



BREDERODE

ANNUAL  
REPORT  
2016



Any society that would  
give up a little liberty  
to gain a little security  
will serve neither  
and lose both

Benjamin Franklin



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# 1. Mission and strategy

Brederode is an international investment company whose shares are listed on the Brussels Euronext and Luxembourg Stock Exchanges.

After a long history stretching back to the year 1804, the company underwent a fundamental change in strategy in 1977 at the instigation of the new reference shareholders. The new approach involved the gradual withdrawal from direct industrial and commercial activities in favour of acquiring, for its own account, positions, generally of a minority nature, in companies with no involvement in their management. Since then, Brederode's aim has been to regularly increase its shareholders' net worth by recurrently generating not only dividends but also (and above all) capital gains. Its portfolio is henceforth made up of two different and complementary sectors; that of investments in unlisted companies ("*Private Equity*") and that of investments in listed securities.

For more than 20 years Brederode has progressively focused on the management of its *Private Equity* portfolio, which has become its main centre of activity. The appeal of *Private Equity* is linked to the opportunity it offers of securing higher returns than those expected from the stock market. The investment style chosen is principally that of buyout i.e. the purchase, by first class private equity managers, of private companies, bringing together primarily institutional investors, such as Brederode, in dedicated funds. Success here involves the rigorous selection of an international network of top-level managers, coupled with ongoing monitoring.

The long experience that Brederode has accumulated in this domain has been one of the main contributing factors to the company's overall performance over many years.

Beyond its own return objectives, the listed securities portfolio is increasingly regarded as an ultimate financing reserve in support of *Private Equity*. It continues to be subject to rigorous management, with the aim of achieving a balance between its defensive character and the objectives of profitability, liquidity and growth.

Brederode is today one of the few companies specialised in *Private Equity*, publicly traded and self-managed to the exclusive interest of its shareholders.

Brederode also benefits from the stability of its controlling shareholder from which the executive management emanates. This means that the latter can take a long term view, less subject to the influence of disruptive external factors and therefore less affected by short-term considerations.

Finally, Brederode benefits from an overall level of management costs lower than that of the market and an uncompromising governance structure.

## 2. Board of directors

Pierre van der Mersch, Chairman

Luigi Santambrogio, Managing director

Axel van der Mersch, Managing director

Michel Delloye, Independent director

Bruno Colmant, Independent director

## 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 and was last revised on 15 March 2017. Both this charter and the corporate governance statement 2016 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 individual financial statements drawn up according to the applicable accounting standards give a true and fair view of the assets and liabilities, the financial position and the profits or losses pertaining to Brederode; and
- b) the Management Report contains a true account of the main events and the relevant transactions with related parties during the financial year, their effect on the set of the individual financial statements and a description of the main risks and uncertainties for the financial year.

Luxembourg, 15 March 2017

On behalf of the Board of Directors

Luigi Santambrogio & Axel van der Mersch  
Managing Directors

## 5. Key figures

### KEY FIGURES OF BREDERODE'S INDIVIDUAL (NON-CONSOLIDATED) FINANCIAL STATEMENTS (IFRS)

(in € million)	2016	2015 (Pro forma)	2014 (1)	2013 (1)	2012 (1)
Shareholders' equity	1,705.69	1,554.62	1,301.95	1,118.97	1,034.81
Profit for the period	171.59	239.11	226.45	103.68	116.69
Amounts distributed to shareholders	20.51	19.05	18.10	17.60	17.12
<b>Adjusted figures per share (in €)</b>					
Shareholders' equity	58.20	53.05	45.80	38.18	35.22
Profit for the period	5.86	8.16	7.83	3.54	3.95
Amounts distributed to shareholders	0.70	0.65	0.62	0.60	0.58
Market price at the end of the period	41.76	40.50	29.10	27.50	23.95
- highest	43.00	40.99	30.00	27.80	24.23
- lowest	33.30	29.10	27.32	24.01	17.93
<b>Ratios</b>					
P/BV (price(2) /book value)	0.72	0.76	0.64	0.72	0.68
P/E (price(2) / (earnings per share)	7.13	4.96	3.72	7.78	6.06
<b>Return on equity</b>					
(Profit / shareholders' equity at the beginning of the period)	11.0%	17.8%	20.5%	10.0%	12.5%
Gross return (Gross dividend / price(2) )	1.7%	1.6%	2.2%	2.3%	2.5%
<b>Number of shares used in the profit</b>					
For shareholders' equity	29,305,586	29,305,586	28,424,295	29,304,878	29,377,221
For shareholders' basic earnings	29,305,586	29,305,586	28,917,807	29,328,822	29,528,389

### KEY FIGURES RELATED TO THE INVESTMENT ACTIVITIES OF BREDERODE AND ITS SUBSIDIARIES

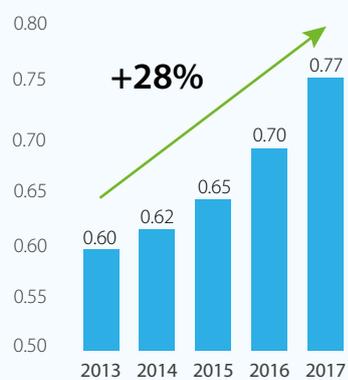
(in € million)	2016	2015 (Pro forma)	2014 (1)	2013 (1)	2012 (1)
Financial assets at fair value	1,667.51	1,512.12	1,278.31	1,089.96	1,011.14
- Private Equity	794.57	719.28	628.06	517.67	525.45
- Listed portfolio	872.94	792.85	650.26	572.29	485.69
Change in fair value	151.98	224.15	207.51	93.36	100.00
Dividends and interests received	34.53	28.82	30.04	29.63	24.82
Net expenses related to portfolio management	-11.31	-12.38	-9.27	-9.41	-8.83
Result from portfolio management	175.21	240.59	228.28	113.58	116.00

(1) Based on the consolidated financial statements

(2) Stock market price at year-end



**Net asset value per share (EUR)**



**Distributions per share (EUR)**

## 6. Management report

Ladies and gentlemen,

Year 2016 developed in a troubled economic and political environment that has affected the financial markets and has contributed to a climate of continuous uncertainty. We are pleased, given the circumstances, to be able to report a good set of results.

### 6.1. Summary of the results

The net profit for the period is € 172 million versus € 239 million the previous year.

Each of the two business lines of Brederode, i.e. Private Equity and listed securities have contributed to this positive outcome. The net performance in Private Equity was 14% while that of the portfolio of listed securities was 9%.

#### **Private Equity**

The contribution of this business line to the annual result was € 101 million versus € 159 million in 2015.

The slowdown witnessed during the first six months of the year did not carry on to the second half ; in fact total new investments during the full year significantly increased, going from € 144 million to € 170 million. On the other hand, realisations decreased, going from € 217 million to € 196 million. Net cash flow, which reached € 64 million in 2015, was affected by the reduced realisations although it remained positive at € 20 million in 2016.

As of December 31st 2016, investments in Private Equity totalled € 795 million versus € 719 million the previous years.

New commitments were signed for a record € 266 million, versus € 179 million in 2015. Total undrawn commitments at year have reached a new peak at € 673 million versus € 532 million as of December 31st, 2015.

The sum of investments and undrawn commitments in Private Equity was € 1.468 million as of December 31st, 2016, versus € 1.251 million the year before.

#### **Portfolio of Listed Companies**

The contribution of this business line, including dividends, was 74 million as of December 31st, 2016, versus € 81 million the previous year. The portfolio size increased through further purchases of *3M* (€ 6 million), *Relx* (€ 6 million), *Capita* (€ 4 million), *Mastercard* (€ 4 million), *Royal Dutch Shell* (€ 3 million), *Rolls Royce* (€ 2 million), *Coloplast* (€ 1 million), *Brederode* (€ 1 million) et *Iberdrola* (€ 1 million).

In 2016, purchases in the stock market of Brederode shares by a group subsidiary totalled 49,423 shares. They were all carried out during the first semester. The Brederode shares owned by its subsidiary represent 4.1% of Brederode capital.

As of December 31st, 2016 the fair value of the listed portfolio was € 873 million versus € 793 million a year before.

#### **Financial structure**

Brederode and its subsidiaries have no financial debt but continue to maintain a credit facility for a maximum amount of € 50 million.

## 6.2. Change in accounting perimeter

Starting January 1st, 2016, the date when the amendment to the reporting standard IFRS 10 came into effect, Brederode's subsidiaries can no longer be consolidated but must be measured at fair value through the profit and loss account in line with IAS 39.

Brederode S.A. (hereafter "Brederode") has therefore excluded from its statement of financial position the assets and liabilities of its subsidiaries, including the Private Equity and Listed Companies portfolios, whose fair value is henceforth indirectly accounted for in the measurement of its direct subsidiary that appears on the asset side of its own financial statements, in line with the IAS 27 accounting rule.

Moreover, the shares in Brederode held by its subsidiaries are no longer considered as "own shares". As a consequence, they are no longer eliminated in the financial statements but from now on constitute a financial asset like the other listed shares held in the portfolio. The accretive effect of the repurchase of shares at a discount from their intrinsic value is thus no longer expressed in the individual financial statements.

By way of information, the elimination of these shares would have the effect of increasing equity capital in Brederode's individual accounts in the amount of € 0.70 per share on December 31st, 2016, raising their value to € 58.90.

In order to insure the comparability of the financial statements presented to you, a pro forma statement has been prepared as of December 31st, 2015. The adjustments carried out to these pro-forma statements are detailed in the explanatory notes to the financial statements.

If the transition from a presentation of consolidated financial statements to individual ones allows the reader to retain the advantages of the fair value measurement of the investments held by its subsidiaries, those subsidiaries are no longer recognized separately on the individual financial statements of Brederode S.A. In order to complete the information provided to shareholders, the management report will continue to provide relevant information of the investment activities performed via all of Brederode's direct and indirect subsidiaries.

### 6.3. Portfolio management by Brederode and its subsidiaries

The following table provides details of the contribution of the assets and liabilities of Brederode and its subsidiaries to the shareholders' equity of Brederode's in its individual financial statement.

(in € million)	31 December 2016	31 December 2015 (Pro forma)
<b>NON CURRENT ASSETS</b>	<b>1,680.76</b>	<b>1,525.47</b>
Intangible assets	10.86	10.98
Fixed assets	1.78	1.75
Non current financial assets	1,667.51	1,512.12
- Private Equity Portfolio	794.57	719.28
- Listed Portfolio	872.94	792.85
Other non current assets	0.61	0.61
<b>CURRENT ASSETS</b>	<b>32.58</b>	<b>39.20</b>
Cash and cash equivalents	24.89	29.78
Tax receivable	3.75	2.52
Receivables and other current assets	3.94	6.90
<b>TOTAL ASSETS</b>	<b>1,713.34</b>	<b>1,564.67</b>
<b>CURRENT LIABILITIES</b>	<b>-7.65</b>	<b>-10.05</b>
Short term debt	-0.43	0.00
Debts arising from purchases of financial assets	-3.12	-4.97
Tax due	-2.72	-2.95
Other current liabilities	-1.38	-2.13
<b>TOTAL LIABILITIES</b>	<b>-7.65</b>	<b>-10.05</b>
<b>TOTAL NET ASSETS</b>	<b>1,705.69</b>	<b>1,554.62</b>

### Evolution of the Private Equity and listed securities portfolios

(in € million)	31 December 2016	31 Dec. 2015 (Pro forma)
<b>Private Equity at the beginning of the period</b>	<b>719.28</b>	<b>628.06</b>
Investments	170.49	143.77
Disposals	-196.37	-216.85
Change in fair value	101.17	164.29
<b>Private Equity at the end of the period</b>	<b>794.57</b>	<b>719.28</b>
<b>Listed portfolio at the beginning of the period<sup>(*)</sup></b>	<b>792.85</b>	<b>675.58</b>
Investments	31.19	83.09
Disposals	-1.90	-25.68
Change in fair value	50.81	59.86
<b>Listed portfolio at the end of the period</b>	<b>872.94</b>	<b>792.85</b>
<b>Total portfolio managed by Brederode and its subsidiaries</b>	<b>1,667.51</b>	<b>1,512.12</b>

(\*)The listed portfolio includes the investment in Brederode

### Performance of the Private Equity and listed securities portfolios

(in € million)	31 December 2016	31 Dec. 2015 (Pro forma)
<b>Result from Private Equity management</b>		
Dividends	8.15	3.68
Interest	2.87	3.39
Change in fair value	101.17	164.29
Management fees and other management costs	-11.12	-12.25
<b>Total</b>	<b>101.07</b>	<b>159.10</b>
<b>Result from listed portfolio management</b>		
Dividends	23.51	21.75
Variation in fair value	50.81	59.86
Net expenses related to portfolio management	-0.19	-0.13
<b>Total</b>	<b>74.13</b>	<b>81.49</b>
<b>Result from portfolio management of Brederode and its subsidiaries</b>	<b>175.20</b>	<b>240.59</b>

### 6.3.1. Private Equity Portfolio

#### Introduction

Brederode's Private Equity portfolio comprises mainly of commitments to fixed-term (10-12 years) associations most often referred to as "Limited Partnerships", or simply "Funds". These Funds comprise of a team of managers (the "General Partner") made up of a small group of experienced professionals, on the one hand, and institutional investors (the "Limited Partners"), on the other.

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 4 to 7 years.

The Brederode group has chosen to participate essentially in Funds pursuing a "buyout"-type strategy, i.e. aimed at acquiring a controlling interest, using an appropriate financial leverage ("leveraged buyout"), in already mature companies with predictable cash-flows and offering expansion or consolidation opportunities.

Brederode also analyses all opportunities of direct co-investments in certain projects deemed to be promising, in parallel with certain Funds.

Every commitment to invest in a new Fund is made only after a due diligence process which systematically includes interviews with the managers and an in-depth examination of all ad-hoc documents.

The initial analysis mainly relates 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, audited annual accounts of the Funds, and through direct and frequent contacts with the managers.

Brederode's involvement in *Private Equity* dates back to 1992. Relying on the strength of its cumulative experience and its network of contacts, the Brederode group is able to focus on the most promising projects led by the best teams of specialised managers.

Through its involvement in Private Equity, Brederode provides risk capital to private companies with a view to helping them in their development and growth. In so doing it also allows its own shareholders to take part indirectly in investments offering above-average profitability that are in principle only accessible to institutional players.

#### Advantages of the Buyout style

Brederode has chosen to privilege the Buyout segment in the range of the different investment styles used in the global Private Equity market for the following reasons:

##### 1. Alignment of interests of the parties involved

The interests of each of the parties involved are optimally aligned thanks to incentives put in place aimed at encouraging both the General Partners and the management of the acquired companies to maximise the return on investment for the shareholders over a period of generally four to seven years.

##### 2. Long term value creation

Since the companies remain private or become private further to their acquisition, their management teams are in a position to take strategic initiatives that may generate a temporary reduction in profitability, with a view to significantly improving the company's valuation at the time of its sale. Such actions would be difficult to take for a public company as they could

be interpreted as “profit warnings” and not as positive actions aimed at improving the performance of the company over the long term

### 3. Optimisation of the financial leverage

Companies backed by PE firms are able to fine tune their capital structure with an appropriate amount of leverage that optimally fits the business plan for the investment period.

### 4. Rigour and discipline

The board of a PE backed company, generally controlled by representatives of the General Partner, is focused on a number of KPIs, Key Performance Indicators. Such KPIs tend to zero in on cash metrics, on the progress of operational improvements, on the speed of execution of the business plan etc. and allow to spot and correct underperformance in the business very quickly. This focus provides significant downside protection to investors and gives comfort to the company lenders. The speed of reactions of companies subject to the discipline of Private Equity is a significant competitive advantage.

### 5. Talent

Because of the clear incentives based on tangible performance (IRR), PE firms are able to attract the best talent for both their own business and for the portfolio companies they acquire, for the ultimate benefit of their investors.

### Performance history of the Private Equity portfolio of Brederode and its subsidiaries

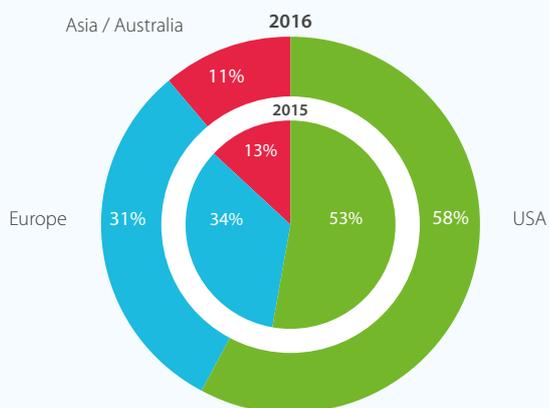
The indicative performance, on the basis of fair values established according to IFRS and of the annual net cash flows, is broken down as follows:

<b>(in million €)</b>	<b>10 years</b>	<b>5 years</b>	<b>3 years</b>	<b>1 year</b>
Valuation at the beginning of the period(*)	270.18	512.02	517.67	719.28
Cash flows	192.48	234.45	131.60	19.85
Value as at 31 December 2016 (*)	794.57	794.57	794.57	794.57
<b>IRR (Internal Rate of Return)</b>	<b>13.3%</b>	<b>17.8%</b>	<b>24.0%</b>	<b>13.4%</b>

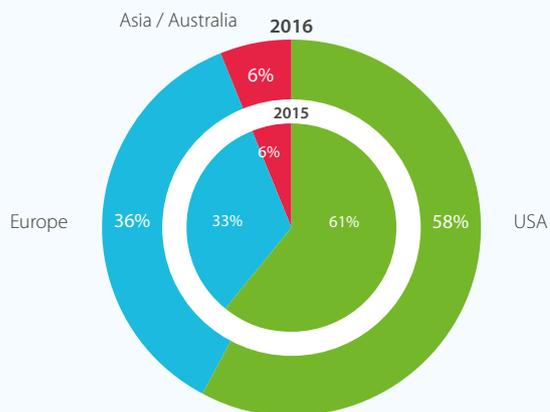
(\*) The valuations at the beginning and at the end of the period relate to the NAVs reported in the IFRS-accounts on the basis of preliminary information available at the time of the closing of the accounts. The performance variances with the final valuations are not significant.

### Geographical breakdown

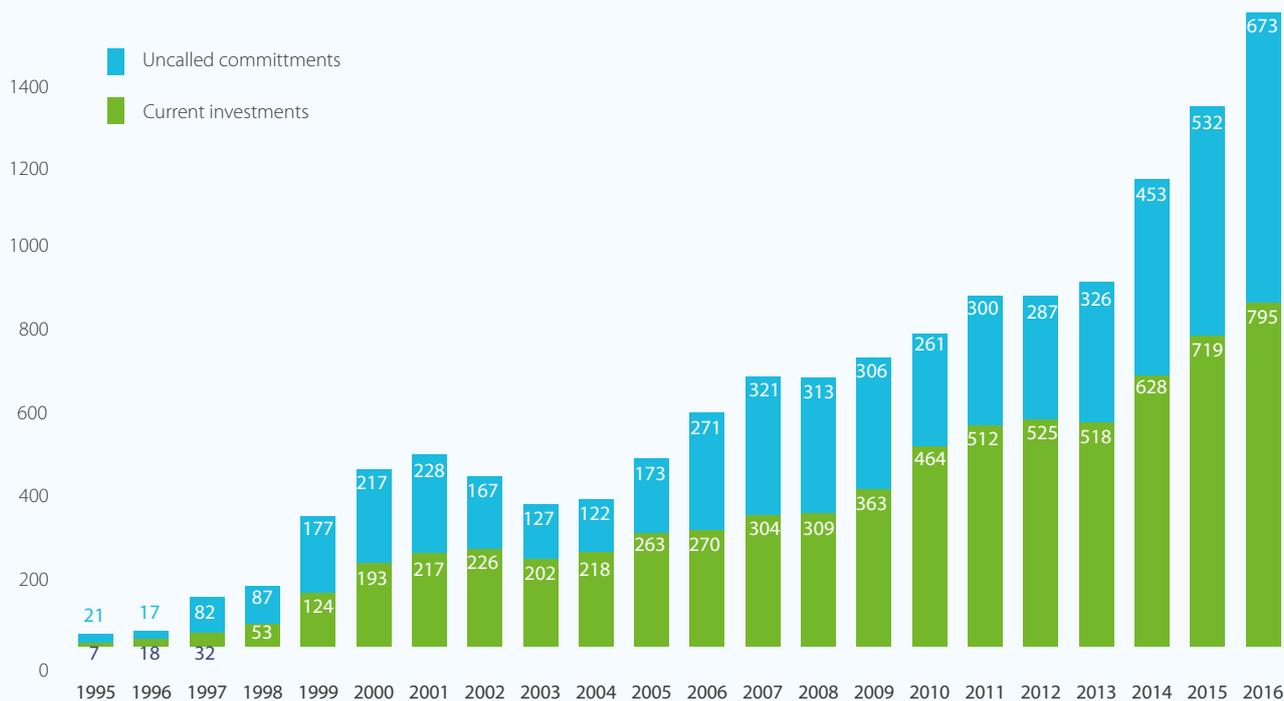
Current investments



Uncalled commitments



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



### Cash-flow trend (In € million)

The graph above shows that during the period 2004 to 2007 the Private Equity portfolio has been self-financing, with cash calls being largely financed by distributions. The years 2008 to 2010 showed an opposite trend. Since 2011 the Private Equity portfolio has been again self-financing. Indeed, the positive net cash-flow generated by its activity amounted to €20 million in 2016 as opposed to €64 million in 2015.

The cash calls are generally spread over time, usually five years, so that the manager can complete the build up of the investment portfolio. In general the financing requirements of Private Equity 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.

### Trend in Private Equity investments

(in € million)	31 December 2016	31 Dec. 2015 (Pro forma)
<b>Private Equity at the beginning of the period</b>	<b>719.28</b>	<b>628.06</b>
Additions	170.49	143.77
Disposals	-196.37	-216.85
Change in fair value	101.17	164.29
<b>Private Equity at the end of the period</b>	<b>794.57</b>	<b>719.28</b>

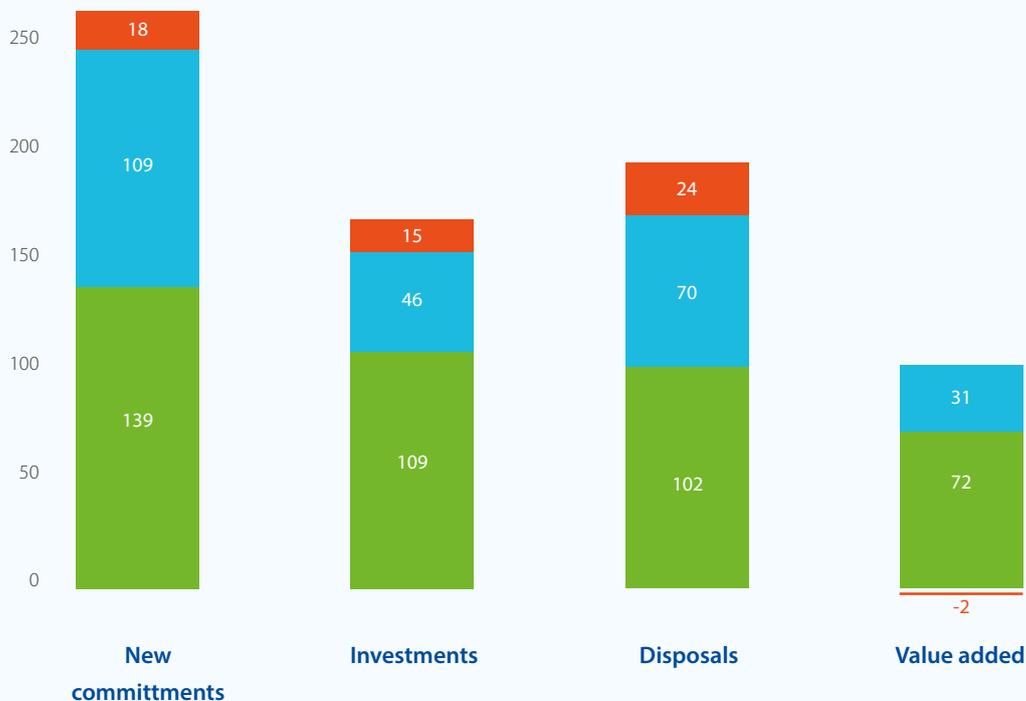
### Evolution of uncalled commitments

(in € million)	31 December 2016	31 Dec. 2015 (Pro forma)
<b>Commitments at the beginning of the period</b>	<b>532.11</b>	<b>452.89</b>
Variation in existing commitments	-124.96	-100.39
New commitments (*)	266.29	179.61
<b>Commitments at the end of the period</b>	<b>673.44</b>	<b>532.11</b>

(\*) At historical exchange rates

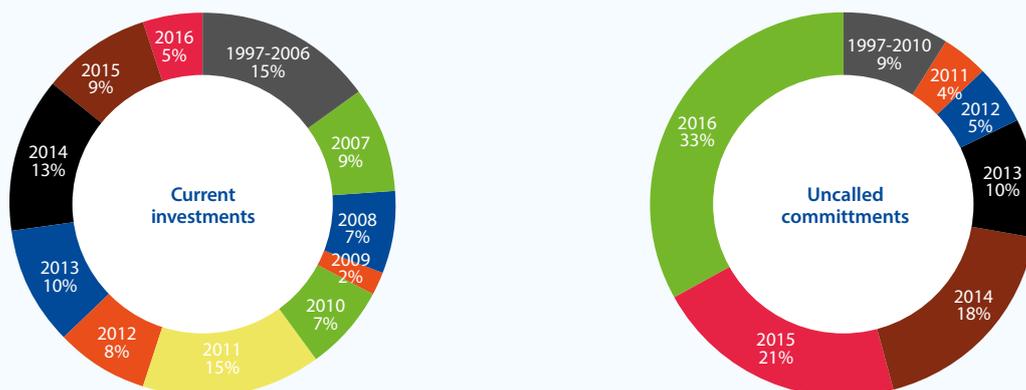


Summary of Private Equity activities in 2016 (in € million)



Asia/Australia	15	15	24	-2
Europe	109	46	70	31
USA	139	109	102	72
	<b>266</b>	<b>170</b>	<b>196</b>	<b>101</b>

Breakdown of investments in Private Equity per year of subscription of each Fund (« vintage year »)



## List of the 25 main Private Equity managers as at 31 December 2016 (in € million)

Names	Investments at fair value	Uncalled commitments	Total commitments
ARDIAN	52.08	57.63	109.71
CATTERTON PARTNERS	51.40	32.80	84.20
THE CARLYLE GROUP	37.67	43.20	80.87
PROVIDENCE EQUITY PARTNERS	45.60	29.59	75.20
HIG CAPITAL	34.66	35.30	69.97
BAIN CAPITAL PARTNERS	41.13	28.09	69.22
EQT	37.85	15.57	53.42
BC PARTNERS	22.83	27.39	50.22
CAPITAL TODAY	45.48	2.58	48.06
UPFRONT VENTURES	37.32	8.77	46.09
HGGC	12.94	28.92	41.86
VISTA EQUITY PARTNERS	13.74	24.00	37.75
STONEPOINT CAPITAL	27.22	10.49	37.71
APOLLO MANAGEMENT	23.52	14.07	37.59
AMERICAN SECURITIES	18.35	18.16	36.51
MONTAGU PRIVATE EQUITY	15.84	18.26	34.11
CUBERA PRIVATE EQUITY	5.15	27.89	33.04
CITIC CAPITAL PARTNERS	13.15	17.45	30.60
ARLINGTON CAPITAL PARTNERS	11.39	19.18	30.57
SUN CAPITAL PARTNERS	15.55	13.86	29.41
SWANCAP	18.58	10.18	28.76
TRITON	15.21	13.44	28.65
HARVEST PARTNERS	12.37	15.59	27.96
RIVERSTONE HOLDINGS	20.88	6.42	27.30
STIRLING SQUARE CAPITAL PARTNERS	21.22	5.80	27.02
OTHERS	143.44	148.80	292.24
<b>TOTAL</b>	<b>794.57</b>	<b>673.44</b>	<b>1,468.01</b>

The 25 managers listed above represent 80% of the total commitments. The outstanding amount of € 794.57 million includes direct co-investments totalling € 53.64 million.

### 6.3.2. Listed securities portfolio

Brederode actively manages a large portfolio of listed shares, its second area of activity. These are minority positions that generally benefit from ample liquidity and are suitable for the occasional issue of put or call options. *As at 31 December 2016, the group had no outstanding options.*

#### Evolution of the portfolio (in € million)

	2016	2015
<b>Listed securities at the beginning of the period</b>	<b>792.85</b>	<b>675.58</b>
Investments	31.19	83.09
Disposals	-1.90	-25.68
Change in fair value	50.81	59.86
<b>Listed securities at the end of the period</b>	<b>872.94</b>	<b>792.85</b>

#### Portfolio composition

On 31st December 2016 the group owned the following listed securities, expressed in € million:

Securities	31 Dec. 2015 (Pro forma)	Acquisitions (Disposals)	Change in fair value	31 Dec. 2016	Performance (1)	Number of shares	Allocation
<b>(in € million)</b>							
<b>Health care</b>	<b>149.79</b>	<b>1.35</b>	<b>-5.31</b>	<b>145.83</b>	<b>-1.4%</b>		<b>16.7%</b>
Novartis	50.07		-6.94	43.13	-11.2%	625,000	4.9%
Fresenius SE & Co	42.63		5.36	47.99	13.3%	646,191	5.5%
Sanofi	36.94		-0.80	36.14	1.0%	470,000	4.1%
Coloplast	20.15	1.35	-2.93	18.58	-11.6%	290,000	2.1%
<b>Technology</b>	<b>109.43</b>	<b>4.29</b>	<b>28.15</b>	<b>141.87</b>	<b>26.4%</b>		<b>16.3%</b>
Samsung Electronics (GDR)	48.82		22.05	70.87	46.8%	100,000	8.1%
Intel	35.66		3.12	38.78	11.3%	1,127,000	4.4%
Mastercard	24.95	4.29	2.99	32.22	10.8%	328,950	3.7%
<b>Investment</b>	<b>117.52</b>	<b>1.00</b>	<b>17.54</b>	<b>136.06</b>	<b>16.2%</b>		<b>15.6%</b>
Sofina	70.74		15.02	85.76	23.6%	684,152	9.8%
Brederode	46.78	1.00	2.52	50.30	5.3%	1,204,575	5.8%
<b>Oil</b>	<b>97.26</b>	<b>3.28</b>	<b>18.74</b>	<b>119.29</b>	<b>25.0%</b>		<b>13.7%</b>
Royal Dutch Shell "A"	39.29	3.28	9.71	52.28	30.5%	2,011,474	6.0%
Total	33.84		6.11	39.95	23.1%	820,000	4.6%
ENI	24.14		2.92	27.06	17.8%	1,749,000	3.1%

Securities	31 Dec. 2015 (Pro forma)	Acquisitions (Disposals)	Change in fair value	31 Dec. 2016	Performance (1)	Number of shares	Allocation
<b>Consumer goods</b>	<b>111.08</b>		<b>-2.12</b>	<b>108.96</b>	<b>0.7%</b>		<b>12.5%</b>
Unilever	64.64		-1.59	63.05	0.2%	1,611,788	7.2%
Nestlé	46.43		-0.53	45.91	1.4%	674,872	5.3%
<b>Electricity</b>	<b>36.52</b>	<b>1.41</b>	<b>-1.72</b>	<b>36.21</b>	<b>-0.3%</b>		<b>4.1%</b>
Iberdrola	36.52	1.41	-1.72	36.21	-0.3%	5,812,858	4.1%
<b>Building</b>	<b>20.12</b>	<b>-0.59</b>	<b>2.12</b>	<b>21.66</b>	<b>10.9%</b>		<b>2.5%</b>
Lafarge-Holcim	20.12	-0.59	2.12	21.66	10.9%	433,486	2.5%
<b>Miscellaneous industries</b>	<b>151.12</b>	<b>18.54</b>	<b>-6.60</b>	<b>163.07</b>	<b>-1.6%</b>		<b>18.7%</b>
3M	24.87	6.05	6.31	37.22	22.6%	219,722	4.3%
Relx	24.54	6.36	0.91	31.82	5.0%	1,879,965	3.6%
Syngenta	24.55		0.86	25.41	5.9%	67,800	2.9%
Telenor	21.93		-1.77	20.16	-2.8%	1,420,000	2.3%
Rolls Royce	14.71	1.67	-0.01	16.36	-0.1%	2,097,207	1.9%
Ageas	14.46		-1.75	12.70	-8.3%	337,750	1.5%
Capita	13.14	4.34	-10.40	7.08	-57.8%	1,141,622	0.8%
Others <€ 10 MM	12.94	0.12	-0.74	12.31	-5.7%	-	1.4%
<b>TOTAL</b>	<b>792.85</b>	<b>29.29</b>	<b>50.81</b>	<b>872.94</b>	<b>8.8%</b>		<b>100%</b>

(1) Indicative performance = (Change in fair value + net dividends) / (Fair value as at 1 January + purchases in the financial year)

### 6.3.3. Derivative instruments

#### Options on listed shares

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

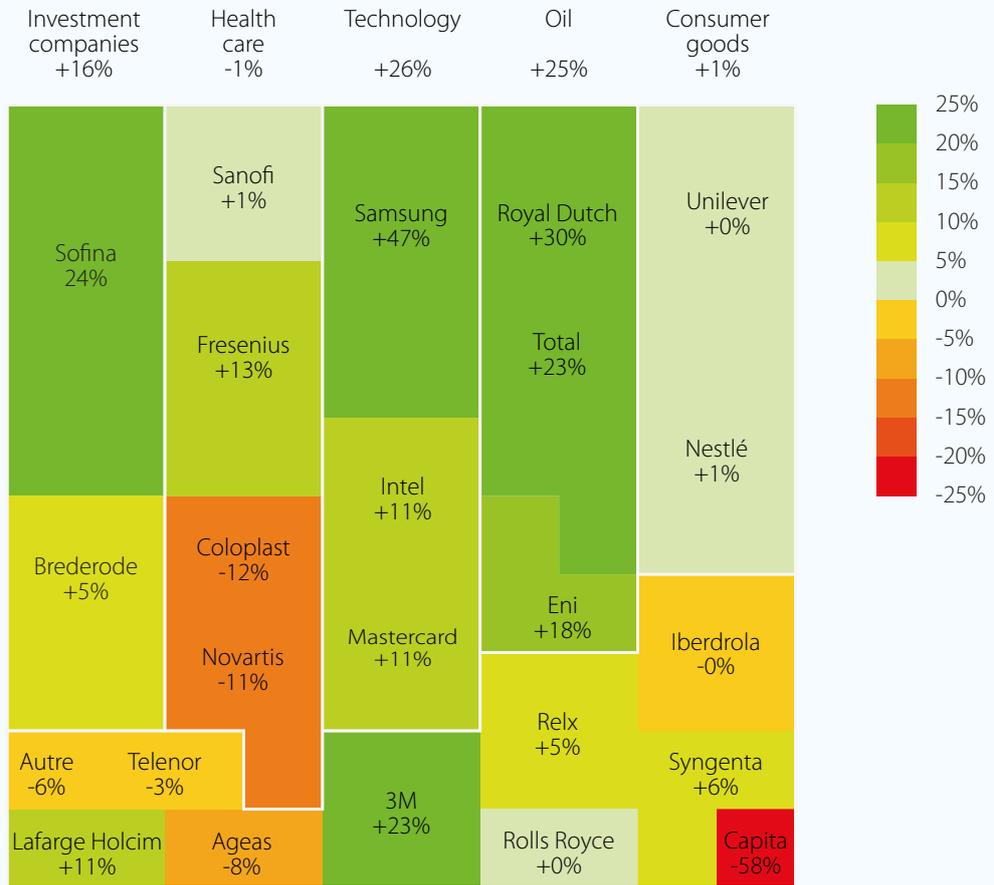
The positions taken do not generally exceed two months and are not speculative in nature; any issue of call options, for example, is always 100% covered by shares held in the portfolio.

In 2016, no options were issued, while the amount of premiums collected in 2015 amounted to € 0.21 million.

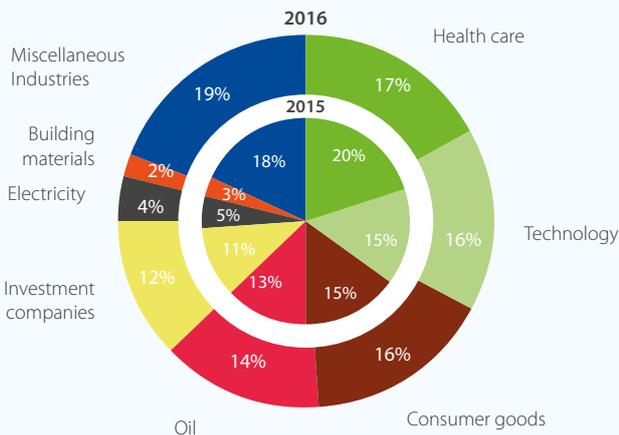
#### Currency hedging transactions

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 2016.

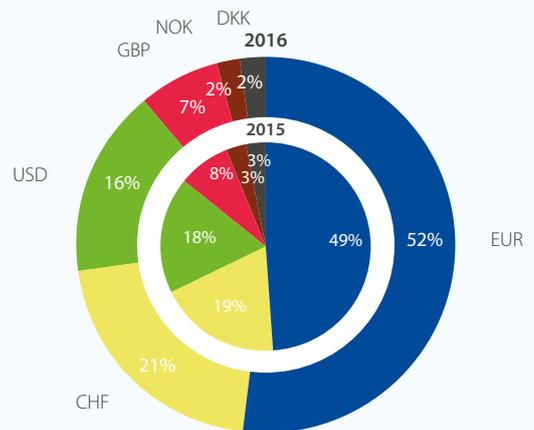
### Performance by investment and by industry in 2016



### Breakdown of the listed portfolio by industry



### Breakdown of the listed portfolio by currency



## 6.4. Insurance activities at Lloyd's

2016 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 total results for 2016 are therefore based principally on its insurance activities for 2014, adjusted for provisions, where necessary, for the technical results of 2015 and 2016. The contribution of Athanor's insurance activities to changes in Brederode's equity capital represented the equivalent of € 1.7 million (same amount as in the previous year). It must be added to this figure the change in fair value of the Lloyd's syndicates, which amounted to a loss of € 0.6 million, due entirely to the reduction in value of the pound sterling. The value of Athanor's insurance capacity with Lloyd's increased by £ 0.9 million to £ 17.0 million as at 31 December 2016 (€ 19.8 million).

Positive technical results are expected for 2015 and 2016.

## 6.5. Related party transactions

There were no related party transactions in the reporting period that significantly influenced the financial position and the results of Brederode or its subsidiaries.

## 6.6. Law on transparency obligations

On 28 July 2014 Brederode received a joint notification from the Stichting Administratiekantoor (STAK) Holdicam and Holdicam S.A. based on the law and the Grand-Duchy regulation of 11 January 2008 concerning transparency obligations incumbent upon the issuers of securities.

According to the content of this notification and, at 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 Geysler S.A. The latter owns 0.60% of Brederode S.A.

As at 31 December 2016, Geysler S.A. held 4.11% of Brederode S.A.

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

There was no research and development activity.

## 6.8. Events following the reporting period

The directors confirm that to their knowledge no event following the closure of the accounts had any significant impact on the financial statements.

## 6.9. Proposed distribution to shareholders

The Board of Directors continues to favour a policy of steadily growing distributions to its shareholders. It will propose to the annual general meeting to be held on May 10th, 2017 a distribution of € 0.77 per share vs € 0.70 per share the previous year, a 10% increase.

Similar to the previous year, this distribution will be sourced from the share premium account. If approved, it will be made available for payment on May 24th, 2017.

In comparison to the results of the year in review, such distribution corresponds to a relatively low pay-out ratio (13%). It significantly increases the self-financing capabilities of the company.

Following article 97 (3) of the Law dated 4 December 1967, this distribution will not be subject to withholding tax in Luxembourg. The country of residence of each shareholder will determine, according to its own laws and regulations, the nature of the distribution and its tax regime.

## 6.10. Outlook

Brederode's vocation to invest in equity capital will, of course, continue to subject the company to risks and uncertainties associated with the international macro-environment. Even though financial markets volatility can generate significant changes in valuations, the quality of the assets and their diversification allow the board of directors to be particularly confident in the outlook of the company in the medium to long term and in its ability to continue to create value for its shareholders.

## 6.11. 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.

### 6.11.1. 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.

### 6.11.2. Risk management policy

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, Good Governance and Risk Management 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 Brederode and its subsidiaries.

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).

The effect of changes in the fair value of hedging instruments can be found in the changes in fair value of the direct subsidiary of Brederode.

### **b) Interest rate risk**

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

### **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 are very liquid and are less volatile than the so-called emerging markets. The price risk related to listed securities is also reduced by the portfolio's high level of geographical and market diversification. The breakdown of the listed portfolio by currency and by market is shown above.

#### **ii. Private Equity Portfolio**

For the Private Equity portfolio, 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 basis of valuations 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 Brederode invest with. A second level of diversification is present within each Partnership which typically spreads its investments among fifteen to twenty separate projects. The geographical breakdown of the *Private Equity* portfolio is shown above.

#### **iii. Options on listed securities**

The price risk is reflected directly in the price levels prevailing in the option markets. Greater volatility on the stock markets 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

### **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.

The custody of securities also involves a credit risk, even if the securities are in principle always segregated from the assets of the financial institutions to whom the safekeeping of the listed securities portfolio is entrusted.

In the context of the management of its listed securities portfolio, Brederode regularly lends a sizeable part of it to leading banks, in return for remuneration. The loan agreements also allows Brederode to gain access to credit lines at favourable conditions. The credit risk associated with the securities lending activity is covered by a pledge, in favour of Brederode, of a portfolio of financial assets guaranteeing a coverage of more than 100%.

### **Liquidity risk**

The liquidity or financing risk is defined as the risk that an entity may experience difficulties in raising the funds necessary to honour its commitments. 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 management of the liquidity risk also takes into account the credit lines whose availability and conditions are enhanced by the existence of an important portfolio of listed securities.. The group sees to it that it keeps its level of financial indebtedness below the confirmed lines of credit.

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

This is the risk that future cash flows may be threatened by changes in market interest rates. Brederode is not affected by this risk.

### **6.11.3. 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. Moreover, the executive directors meet at least once a month to conduct a detailed examination of the financial position, portfolios, asset valuation, general monitoring of activities, financing requirements, risk assessment, new commitments, etc. Since financial assets are always held by third-party bankers, trustees, etc., the risks of negligence, error or internal fraud are significantly reduced.

### **6.11.4. 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 outsourced to 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. The Executive directors prepare, check and distribute information after it has been submitted for approval to the Board of Directors, the external legal advisors and the Auditor.

### **6.11.5. Audit**

Brederode has appointed a certified company auditor in the person of Mazars Luxembourg, certified auditing firm, with its registered office established at 10A Rue Henri M. Schnadt, 2530 Luxembourg, and listed in the Trade and Companies Register under number B 159.962, appointed for a period of three years, said period coming to an end on 14 May 2017. Mazars Luxembourg and its representative, Mr Amir Chakroun, are members of the Institute of Company Auditors and authorized by the Commission de Surveillance du Secteur Financier..

Luxembourg, 15 March 2017

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.

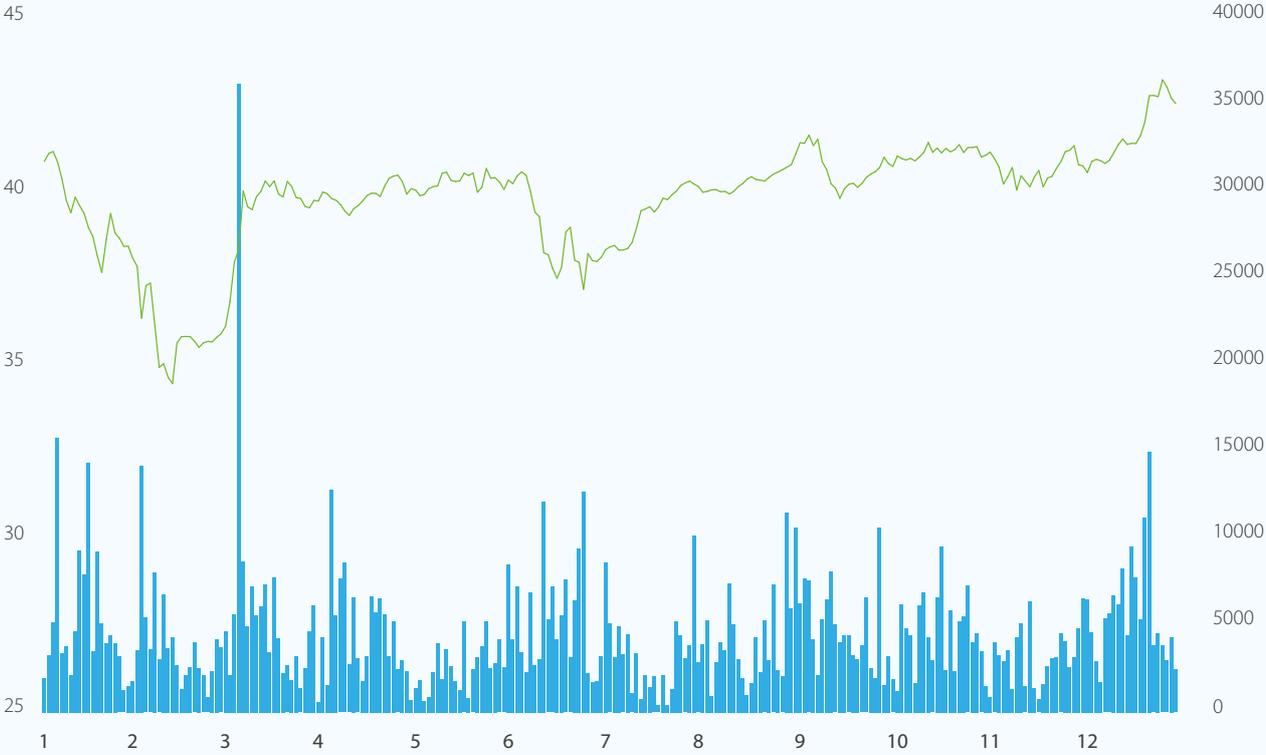
### **Stock market capitalization**

At the end of 2016 Brederode's stock market capitalization amounted to €1.224 million compared to € 1.187 million a year earlier.

### **Share price and liquidity**

In 2016, Brederode's share price increased by 3% (5% including the distribution of € 0.70 in May) with a transaction volume of 1.2 million shares (compared to 1.7 million in 2015), or an average daily volume of 4,566 shares (compared to 6,558 in 2015).

**Evolution of the share price of Brederode (EUR) and daily volume  
(number of shares - right-hand scale)**



## 8. Individual financial statement as at 31 December

### 8.1. Individual statement of financial position

		(Pro forma)	
(in € million)	Notes	31 December 2016	31 December 2015
<b>NON-CURRENT ASSETS</b>		<b>1,705.91</b>	<b>1,554.73</b>
Subsidiaries at fair value	(1)	1,705.91	1,554.73
<b>CURRENT ASSETS</b>		<b>0.01</b>	<b>0.04</b>
Other current assets		0.00	0.00
Cash and cash equivalents		0.01	0.04
<b>TOTAL ASSETS</b>		<b>1,705.92</b>	<b>1,554.77</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,705.69</b>	<b>1,554.62</b>
Issued share capital	(2)	182.71	182.71
Share premium	(3)	734.50	755.01
Profit carried forward		616.89	377.79
Result for the financial year		171.59	239.11
<b>NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>		<b>0.23</b>	<b>0.15</b>
Other current liabilities		0.23	0.15
<b>TOTAL LIABILITIES</b>		<b>1,705.92</b>	<b>1,554.77</b>
<b>(in €)</b>			
Number of shares at the end of the period		29,305,586	29,305,586
Shareholders' equity per share		58.20	53.05

The annexed notes form an integral part of the financial statements.

## 8.2. Individual profit and loss account

(in € million)	Notes	(Pro forma)	
		31 December 2016	31 December 2015
Change in fair value of subsidiary	(4)	171.78	239.29
<b>Result from the management of the investment entity</b>		<b>171.78</b>	<b>239.29</b>
Other operating income and expenses		-0.19	-0.18
<b>Operating result</b>		<b>171.59</b>	<b>239.11</b>
Net financial income (expenses)		0.00	0.00
Tax on the net result		0.00	0.00
<b>Profit for the period</b>		<b>171.59</b>	<b>239.11</b>
<b>Profit per share</b>			
Weighted number of shares		29,305,586	29,305,586
Net profit per share (in euro)		5.86	8.16

The annexed notes form an integral part of the financial statements.

## 8.3. Individual statement of cash flows

(in € million)	Notes	(Pro forma)	
		31 December 2016	31 December 2015
<b>Operating activities</b>			
Pre-tax profit for the year		171.59	239.11
Taxes for the year		0.00	0.00
Net profit for the financial year		171.59	239.11
Change in fair value	(4)	-171.78	-239.29
Gross cash-flow		-0.19	-0.18
Change in working capital requirements		0.08	-0.05
Cash flow resulting from operating activities		-0.11	-0.24
<b>Investment activities</b>			
Reimbursement from subsidiaries	(5)	20.60	19.30
Cash flow from investment activities		20.60	19.30
<b>Financing activities</b>			
Distribution to shareholders	(3)	-20.51	-19.05
Cash flow resulting from financing activities		-20.51	-19.05
<b>Net movement in cash in cash and cash equivalents</b>		<b>-0.03</b>	<b>0.01</b>
Cash and cash equivalents on 1st January		0.04	0.02
Cash and cash equivalents on 31st December		0.01	0.04

The annexed notes form an integral part of the financial statements.

## 8.4. Individual financial statement of changes in equity

(in € million)	Notes	Capital	Share premium	Reported results	Total
<b>Balance on 1st January 2015</b>		<b>182.71</b>	<b>774.06</b>	<b>377.79</b>	<b>1,334.67</b>
- distribution to shareholders	(3)		-19.05		-19.05
- result for the year				239.11	238.99
<b>Balance on 31st December 2015</b>		<b>182.71</b>	<b>755.01</b>	<b>616.89</b>	<b>1,554.62</b>
<b>Balance on 1st January 2016</b>		<b>182.71</b>	<b>755.01</b>	<b>616.89</b>	<b>1,554.62</b>
- distribution to shareholders	(3)		-20.51		-20.51
- result for the year				171.59	171.59
<b>Balance on 31st December 2016</b>		<b>182.71</b>	<b>734.49</b>	<b>788.48</b>	<b>1,705.69</b>

The annexed notes form an integral part of the financial statements.

## 8.5. Notes

### Accounting methods

The financial statements are drawn up in accordance with the International Financial Reporting Standards, as published and adopted by the European Union effective 31 December 2016.

The standards, amendments and interpretations that entered into force on January 1st, 2016 had a significant impact on the presentation of the summary financial statements. These changes are detailed in the following note.

Brederode had not opted for early adoption of those standards, amendments and interpretations that have been published but were not yet in force on 31 December 2016

### Change in accounting perimeter

Brederode fits the definition of investment entity set out in paragraph 27 of IFRS 10.

Until January 1st, 2016, Brederode did not apply the exception to consolidation for investment entities under paragraph 32 of IFRS 10, which provides that an investment entity is not required to consolidate its subsidiaries, with the exception of those that provide services related to the entity's investment activity.

The amendments published on December 18th, 2014 by the IASB, titled "Investment entities: application of the exception to consolidation", took effect on January 1st, 2016 and render the exception to consolidation obligatory henceforth for every subsidiary that meets the definition of investment entity.

Since every subsidiary of the group fits the criteria of investment entities, Brederode has had to comply with paragraphs 31 and 32 supplemented and/or amended by the new amendments, and hence no longer consolidates the subsidiaries in question but accounts for them at fair value through the profit and loss accounts, in accordance with IAS 39.

Brederode therefore excluded from its statement of financial position the assets and liabilities of its subsidiaries, including financial assets (Private Equity and Listed Companies), whose fair value is from now on included indirectly in the valuation of Algol S.à r.l., its only direct holding appearing among the assets in its separate (non-consolidated) financial statements (IAS 27).

The valuation procedure follows the order of the asset holding structure in ascending form, starting with the assets and liabilities held by subsidiaries located at the bottom of the shareholding chain. The net asset value per share of the subsidiary is then used to determine the fair value of the shareholding of the group company that holds it. The process continues up to the valuation of assets and liabilities directly held by Brederode S.A.

The holding in the direct subsidiary is in turn accounted for at fair value through net profit.

### **Pro forma statements 2015**

In accordance with the transitional provisions under IFRS 10, the 2015 financial year was adjusted retroactively. The opening capital of the 2015 period has, moreover, been adjusted to take account of the gap between the previous accounting value of Algol S. à r.l., Brederode's sole direct subsidiary, and its fair value as at 1 January 2015.

The shares in Brederode held by subsidiaries (for a fair value of € 40 million as at 30 June 2015 and of €47 million as at 31 December 2015) are not considered to be "own shares". Nor are they henceforth eliminated from the accounts, but now constitute a financial asset just like the other listed securities held in the portfolio. The variation in the fair value of these securities now contributes indirectly to the variation in the fair value of Brederode's direct subsidiary and hence to its net profit (pro forma) in the amount of € 21 million as at 31 December 2015.

The total shareholders' equity of Brederode is thus indirectly increased in proportion to changes in fair value (at market value) of the shares in Brederode held by subsidiaries.

Since those shares are no longer eliminated, they are instead added to the number of shares included in the income. To calculate shareholder's equity and profit per share, the number of shares used corresponds to the total number of shares representing capital (including the shares in Brederode held by subsidiaries), i.e., 29,305,586 shares (vs 28,150,434 on 31 December 2015 in the consolidated financial statements, which eliminated "own shares" held by subsidiaries).

The accretive effect of the repurchase of shares at a discount from their intrinsic value is no longer expressed in the separate (non-consolidated) financial statements. By way of information, the elimination of these shares should have had the effect of increasing shareholders' equity per share in Brederode's separate (pro forma) financial statements by € 0.51 as at 31 December 2015.

Since holdings in the Lloyd's syndicates (intangible assets) as well as in land (tangible assets) are no longer consolidated using the global method, they no longer constitute separate assets accounted for at the lowest of the acquisition value or the fair value, but rather assets whose value must be measured under the fair value measurement method of the subsidiaries that hold them.

An unrealized capital loss on the holdings in the Lloyd's syndicates has therefore been entered in the pro forma financial statements in the amount of € 9 million as at 31 December 2015.

An unrealized capital loss on land has also been expressed in the pro forma financial statements in the amount of € 1.2 million as at 31 December 2015.

### **Note 1: Subsidiaries**

On January 1st, 2016 Brederode S.A. owned 100% of Algol S.à r.l. which owned 100% of Geyser S.A., which owned at the same time 100% of Greenhill SA and of Brederode International S.à r.l. The latter owned 100% of Athanor Ltd. During 2016 there has been no change to the above ownership structure.

From 1st of January 2016, none of the direct and indirect subsidiaries are consolidated. From that date onward, the fair value changes in the subsidiaries in question are accounted for at fair value through Profit and Loss account, as provided for in IAS 39. In accordance with IFRS 12 § 9B, the table below indicates the total fair value, at the date of the change in status, of the subsidiaries that are no longer consolidated as well as that of Algol S.à r.l. (the only direct investment)

(in € million)	Fair value as at 01.01.2016
<b>Direct subsidiary</b>	
Algol S.à r.l. (Luxembourg)	1,554.73
<b>Indirect subsidiaries</b>	
Geyser S.A. (Luxembourg)	1,554.76
Brederode International S.à r.l. (Luxembourg)	364.22
Athanol Ltd (London)	12.34
Greenhill SA (Brussels)	0.47

#### List of subsidiaries and average number of staff

Names	Addresses	Average number of staff
Athanol 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 S.A.	Av. de Tervuren, 92 – B-1040 Brussels	

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

#### Fair value hierarchy

The fair value measurements are distributed according to a hierarchy comprising three levels: level 1 is for fully observable data; level 2 applies to data that are only indirectly observable and may require adjustments to be taken into account; level 3 relates to unobservable data.

Since accounting for the subsidiary Algol relies on unobservable data, fair value measurement of this asset, which constitutes more than 99 % of Brederode’s total assets, has been classified as level 3. As far as the pro forma statements for the 2015 financial year are concerned, there has been no transfer to levels 1 or 2.

#### Transactions with related companies

There were no related party transactions in the reporting period that significantly influenced the financial position and the results of Brederode or its subsidiaries.

#### Note 2: Issued share capital

	2016	2015
Number of shares representing capital		
- dematerialized	29,305,586	29,305,586
<b>Total</b>	<b>29,305,586</b>	<b>29,305,586</b>

The current capital of €182,713,909.08 is represented by 29,305,586 shares with no-par-value. On 31 December 2016, Brederode's authorised capital amounted to €432,713,909.08 (€250 million not issued).

As of 31 December, the subsidiary GEYSER S.A. held 1,204,575 shares in Brederode (compared to 1,155,152 the year before). Since the subsidiary is no longer consolidated, these shares are no longer accounted for as treasury shares but as an investment at fair value in the subsidiary in question.

### Note 3: Share premium account - distribution

The general meeting of shareholders of 11 May 2016 approved the partial reimbursement of the share premium account for an amount of €0.70 gross per share. It has been paid on 25 May 2016.

(in € million)	31 December 2016	31 December 2015 (Pro forma)
Amount distributed during the financial year	20.51	19.05
Amount proposed as distribution for the current financial year and to be distributed during the following financial year	22.57	19.71

The proposal for distribution is subject to the shareholders' approval during the Annual general meeting and is not included under debt in accordance with the provisions of the IFRS standards.

### Note 4: Fair value variations in the subsidiaries

This affects the only subsidiary directly held by Brederode S.A., namely, Algol S.à r.l.

The fair value variations in indirectly held subsidiaries and of the assets and liabilities they hold are accounted for in the fair value variations in Algol.

### Note 5: Reimbursement from subsidiaries

Partial reimbursement of shareholder premium from the subsidiary Algol S.à r.l. for an amount of € 20.60 million.

### Note 6: Operational sectors

As an investment entity, Brederode excludes from its statement of financial position the financial assets held by its subsidiaries, whose fair value is henceforth indirectly included in the valuation of Algol S.à r.l., its only direct participation, which is shown as an asset in its individual financial statements.

The two lines of business identified in the past in the consolidated financial statements, namely Private Equity and Listed Securities, have now given way to a single line of business known as *Investment firms*, which corresponds to Brederode's participation in its subsidiary Algol S.à r.l.

- a. Indicator of total assets and liabilities and reconciliation of balances

(in € million)	31 December 2016	31 December 2015 (Pro forma)
<b>Fair value at the beginning of the period</b>	<b>1,554.73</b>	<b>1,334.74</b>
Investments	-	-
Disposals <sup>(*)</sup>	-20.60	-19.30
Changes in fair value	171.78	239.29
<b>Fair value at the end of the period</b>	<b>1,705.91</b>	<b>1,554.73</b>

(\*) Partial reimbursement by Algol S.à r.l.

## b. Indicator of the result

The sole indicator of the result is the change in fair value of the subsidiary Algol S.à.r.l. as indicated in the previous table.

## c. Characteristics and risk profile of the operating sectors

The risk associated with Brederode's investment in its subsidiary Algol S.à.r.l. can be measured by the volatility of its fair value, which in turn is determined by the characteristics and profiles of the assets and liabilities held by its direct or indirect subsidiaries.

As a consequence, while from a technical point of view Brederode constitutes a single line of business, that of an investment firm, made up of the subsidiary Algol S.à.r.l., the risk profile of that single line of business continues to depend on the characteristics of the Private Equity and the Listed Securities portfolios managed via its direct and indirect subsidiaries.

For information purposes, the figures related to the assets and liabilities of the two lines of business (Private Equity and Listed Securities) carried out by the subsidiaries of Brederode are provided below:

## i. Private Equity Portfolio

Geographical diversification of investments at fair value (in € million)	31 December 2016	31 Dec. 2015 (Pro forma)
United States	462.28	383.44
Europe	248.78	240.93
Asia / Australia	83.51	94.91
<b>Total</b>	<b>794.57</b>	<b>719.28</b>

Geographical diversification of uncalled commitments (in € million)	31 December 2016	31 Dec. 2015 (Pro forma)
United States	393.85	328.00
Europe	240.75	171.41
Asia / Australia	38.84	32.70
<b>Total</b>	<b>673.44</b>	<b>532.11</b>

Breakdown of commitments in Private Equity by year of subscription (vintage) (in € million)	Current	Uncalled
1997-2010	320.20	61.78
2011	119.07	25.53
2012	67.77	32.60
2013	79.01	68.81
2014	102.34	123.79
2015	69.26	139.72
2016	36.92	221.21
<b>Total</b>	<b>794.57</b>	<b>673.44</b>

## ii. Portfolio of listed securities

<b>Sectoral diversification</b>	<b>31 December 2016</b>	<b>31 Dec. 2015 (Pro forma)</b>
Healthcare	145.83	149.79
Technology	141.87	109.43
Investment companies	136.06	117.52
Oil	119.29	97.26
Consumer goods	108.96	111.08
Electricity	36.21	36.52
Building materials	21.66	20.12
Miscellaneous industries	163.07	151.12
<b>Total</b>	<b>872.94</b>	<b>792.85</b>
<b>Diversification by currency</b>	<b>31 December 2016</b>	<b>31 Dec. 2015 (Pro forma)</b>
EUR	454.19	413.67
USD	179.09	134.30
CHF	136.10	141.18
GBP	64.83	61.62
NOK	20.16	21.93
DKK	18.58	20.15
<b>Total</b>	<b>872.94</b>	<b>792.85</b>

In the context of the management of its listed securities portfolio, Brederode lends a sizeable part of its listed securities to leading banks via its subsidiaries, in return for remuneration.. The loan agreements also allow Brederode to gain access to credit facilities at favourable conditions. The credit risk associated with the securities lending is covered by a pledge, in favour of Brederode, of a portfolio of financial assets guaranteeing coverage of more than 100%. As at 31 December 2016 the market value of the securities lent by Brederode amounted to €103 million, whilst that of the portfolio of financial asset pledged as security in favour of Brederode totalled €108 million. The securities lent continue to be accounted for in the balance sheet at their fair value.

## d. Fair value hierarchy

The valuation of the subsidiary Algol S.à.r.l. is based on unobservable inputs within the meaning of the IFRS 13 standard, and is therefore ranked at level 3 of the fair value hierarchy. As a rule, in case a transfer of fair value level is necessary, Brederode carries out this change of classification (and the consequences in terms of assessment) on the date of the trigger event or change in circumstances originating the transfer.

There were no transfers between levels 1, 2 and 3 during the financial year.

**Reconciliation between the opening and closing balances of the assets categorised in level 3**

(in € million)	31 December 2016	31 December 2015 (pro forma)
<b>Fair value at the beginning of the period</b>	<b>1,554.73</b>	<b>1,334.74</b>
Investments		
Divestments	-20.60	-19.30
Changes in fair value	171.78	239.29
<b>Fair value at the end of the period</b>	<b>1,705.91</b>	<b>1,554.73</b>

The fair value of assets ranked at level 3 indirectly includes 872 million of listed shares that would be ranked at level 1 if they were held directly.

**The total profits or losses booked in the net results during the period and related to assets ranked at level 3**

(in € million)	31 December 2016	31 December 2015 (pro forma)
Changes in fair value	171.78	239.29
<b>Total net profits and losses in the period</b>	<b>171.78</b>	<b>239.29</b>

**Note 7: Tax on the net profit****Reconciliation with the theoretical tax rate and actual tax rate**

(in € million)	31 December 2016	31 December 2015 (pro forma)
Profit before tax	171.59	239.11
Company tax rate	29.97%	29.97%
Theoretical tax expenses	51.42	71.66
Deferred taxes	-	-
Deduction for previous years	-	-
Tax impact of non-taxable capital gains	-51.42	-71.66
Tax impact of non-taxable dividends	-	-
Tax impact of non-deductible expenses	0.00	
Tax on profits	0.00	

Tax-exempt profits are changes in fair value of the subsidiary Algol S.à.r.l.

**Note 8: Transactions with associated companies**

(in € million)	31 December 2016	31 December 2015 (pro forma)
Funds deposited by Holdicam S.A.	-	0,43

**Note 9: Off-balance sheet rights and obligations**

There are no off-balance sheet rights or commitments at the investment entity Brederode S.A.

Via its subsidiaries, Brederode has a line of credit in the amount of € 50 million (unchanged) as part of a securities lending agreement (€ 103 million in securities lent as at 31 December 2016), guaranteed by a pledge of other securities (for a counter-value of € 108 million). Moreover, Brederode has uncalled commitments totalling € 673 million (compared to € 532 million a year earlier) linked to the Private Equity portfolio.

**Note 10: Directors' remuneration**

Directors' remuneration at the expense of Brederode S.A. and its subsidiaries in 2016 amounted to 0.93 million and is divided as follows:

(in € million)	Base remuneration	Pension	Others	Total
Executive directors	0.86	0.01	0.04	0.91
Non-executive directors	0.02			0.02
<b>Total</b>	<b>0.88</b>	<b>0.01</b>	<b>0.04</b>	<b>0.93</b>

Only the non-executive directors' remuneration are at the expense of Brederode S.A. (amounts entered in the individual financial statements). The remuneration of the executive directors is charged to the subsidiaries. Directors' remuneration does not provide for any variable component. The total amount of remuneration shown on the table above does not include social security contributions payable by the company or companies of the group (employer's contributions). The pension plan is of the "defined contribution" type. The other components comprise medical insurance, representation expenses and vehicle costs.

**Note 11: Audit fees**

(in € million)	31 December 2016	31 December 2015 (pro forma)
Audit fees	0.10	0.10
of. inter alia. Brederode	0.04	0.04
Other audit-related assignments	-	-
Tax consulting	-	-
Other mandates besides audit	-	-
<b>Total</b>	<b>0.10</b>	<b>0.10</b>

## 8.6. Accounting principles and policies

The accounting period is 12 months and these accounts for the period ending 31st December 2016 were approved by the Board of Directors' meeting held on 15 March 2017.

The individual financial statement were drawn up in EUR million (the group's operating currency) and rounded up or down to the nearest hundredth 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 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 2016.

### Changes in accounting principles

The standards, amendments and interpretations that came into force from 1 January 2016 had a significant impact on the presentation of the financial statements. These changes are set out in detail in the following paragraph.

### Change in accounting perimeter

Brederode fits the definition of investment entity set out in paragraph 27 of IFRS 10.

Until January 1st, 2016, Brederode did not apply the exception to consolidation for investment entities under paragraph 32 of IFRS 10, which provides that an investment entity is not required to consolidate its subsidiaries, with the exception of those that provide services related to the entity's investment activity.

The amendments published on December 18th, 2014 by the IASB, titled "Investment entities: application of the exception to consolidation", took effect on January 1st, 2016 and render the exception to consolidation obligatory henceforth for every subsidiary that meets the definition of investment entity.

Since every subsidiary of the group fits the criteria of investment entities, Brederode has had to comply with paragraphs 31 and 32 supplemented and/or amended by the new amendments, and hence no longer consolidates the subsidiaries in question but accounts for them at fair value through the profit and loss accounts, in accordance with IAS 39.

Brederode therefore excluded from its statement of financial position the assets and liabilities of its subsidiaries, including financial assets (Private Equity and Listed Companies), whose fair value is from now on included indirectly in the valuation of Algol S.à r.l., its only direct holding appearing among the assets in its separate (non-consolidated) financial statements (IAS 27).

The valuation procedure follows the order of the asset holding structure in ascending form, starting with the assets and liabilities held by subsidiaries located at the bottom of the shareholding chain. The net asset value per share of the subsidiary is then used to determine the fair value of the shareholding of the group company that holds it. The process continues up to the valuation of assets and liabilities directly held by Brederode S.A.

The holding in the direct subsidiary is in turn accounted for at fair value through net profit.

### Standards and interpretations

The accounting methods adopted are consistent with those of preceding 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 position.

#### **Standards and interpretations that came into force for compulsory application in the European Union in 2016 :**

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception (issued on 18 December 2014)

Amendments to IAS 27: Equity Method in Separate Financial Statements (issued on 12 August 2014)

Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014)

Annual Improvements to IFRSs 2012–2014 Cycle (issued on 25 September 2014)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014)

#### **New or amended standards or interpretations that came into force after 31 December 2016, early application of which is permitted in the European Union :**

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)

Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)

Brederode did not adopt in advance the new standards and interpretations issued before the date of authorisation for publication of the financial statements but whose date of entry into force is after 31 December 2016.

#### **Accounting estimates**

When preparing the 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 line items concerned by these estimates and hypotheses that indirectly affect Brederode via the establishment of the fair value of its subsidiaries are:

- The valuation of the Private Equity portfolio;
- The estimate of recoverable taxes ;
- The estimate of the provision.

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

The individual financial 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 Brederode 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.

#### **Conversions of transactions and balances in foreign currencies**

The individual 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 purposes of drawing up Brederode's individual financial statements, the results of the subsidiaries whose accounts are denominated in a foreign currency are converted at the average exchange rate in effect during the financial 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 ».

### **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 asset is written off in the event of sale or if no economic advantage may be expected from its continued use. 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**

Brederode 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.

Brederode 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 individual financial statements are ranked in the fair value hierarchy.

### **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 ».

In the context of the fair value assessment of direct and indirect subsidiaries of Brederode, 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 Private Equity portfolio held by investment entities that are subsidiaries of Brederode is valued on the basis of the most recent financial information received from the General Partners. These are definitive or interim valuations as at 31 December, or quarterly reports as at the previous 30 September, adjusted to take into account the investments and divestments carried out during the fourth quarter. These valuations 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 and credits granted by Brederode and by investment entities that are subsidiaries of Brederode are valued at cost, less any reduction in value as a result of depreciation and nonrecoverability.

Following the initial drawing up of the accounts the loans and amounts receivable are valued at amortized costs calculated according to 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 updating is carried out for short-term loans and credits, given their negligible potential impact.

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**

#### **Securities lending**

The securities lent continue to be accounted for on the balance sheet of Brederode and of its subsidiaries in their original portfolios. As a guarantee of the securities lending activity, a portfolio of listed securities is pledged in favour of Brederode, the value of which is at least equal to the amount of the securities lent. The securities pledged in favour of Brederode are not recognised in the accounts. The market value of the securities lent is monitored on a daily basis and the pledge is adjusted in accordance with the evolution in market value of the securities lent.

## 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 tax payables and deferred tax.

### (a) Tax payable

Tax payables include the estimated sum of tax 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.

Brederode 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 tax

Deferred tax is 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 tax is entered into the accounts if it originates from the initial booking of an asset or a liability relating to a transaction, except in the event of a regrouping of companies that, at the time of the transaction, does not have an impact on the accounting results or the fiscal results. Moreover, the liabilities pertaining to deferred tax 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 to assess the possibility of recovering this asset, 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

Brederode'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

Through one of its investment subsidiaries, Brederode has a banking line of credit. This money can be drawn down for a short term, usually not exceeding 6 months. The interest becomes payable on each maturity date. Short-term financial debts are accounted for at 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 result of the investments in Lloyd's syndicates via the subsidiary Athanor Ltd is influenced by its specific accounting methods, which involve closing the accounts with a time-lag of three years. This delay enables to carry out a more precise valuation of the impact of claims. The constraints of the deadlines by which the accounts must be published also have an impact.

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. Management of financial risks

Brederode's policy on the management of risks and uncertainties is directly related to all of Brederode's subsidiaries and influences Brederode's individual financial statements through the fair value changes of Brederode's direct subsidiary, Algol S.à.r.l.

The definition and the policy of managing the financial risks identified are described under point 6.11.2 of the management report. The effects of this management policy during the 2016 financial year can be seen in the following data.

### Market risks

#### a) Currency risk

Exchange rate evolution on 31st December:

Rate on 31st December	31 December 2016	31 December 2015 Pro forma)	Variation
USD/EUR	1.0541	1.0887	3.2%
GBP/EUR	0.8562	0.7340	-16.6%
CHF/EUR	1.0739	1.0835	0.9%
AUD/EUR	1.4596	1.4897	2.0%
NOK/EUR	9.0863	9.6030	5.4%
DKK/EUR	7.4344	7.4626	0.4%

At the end of the financial year, exposure to currencies other than the euro via Brederode's subsidiaries is broken down as follows:

(in % of the total assets)	31 December 2016	31 Dec. 2015 (Pro forma)
US Dollar	42.3%	32.0%
Pound Sterling	4.0%	4.6%
Swiss Franc	8.0%	9.6%
Australian Dollar	0.4%	0.2%
Norwegian Krone	1.4%	1.7%
Danish Krone	1.1%	1.4%

There were no outstanding hedging instruments (% of the risk) at the end of 2016 and 2015

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

(in € million)	31 December 2016	31 Dec. 2015 (Pro forma)
US Dollar	36.05	23.47
Pound Sterling	3.44	3.34
Swiss Franc	6.81	7.06
Australian Dollar	0.33	0.18
Norwegian Krone	1.17	1.23
Danish Krone	0.93	1.01
<b>Total</b>	<b>48.72</b>	<b>36.28</b>

## 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

Sensitivity analysis:

A 5% change in the valuation of the Private Equity and Listed Securities portfolios would result in a change in fair value of € 83 million (€ 76 million in 2015).

**Credit risk**

Exposure to credit risk at year-end for Brederode and its subsidiaries:

(in € million)	31 December 2016	31 Dec. 2015 (Pro forma)
Bank deposits	24.89	29.78
Amounts receivable	3.94	3.89
<b>Total</b>	<b>28.83</b>	<b>33.67</b>

The credit risk associated with the securities lending activity is covered by a pledge, in favour of the subsidiaries in question, of a portfolio of financial assets guaranteeing coverage of more than 100%. As at 31 December 2016, the market value of the securities lent by the subsidiaries of Brederode amounted to € 103 million, whilst that of the financial assets portfolio pledged as security in favour of those subsidiaries totalled € 108 million. The securities lent continue to be accounted for at their fair value on the balance sheet of the subsidiaries in question.

**Liquidity risk**

Through its subsidiaries, Brederode is able to draw on a confirmed line of credit for an amount of € 50 million. This credit facility is part of a contract for securities lending for a value of € 103 million, as referred to above. It was not used in 2016.

Analysis of the residual contractual maturity dates of debts with credit institutions:

Neither Brederode nor its subsidiaries took out any borrowing as at 31 December 2015 and 2016.

**Cash flow interest rate risk**

This risk does not affect Brederode or its subsidiaries.

## 9. Certified Auditor report

To the Shareholders of  
**BREDERODE S.A.**  
**Société Anonyme**  
R.C.S. Luxembourg B 174.490  
32, Boulevard Joseph II  
L-1840 Luxembourg

### REPORT OF THE REVISEUR D'ENTREPRISES AGREE

#### Report on the financial statements

We have audited the accompanying financial statements of **BREDERODE S.A.**, which comprise the separate (non-consolidated) statement of financial position as at 31 December 2016, and the separate (non-consolidated) income statement, separate (non-consolidated) financial statement of changes in equity and separate (non-consolidated) statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the Board of directors' financial statements*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the réviseur d'entreprises agréés judgement, including the assessment of

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of BREDERODE S.A. as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Other information**

The Board of directors is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of réviseur d'entreprises agréé thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 16 March 2017

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

Amir Chakroun  
Réviseur d'entreprises agréé

## 10. Financial calendar

2017 Ordinary General Meeting

Wednesday 10 May 2017 at 2.30 pm

n° 3 Coupon payment date

Wednesday 24 May 2017

BREDERODE S.A.

32, Boulevard Joseph II à 1840 Luxembourg

[www.brederode.eu](http://www.brederode.eu)

The annual report in French constitutes the original text.

A Dutch translations of this report is available.

In the event of any divergence of interpretation between the different versions, the French text shall be deemed authentic.

**BREDERODE**

Société Anonyme

32. Boulevard Joseph II

L-1840 Luxembourg - R.C.S. Luxembourg B 174490

[www.brederode.eu](http://www.brederode.eu)