments	-2.78	0.03
Adjustments to fair value	-0.31	0.30
<b>Estimated fair value at year-end</b>	<b>-</b>	<b>3.09</b>
Rental income	0.22	0.21
Direct operating costs	0.06	0.08

This is an office located in Waterloo, drève Richelle, 161, with a total surface area of 2,396 square metres, occupied partially by the group, with the remaining area rented out to third parties. At the end of the fiscal year the building was sold for a sum of € 2.78 million.

### (10) Short-term receivables

<b>(in € million)</b>	<b>2014</b>	<b>2013</b>
Recoverable taxes (*)	3.68	6.05
Receivables on sales in progress	0.42	1.70
Other receivables	0.01	0.00
<b>Total</b>	<b>4.21</b>	<b>7.75</b>

#### (\*) Recoverable taxes

<b>(in € million)</b>	<b>2014</b>	<b>2013</b>
Recoverable withholding taxes	1.52	2.45
Disputed taxes	2.16	3.60
<b>Total</b>	<b>3.68</b>	<b>6.05</b>

## Tax litigation

A supplementary tax change was posted on 15th December 2006 because the tax authorities contested the tax exempt status of capital gains on certain investments in American real-estate companies for the 2004 tax year. The tax authorities considered that the dividends paid by these American companies were not entitled to benefit from a deduction on the basis that the income had already been fully taxed. Legal proceedings were initiated with the Courts of First Instance and the Court of Appeal and finally the Liège Court of Appeal passed a judgement in favour of the tax authorities. The receivable amounting to € 3.6 million in 2013 were removed from the item « disputed taxes ». At the same time a charge to the Profit and loss account was posted a due concurrence.

On the other end, the Belgian tax authorities declined to pursue the litigation concerning the QFIE dating back to the years 1990 and 1991. Therefore a sum of € 0.67 million was entered as income during the fiscal year. Insofar as the second dispute is concerned, a receivables and a payable amounting to € 1.27 million were booked as disputed taxes.

## (11) Current financial assets

(in € million)	2014	2013
"OLO" government bonds	0.18	0.19
<b>Total</b>	<b>0.18</b>	<b>0.19</b>

The « OLO » bonds are held by Greenhill and serve as guarantees for the repair of mining damage at former coalmining sites. The existing legislation on the statute of limitations means however that it is very unlikely that this guarantee can still be called upon.

## (12) Cash and cash equivalents

(in € million)	2014	2013
Deposits	24.06	30.69
Other	4.56	3.17
<b>Total</b>	<b>28.62</b>	<b>33.85</b>

## (13) Share capital and share issue premiums

(in number of shares)	2014	2013
Shares representing the capital	Brederode	Brederode BE
-registered shares	-	18,211,647
- bearer shares	-	26,492
- dematerialised	29,305,586	11,139,082
<b>Total</b>	<b>29,305,586</b>	<b>29,377,221</b>

On 31st December 2013 the share capital of Acturus S.A. amounted to € 32.000 represented by 32,000 shares without nominal value.

Taking into account the acquisition of the company Brederode BE the share capital was increased to € 182,681,909.08 by means of the issue of 29,304,878 new shares preceded by the cancellation of 31,292 shares. The present share capital amounting to € 182,713,909.08 is represented by 29,305,586 shares without nominal value. This increase in capital has resulted in a share premium of € 774,055,590.47.

On 31st December 2014 Brederode's authorised share capital amounted to € 432,713,909.08 (of which € 250 million is not issued).

## Own shares

(in number of shares)	2014	2013
Own shares on 1st January	72,343 <sup>(1)</sup>	
- elimination	-72,343 <sup>(1)</sup>	
- repurchases	881,291 <sup>(2)</sup>	72,343 <sup>(1)</sup>
<b>Total</b>	<b>881,291 <sup>(2)</sup></b>	<b>72,343 <sup>(1)</sup></b>

<sup>(1)</sup> Brederode BE,

<sup>(2)</sup> On 31st December 2014 the shares were held by the subsidiary GEYSER S.A. The accounting par value of these shares was € 5,494,656.33.

## (14) Consolidation reserves

(in € million)	Revaluation reserves	Consolidated reserves	Own shares	Exchange differences	Total
<b>On 1st January 2013</b>	<b>0.58</b>	<b>788.17</b>		<b>0.05</b>	<b>788.80</b>
- 2012 dividend paid		-17.60			-17.60
- profit for the year		103.68			103.68
- change in other items of the overall result		-0.00		-0.05	-0.05
- acquisition of own shares			-1.82		-1.82
- cancellation of own shares	-0.04				-0.04
- other					
<b>On 31st December 2013</b>	<b>0.54</b>	<b>874.25</b>	<b>-1.82</b>	<b>0.00</b>	<b>872.98</b>
- 2013 dividend paid		-18.10			-18.10
- profit for the year		226.44			226.44
- change in other items of the overall result				0.19	0.19
- acquisition of own shares			-25.32		-25.32
- cancellation of own shares		-1.82	1.82		
- disposals	-0.25	-710.52			-710.77
- other	-0.24	-0.02			-0.26
<b>On 31st December 2014</b>	<b>0.05</b>	<b>370.24</b>	<b>-25.32</b>	<b>0.19</b>	<b>345.15</b>

**(15) Other current liabilities**

<b>(in € million)</b>	<b>2014</b>	<b>2013</b>
Other payables	0.09	6.50
Social security contributions payable	0.02	0.03
Adjustment accounts	0.19	0.07
Amounts payable based on commercial transactions	0.03	0.10
Dividends and interest from previous years	1.34	1.42
Liabilities resulting from the sale of financial assets	0.08	
<b>Total</b>	<b>1.74</b>	<b>8.13</b>

**(16) Transactions with associated companies**

<b>(in € million)</b>	<b>2014</b>	<b>2013</b>
Funds deposited by Holdicam S.A.	0.04	5.46

**(17) Off-balance sheet rights and commitments**

<b>(in € million)</b>	<b>2014</b>	<b>2013</b>
Confirmed lines of credit	30.00	50.00
(used)		
Purchase and sale commitments		
- Private Equity portfolio	452.89	326.38
Rights and commitments on the basis of transactions with interest rates, exchange rates and other similar transaction		
State bonds (OLO) covering the repair of mining-related damage	0.18	0.19
Guarantees provided to Lloyd's	4.70	8.73

**(18) Contingent assets**

Protocol agreement with the Democratic Republic of Congo relating to final compensation for long-standing debts payable to the group relating to African assets nationalised during the 1970s. The last instalment was paid in 2014.

**(19) Directors' remuneration**

The sum pertaining to Directors' remunerations at the expense of Brederode S.A. and its subsidiaries in 2014 amounted to (€ 000) 909.15 and is divided as follows:

(in 000 €)	Basic remuneration <sup>(a)</sup>	Variable remuneration	Pension <sup>(b)</sup>	Other	Total
<b>Executive directors</b>					
P. van der Mersch. President	256.22	-		8.49	264.71
L. Santambrogio. Managing Director	314.38	-		5.48	319.85
A. van der Mersch. Managing Director	267.84	-	5.12	27.29	300.25
<b>Non-executive directors</b>					
B. Colmant	7.75	-			7.75
G. Cotton	6.00	-			6.00
M. Delloye	7.67	-			7.67
A. Siaens	2.92	-			2.92
<b>Total</b>	<b>862.77</b>		<b>5.12</b>	<b>41.26</b>	<b>909.15</b>

<sup>(a)</sup> Gross remuneration or total cost, except for social security contributions at the expense of the company or the group companies (social security contributions paid by employers)

<sup>(b)</sup> Plan of the type « fixed contributions »

<sup>(c)</sup> Other elements include medical insurance, representation costs and company cars.

**(20) Dividends**

(in € million)	2014	2013
Amount distributed during the financial year	18.10	17.60
Proposed dividend for the current financial year and for distribution the following year	18.48	18.17

The proposed dividend is submitted for approval by the shareholders during the ordinary general meeting and, in accordance with IFRS standards, is not included under amounts payable.

**(21) Profit per share**

	2014	2013
Number of shares issued on 31st December	29,305,586	29,377,221
Held by the company	-881,291	-72,343
Held by third parties	28,424,295	29,304,878
Average weighted number of shares in circulation	28,917,807	29,328,822
Result per share (in €)	7.83	3.54

**(22) Subsidiaries**

List with consolidated companies on the basis of the global integration on 31st December 2014:

<b>Name</b>	<b>Address</b>	<b>Average number of staff</b>
Athamor Ltd	Tower Bridge House – St Katharine’s Way – GB London E1W 1DD	
Brederode S.A.	Boulevard Joseph II, 32 – L 1840 Luxembourg	
Algol S.à r.l.	Boulevard Joseph II, 32 – L 1840 Luxembourg	
Brederode International S.à r.l.	Boulevard Joseph II, 32 – L 1840 Luxembourg	5
Geyser S.A.	Boulevard Joseph II, 32 – L 1840 Luxembourg	1
Greenhill SA	Av. de Tervuren, 92 – B 1040 Bruxelles	

The (minority) interest percentage of all companies amounts to 100 % except for Geyser where it amounts to 99.99%.

**(23) Audit of financial statements**

<b>(in € million)</b>	<b>2014</b>	<b>2013</b>
Audit fees	0.09	0.09
of. inter alia. Brederode S.A.	0.04	0.04
Other audit-related assignments	0.03	
Tax consulting	0.01	0.01
Other assignments not related to the audit assignment		
<b>Total</b>	<b>0.13</b>	<b>0.09</b>

**(24) Market sector information**

<b>(in € million)</b>	<b>Listed securities</b>	<b>Private Equity</b>
Dividends	21.13	5.39
Interests		3.52
Change in fair value	47.81	159.70
Management fees		-9.23
Share option premiums	0.23	
Other management fees	-0.27	
<b>Total</b>	<b>68.90</b>	<b>159.38</b>

## 8.6. Accounting principles and policies

The accounting period is 12 months and these accounts for the period ending 31st December 2014 were approved by the Board of Directors' meeting held on 5th March 2015.

The consolidated financial statement were drawn up in EUR million (the group's operating currency) and rounded up or down to the nearest tenth unless mentioned otherwise. These statements are drawn up on the basis of historical costs except in the case of derivative instruments and financial assets at fair value through the profit and loss account which are valued at fair value.

No offsetting is carried out for assets and liabilities, expenses and income unless required or imposed by an IFRS-standard.

### General principles and accounting standards

The consolidated accounts were prepared in accordance with international accounting standards (International Financial Reporting Standards) as published and adopted by the European Union which came into effect on 31st December 2014.

Changes in accounting principles

The accounting principles used are consistent with those of previous years.

Any interpretations that are new or were revised during the year did not have a material effect on the group's financial performance or situation.

### Standards and interpretations which became compulsory in 2014 in the European Union:

IFRS 10 Consolidated financial statements

IFRS 11 Partnerships

IFRS 12 Disclosure of interests in other entities

IAS 27R Separate financial statements

IAS 28R Investments in associates and Joint Ventures

IFRS 10, IFRS 11 and IFRS 12 Transition rules

IFRS 10, IFRS 11 and IFRS 27 Investment entities

Amendments to IAS 32 Financial instruments: presentation – offsetting financial assets and financial liabilities

Amendments to IAS 36 information on the recoverable value of non-financial assets

Amendments to IAS 39 Novation of derivatives and continuation of hedge accounting

### New or amended standards and interpretations coming into force after 31st December 2014 and the application of which is already permitted within the European Union:

Annual improvements (cycle 2010-2012) annual improvement process for standards in cycle 2010-2012

Annual improvements (cycle 2011-2013) annual improvement process for standards in cycle 2011-2013

Annual improvements (cycle 2012-2014) annual improvement process for standards in cycle 2012-2014

Amendment to IAS 19 Employees benefits

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IFRS 10 and IAS Sales or contributions of assets between an investor and its associate/joint venture

The group did not anticipate the application of any new standards and interpretations that were issued before the date of approval of the consolidated financial statement but that were due to come into effect after 31st December 2014.

IFRS 9 : Financial instruments

IFRS 15 : Revenue from contracts with customers.

The internal process for the purpose of determining the possible impact of these standards and interpretations on the group's consolidated statements is still on going. The Group believes that at this stage of the analysis the impact of the application of these standards remains insignificant.

The standards, amendments and interpretations which came into effect as from 1st January 2014 did not have an impact on the consolidated financial statements.

### **Presentation « current » and « non-current »**

The consolidated statements pertaining to the financial situation are presented taking into account the differentiation made by the IAS1 standard between « current » and « non-current ».

The current assets and liabilities concern the assets and liabilities the group believes to be collected, utilised or paid in the course of a normal cycle. This period can extend up to 12 months following the closure of the fiscal year. All other assets are non-current.

### **Consolidation method**

The consolidated statements of the group include the financial statements of the company and its subsidiaries (jointly called the « Group ») drawn up as of 31st December 2014.

#### **(a) Subsidiaries**

A subsidiary is a company over which the Group has a direct or indirect control. Subsidiaries are consolidated according to the full integration method as from the date on which the Group acquires control and are consolidated as from the date on which the control ends.

Control exists if and only if:

- The Group exercises control over the subsidiaries,
- It is exposed or entitled to variable profits on the basis of the links it has with the subsidiaries, and
- It is able to exercise control over subsidiaries thereby influencing the returns it can achieve.

Controlled entities are entities of which the Group is able to determine the financial and operational policy.

The financial statements of subsidiaries are drawn up on the basis of the same reference period as the one used by the Group, thereby using uniform accounting principles.

Any and all intragroup transactions and balances are eliminated during the consolidation phase.

Any profits and losses following the disposal of assets within the group are eliminated entirely.

The net result and any part of other items pertaining to the overall result are allocated to the parent company's shareholders and participations which do not result in a controlling interest (in a other words minority interests), even if this results in a negative balance.

#### **(b) Loss of control over a subsidiary**

Whenever the Group relinquish the control of a subsidiary, any gain or loss will be accounted for in the P&L and calculated as the difference between (i) the total of the return received at fair value and the fair value of every maintained participation, and (ii) the previous accounting value of the assets (including the goodwill) and liabilities of the subsidiary and every participation which does not result in a majority interest. Any sum not previously booked as other elements of the overall result pertaining to this subsidiary will be reclassified in the accounts or transferred to the shareholders' equity, as if the group had have disposed of the assets and liabilities of the subsidiary in question. The fair value of a participation maintained in a

former subsidiary at the date of the loss of control must be considered as being the fair value at the time the initial booking in the accounts for the purpose of its following booking according to IAS 39.

A list of companies within the consolidation perimeter can be consulted in section 22.

(c) Associated companies

Associated companies are entities over which the Group exercises a significant influence. The significant influence is based on the power to participate in financial and operating policy decisions of these entities, without having control. This influence is believed to exist either directly or indirectly if the Group holds a percentage equal to or in excess of 20% of the voting rights in an entity except if it is clearly proven that the Group does not have a substantial influence.

Investments in associated companies are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. That includes the goodwill at the time of acquisition and is presented net of their cumulative loss in value. The companies accounted for with the equity method will be subjected to an impairment test as soon as there is an objective indication of loss in value. If the recoverable value of the participation is lower than the accounting value, an impairment charge will be entered into the profit and loss account pertaining to the fiscal year.

Following acquisition and until the date on which the substantial influence ends the interest the Group has in associated companies will be included in the result of the fiscal year whereas the group's interest in other elements pertaining to the overall result is included under other elements constituting the overall result. The movements accumulated since the acquisition will – following adjustment of the initial cost – be included under the assets of the consolidated statement of the financial situation.

### Conversions of transactions and balances in foreign currencies

The consolidated financial statements were prepared in euro, Brederode's functional currency.

1. Transactions in foreign currencies

Transactions denominated in foreign currency are recorded based on the exchange rate at the time of the transaction. At the end of the reporting period, monetary assets and liabilities as well as non-monetary assets valued at their fair value are converted at the closing rate. Any resulting differences on conversion are included in the profit and loss account.

2. Conversion of accounts in foreign currency

For the purpose of consolidation, profit and loss accounts expressed in foreign currencies are converted at the average rate for the fiscal year. Apart from the elements that make up shareholders' equity balance sheet items expressed in foreign currency are converted at the closing rate. Any resulting differences on conversion are shown as part of the shareholders' equity and included under « conversion reserves ».

### Accounting estimates

When preparing the consolidated accounts, the management relies on estimates and assumptions that have an impact on the amounts presented in the accounts. These estimates and assumptions are continuously evaluated and based on historical experience and outside information.

The main items affected by these estimates and assumptions are:

- The valuation of the private equity portfolio;
- The estimate of recoverable taxes ;
- The estimate of the provision.

### Intangible fixed assets

The participations of the group in Lloyd's syndicates are accounted for at cost and will be subjected to an impairment test according to the IAS 38 standard. Intangible fixed assets are written off when these assets are disposed of or if no economic advantage is expected from its use or disposal. The profit or loss as a result of the writing off of intangible fixed assets (calculated as the difference between the net income of the disposal of assets and their accounting value) is included in the profit and loss account.

### Tangible fixed assets

Tangible fixed assets are valued at the cost of acquisition or production, less accumulated depreciation and other amounts written off.

Depreciation is charged on a straight-line basis over the estimated operational life of the various fixed asset categories. The estimated duration of use is as follows:

- Furniture: 10 years
- Office furniture: 5 years
- Vehicles: 5 years
- Computer equipment: 3 years

Land is not depreciated. A depreciation can be established when the accounting value exceeds the value to be recovered.

The depreciation conditions for tangible fixed assets are reviewed on a yearly basis and may be altered in future depending on circumstances.

A tangible fixed assets is written off in the event of sale or if no economic advantage may be expected from the continued use of assets. The profit or loss resulting from a sale or write off of a tangible fixed assets corresponds to the difference between the income from the sale and the accounting value of the asset and will be included in the profit and loss account.

### Fair value

The Group assesses financial instruments such as derivative instruments and financial assets at fair value through the profit and loss account.

The fair value is the price that would have been obtained for the sale of assets or that would have been paid for the disposal of a liability during a normal transaction between market participants on the valuation date. An assessment of fair value implies that the sale of assets or the disposal of liabilities takes place on the primary market for such assets and liabilities or, in the absence of a primary market, on the market that is the most appropriate for such assets or liabilities.

The Group must have access to the main market or the most appropriate market.

The fair value of assets and liabilities is set by making hypotheses market participants would use to determine the price of assets and liabilities, taking into account that market participants act in their own economic interests.

All assets or liabilities for which a fair value is set or which are mentioned in the consolidated financial statements are ranked in the fair value hierarchy (see section 2).

### Non-current financial assets

All non-current assets, which may or may not be listed, are accounted for as « financial assets at fair value through the profit and loss account ». The initial value corresponds to the net acquisition cost and the fair value is reassessed each year end based on the closing rate for listed securities and on the latest valuations provided by the general partners for unlisted

securities. In the latter case the valuations are based on valuation techniques recommended by international associations operating in the Private Equity arena. Changes in the fair value of these investments between one year-end and the next are accounted for through the profit and loss account

This method was selected as it reflects the company's risk management strategy.

### **Listed portfolio**

The listed portfolio is valued on the basis of the closing prices in the final trading day of the year.

### **Private Equity portfolio**

The second category of non-current financial assets comprises investments in non-listed companies known as Private Equity. The Private Equity portfolio is valued on the basis of the most recent financial information received from the « General Partners ». These are normally the quarterly reports issued as of the 30th of September, adjusted to take into account investments and disposals carried out during the fourth quarter. This valuation may be further adjusted to reflect any changes in circumstances between the date of the last formal valuation provided by the « General Partner » and the date of account closure.

### **Amounts receivable**

Loans made by the group and other amounts receivable are valued at cost, less any reduction in value as a result of depreciation and non-recoverability.

Following the initial drawing up of the accounts the loans and amounts receivable are valued at amortized costs calculated according the effective interest method, less the provisions for depreciations when management believes there is an objective indication of depreciation which will reduce the cash flows that were initially expected. No conversion is planned for loans and amounts receivable as such a conversion only has minor consequences.

The effective interest method is a calculation method for the amortized cost of a financial instrument and the entry of interest returns during the applicable period. The effective interest is the exact interest rate of payments and disbursements in the future during the planned life cycle of a financial instrument or possibly – in the short time – the interest at net accounting value.

### **Current financial assets**

Government bonds

These concern linear bonds issued by the Belgian State which serve as a guarantee for the remaining commitments by a subsidiary insofar as mining-related damage is concerned. These are initially valued at purchasing price and are subsequently restated at their fair value at the end of each financial year. Fluctuations in fair value between one year-end and the next are accounted for in the profit and loss account.

### **Derivative instruments**

Derivative instruments are valued at their fair value on the balance sheet date. Fluctuations in fair value between one year-end and the next are accounted for in the profit and loss account. Price movements may result in a valuation of a derivative instrument that results in the creation of a current financial asset or liability.

### **Current and deferred taxes**

Tax expenses include taxes to payables and deferred taxes.

**(a) Taxes payable**

Tax payables include the estimated sum of taxes to be paid (or to be recovered) on the taxable profits (or losses) of the company or its subsidiaries as well as any adjustment to the sum of taxes paid in previous fiscal years. These are calculated on the basis of taxation rates in force or about to be adopted at the end of the reporting period.

Management makes an assessment and estimates of the situations in which the fiscal rules are open to interpretation. The views taken in this regard are revised regularly.

**(b) Deferred taxes**

Deferred taxes are calculated in accordance with the variable carry-over method applied to temporary differences between the book value of assets and liabilities posted on the balance sheet and their tax basis. No deferred taxes are entered into the accounts if these originate following the initial entry of assets and liabilities relating to transactions except in the event of a regrouping of companies that does not have an impact on the accounting results or the fiscal results. Moreover, the liabilities pertaining to deferred taxes are not entered into the accounts if the temporary difference is the result of the initial entry of the goodwill.

Deferred taxes are determined using taxation rates and fiscal rules in force or about to be adopted at the end of the reporting period and which are believed to have an impact on the realisation of assets or the payment of liabilities in connection with deferred taxes.

A deferred tax asset is booked only to the extent that the realisation of future taxable profits is probable, thus enabling the company to enter such temporary differences into the accounts. In order for the Group to assess the possibility of recovering these assets, the following must be taken into account: future taxation forecasts, the portion of non-recurrent expenses which are not expected to be made in the future and which were included in past losses, the history of the fiscal results of the past years and possible fiscal strategies such as the disposal of undervalued assets.

Deferred tax assets are included under temporary differences in connection with participations in subsidiaries except if the conversion calendar pertaining to these temporary differences is controlled by the Group and it is likely that the conversion does not take place in the near future.

Deferred tax assets and liabilities are offset by each tax entity and this from the time the each tax entity is entitled to offset assets and liabilities related to tax payables and on condition that the assets and liabilities relating to deferred taxes are taxed by the same tax authorities.

**Cash and cash equivalents**

Cash includes bank current accounts.

Cash equivalents include bank deposits and fixed-term investments with a maturity date of three months or less from the acquisition date; those with a maturity date of more than three months following the acquisition date are treated as investments.

**Own shares**

In the event of acquisition (or disposal) of own shares the amount paid (or received) is accounted for as a reduction of (or increase in) shareholders' equity. Movements in these securities are reported in the table of changes in shareholders' equity. These transactions have no effect on the profit and loss account.

### **Appropriation of profit**

The gross amount – before deduction of withholding taxes – of dividends paid by Brederode to its shareholders is shown as a deduction from shareholders' equity. The financial statements are prepared prior to the appropriation of profits.

### **Provisions**

Provisions are made at year-end and in the event a group company has a legal or implicit obligation resulting from a past event, where it is likely that an amount will have to be paid out to meet this obligation and where the amount of the obligation can be reliably determined. The amount of the provision corresponds to the most accurate estimate of the expenditure required to meet the obligation existing on the last day of the fiscal year.

### **Long-term financial debt**

The Group's financial liabilities include bank loans, debts to suppliers and other suppliers. These will be categorized as other financial liabilities and this in accordance with the provisions imposed by IAS 39. Initially, the financial liabilities will be entered into the accounts at fair value, increased by the transaction costs which can be entered directly. The remaining financial liabilities are later valued at the amortized acquisition cost and this according to the effective interest method.

### **Short-term financial debt**

Commercial paper

The group has several commercial paper programmes providing it with access to finance with various banks. This money can be withdrawn in the short term usually not exceeding a period of 6 months. The interest becomes payable on each maturity date. Short-term financial debts are accounted for a nominal value.

### **Interest**

Interest income and costs consist of interest payable on loans and interest receivable on investments.

Interest received is entered pro-rata temporis in the profit and loss account based on the actual interest rate of the investment.

### **Dividends**

Dividends relating to capital assets are accounted for on the date they become payable. The amount of withholding tax is shown as a deduction from gross dividends.

### **Insurance activities within Lloyd's syndicates**

The accounting for the results of our investments in Lloyd's syndicates is influenced by their specific accounting methods which involves preparing the accounts within a three-year time lag, so that the most accurate estimate possible can be made of the value of the claims, and by the deadlines within which the accounts must be published.

The insurance result for year (N) therefore includes:

- Final insurance revenues generated by transactions carried out during year N-2.
- Where it is likely that estimates for the other years (N-1 and N) will result in a loss, a provision is made for the amount of the expected loss.

## 8.7. Policy on risks and uncertainties

### Market risks

#### a) Currency risk

The currency risk is defined as the risk that the value of a financial instrument may fluctuate due to changes in the exchange rate of foreign currencies.

Exposure to currency risk is directly linked to the amounts invested in financial instruments denominated in currencies other than the euro and is influenced by the hedging policy adopted by the group.

The policy on covering currency risk is guided by a medium-term vision of the trend of exchange rates relative to the euro.

Outstanding forward exchange transactions carried out for the purpose of reducing currency risks are valued at the fair value of these hedging instruments and are mentioned in the balance sheet notes as « derivative instruments » under current financial assets (liabilities).

On both the profit and loss account and the balance sheet the effect of changes in the fair value of hedging instruments is shown separately from changes in the fair value of financial assets.

Exchange rate evolution on 31st December

Exchange rate on 31st December	2014	2013	Variation <sup>(*)</sup>
USD/EUR	1.2141	1.3791	12.0%
GBP/EUR	0.7789	0.8337	6.6%
CHF/EUR	1.2024	1.2276	2.1%
AUD/EUR	1.4829	1.5423	3.9%
NOK/EUR	9.0420	8.3630	-8.1%
DKK/EUR	7.4453	7.4593	0.2%

<sup>(\*)</sup> The variation sign reflects the impact of the exchange rate on the counter values of the assets denominated in a foreign currency.

At the end of the fiscal year, exposure to currencies excluding the euro was as follows:

(in % of the total assets)	2014	2013	Variation
US Dollar	41.2%	35.4%	5.9%
Pound Sterling	3.4%	1.6%	1.8%
Swiss Franc	11.6%	10.9%	0.7%
Australian Dollar	0.7%	1.3%	-0.6%
Norwegian Krone	1.6%	1.7%	-0.1%
Danish Krone	1.7%	1.2%	0.5%

There were no outstanding hedging instruments (% of the risk) at the end of 2014 and 2013.

### Sensitivity analysis: impact on the profit and loss account / shareholders' equity of a 5% movement in various currencies

(in € million)	2014	2013	Variation
US Dollar	23.47	18.38	5.09
Pound Sterling	1.96	0.85	1.10
Swiss Franc	6.57	5.65	0.92
Australian Dollar	0.38	0.67	-0.28
Norwegian Krone	0.91	0.95	-0.04
Danish Krone	0.94	0.61	0.34

#### b) Interest rate risk

For financial assets the risk of changes in fair value directly related to interest rate movements is insignificant, given that almost all financial assets are equity instruments.

For financial liabilities this risk is limited by the short duration of financial debt.

#### c) Other price risks

Price risk is defined as the risk that the value of a financial instrument may fluctuate due to market price variations.

##### i. Listed portfolio

For the listed portfolio the risk of price fluctuations related to market price variations is determined by price volatility on the stock exchanges where the group is active (Amsterdam, Brussels, Copenhagen, Frankfurt, London, Madrid, Milan, Oslo, Paris and Zurich).

The group's policy is to maintain diversification on these markets which have a high cash flow ratio and are less volatile than the so-called emerging markets. The price risk relating to listed assets is also reduced by the portfolio's high level of geographical and market sector diversification. Changes in the breakdown of the listed portfolio by currency and by market are included in the management report of this document.

##### ii. Private Equity Portfolio

For the portfolio of unlisted securities, statistical and theoretical studies reach different conclusions as to whether or not the volatility of such holdings is greater than that of listed markets. Purchase and sale prices are clearly influenced by multiples such as EV/EBITDA that are found on the market for listed securities. To a large extent these similarities in the bases for valuation explain the significant correlation between price fluctuations on these two markets. Recent experience from the financial crisis that started in 2008 has confirmed the greater degree of stability in valuations in the private equity portfolio compared to that of the listed portfolio. The price risk related to unlisted securities is also reduced by the very high level of diversification maintained in the portfolio. An initial level of diversification results from the large number of General Partners that Brederode works with. A second level of diversification is present within each Partnership which will typically spread its investments among fifteen to twenty separate projects. The trend of the geographical breakdown of the Private Equity portfolio is shown above.

iii. Share options

The price risk is reflected directly in the price levels prevailing on the option markets. Greater volatility on stock exchanges will be reflected in higher option premiums. The price risk on this type of transaction is monitored on a daily basis and is limited by the group's policy of issuing only call options (undertakings to sell at a given price and time) on shares it holds in its portfolio.

iv. Sensitivity analysis of other price risks

a. Listed portfolio

The value of this portfolio is based on stock market prices which are by definition difficult to predict.

b. Private Equity Portfolio

The value of this portfolio can also be influenced by changes in valuations on listed markets. Nevertheless, this influence is moderated by the following factors:

- The objective to create value relates to a longer term,
- The manager is able to take decisions faster and more effectively in order to turn around a deteriorating situation,
- In our opinion the interests of managers are better aligned in private equity with those of investors.

It seems pointless to quantify the influence of these factors. For information purposes a 5% change in the valuation of the portfolio would result in a change in fair value of € 31.4 million (€ 28.6 million in 2013).

### Credit risk

This is defined as the risk that a counterparty to a financial transaction may default on its obligation, thus causing the other party to incur a financial loss.

As an investor in listed shares the main credit risk we face lies in the ability of our intermediaries to ensure the successful outcome of our purchases or sale transactions. This risk is in principle eliminated by the "delivery against payment" system of settlement.

In the case of share options it is up to the Brederode group itself to demonstrate its creditworthiness, thereby enabling it to operate as an issuer in the "Over The Counter" market which is reserved for institutional investors of acknowledged competence and solvency. As an issuer of share options the credit risk on this type of transaction is taken by our counterparties. Bank deposits actually constitute the main credit risk incurred by our group. We constantly review the quality of our bankers.

Securities accounts are also exposed to credit risks, even if – in principle – these securities are separated from the own assets of the financial institutions we assigned the management of the listed portfolio to.

Exposure to credit risks at year-end:

(in € million)	2014	2013	Variation
Bank deposits	28.62	33.85	-5.23
Amounts receivable	4.21	7.75	-3.54
<b>Total</b>	<b>32.84</b>	<b>41.60</b>	<b>-8.77</b>

### Liquidity risk

The liquidity risk or the financing risk is defined as the risk that an entity may experience difficulties raising funds to honour its commitments related to financial instruments. One of the characteristics of a "Private Equity" investment is that the investor has no control over the liquidity of the investments. The manager alone decides when to acquire or dispose of an investment. There is a secondary market for holdings in private equity funds, but this constitutes a niche market and the selling process may prove relatively long and costly. The evolution of the group's uncalled commitments to private equity funds is monitored closely to ensure optimal management of net cash movements.

The portfolio of listed securities is made up of highly liquid minority positions, so that significant cash movements generated by the unlisted portfolio can be absorbed, if necessary.

The group carefully balances its use of these credit lines to limit its liquidity risk. Some of these lines of credit are committed and offer a source of guaranteed financing in the event of a liquidity crisis on the market. The group also makes sure that its level of financial debt is kept below the level of its confirmed lines of credit.

Analysis of residual contractual terms of financial liabilities

(in € million)	2014	2013	Variation
0 to 3 months	0	0	0
4 to 12 months	0	0	0
1 to 5 years	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Cash flow interest rate risk

This is the risk that future cash flows of financial instruments may fluctuate due to variations in market interest rates. Our group is not affected by this risk.

## 9. Report of the réviseur d'entreprises agréé

To the shareholders of  
BREDERODE S.A.  
Société Anonyme  
32, boulevard Joseph II  
L-1840 LUXEMBOURG

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **BREDERODE S.A.** and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended 31 December 2014, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' responsibility for the consolidated financial statements*

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

#### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on other legal and regulatory requirements**

The consolidated Directors' report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

Luxembourg, 8 April 2015

For MAZARS LUXEMBOURG, Cabinet de révision agréé  
10A, rue Henri M. Schnadt  
L-2530 LUXEMBOURG

Thierry SALAGNAC  
Réviseur d'entreprises agréé

## 10. Financial calendar

Interim statement	Wednesday 6th May 2015 at 5.45 pm
2015 Ordinary General Meeting	Wednesday 13th May 2015 at 2.30 pm
Coupon payment date	Wednesday 27th May 2015

BREDERODE S.A.  
32, Boulevard Joseph II in L-1840 Luxembourg  
[www.brederode.eu](http://www.brederode.eu)

The annual report in French constitutes the original text.  
Dutch and English translations of this report are available.  
In the event of any divergence of interpretation between the different versions,  
the French text shall be deemed authentic.