



BREDERODE

Annual report 2006



BREDERODE

2006

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"Prosperity is a condition that knows no rest".
(Sénèque)

I . MISSION AND STRATEGY

Brederode is an investment company quoted on Euronext Brussels, which manages a portfolio of listed and unlisted ("private equity") investments.

Brederode aims to increase its shareholders' equity by generating, on a recurring basis, not only dividends but also and above all capital gains from the disposal of holdings.

The **portfolio of listed shares** is highly diversified and actively managed. It includes only high-quality minority positions, generally with a large market capitalisation.

Its management style is based on "stock picking", namely investing in companies that appear to be undervalued by the stock market and that offer the best prospects for profitability and growth.

Brederode has the advantage of not being subject to rigid constraints such as minimum sector allocation, maximum weightings between different positions, minimum liquidity restrictions and so on.

Similarly, Brederode is completely free to wait for its investments to reach full maturity before realising them.

Shares are purchased or sold either directly on the exchange or through the exercise of options.

Brederode's **option** strategy is twofold: from time to time it writes over-the-counter call options on shares in its portfolio (covered calls) that are considered to have peaked in value, and it writes put options, at below the prevailing market price, on shares it wishes to acquire, collecting the option premium that enhances the overall return on the underlying shares. The rule here too is flexibility and constant assessment of the ratio of risk to possible profit. Brederode's philosophy on options is therefore diametrically opposed to risk-taking of a speculative nature.

The objective of Brederode's **private equity** investments is to achieve returns significantly in excess of those that can be earned on the stock market.

For around a dozen years, Brederode has focused on private equity investments, primarily through fixed-term partnerships with other institutional investors in supplying capital to companies operating mainly in the United States and Western Europe.

On the strength of the experience it has accumulated, the Brederode Group is able to concentrate on the most promising projects, with the best teams of specialised managers.

Brederode strives at all times to optimise the cost of the capital required for its activity. Its assets are financed mainly from fixed capital, which is regularly strengthened by reinvestment of a large proportion of the profits generated by its activity.

A small part of its portfolio is financed through carefully measured borrowing, aimed at optimising the return on equity.



2. FINANCIAL HIGHLIGHTS

Consolidated accounts

Key figures (in EUR millions)	2002 ⁽¹⁾	2003 ⁽¹⁾	2004 ⁽²⁾	2005 ⁽²⁾	2006 ⁽²⁾
Financial assets (securities portfolio), of which:	684	719	851	1,107	1,243
• listed securities	458	517	633	845	973
• unlisted securities	226	202	218	262	270
Shareholders' equity (including O.A.C. ^(a))	540	622	832	1,077	1,219
Financial liabilities excluding O.A.C. ^(a)	15	20	74	45	47
Changes in fair value			82	244	141
Net realised capital gains	4	41			
Dividends and interest received	24	20	27	36	43
Profit for the year (group share)	(103)	79	107	256	189
^(a) Bonds automatically convertible into Brederode shares					
Adjusted figures per share (in EUR)					
Shareholders' equity	16.05	17.28	24.28	31.42	36.74
Profit for the year (group share)	(3.06)	2.20	3.12	7.47	5.54
Dividend					
• gross	0.4000	0.4200	0.4400	0.4670	0.4933
• net	0.3000	0.3150	0.3300	0.3500	0.3700
• net with VVPR coupon strip	0.3400	0.3570	0.3740	0.3970	0.4193
Market price					
• highest	21.70	16.25	20.48	24.90	29.30
• lowest	10.60	8.74	15.62	19.50	24.50
• as on 31 December	12.51	15.60	20.20	24.64	29.30

Number of shares in issue:

2002 : 33,666,474

2003 : 35,992,692

2004 and 2005 : 34,280,252 (37,646,882 – 3,336,630 own shares)

31.12.2006: For shareholders' equity: 34,280,252 – 1,109,907 own shares = 33,170,345

For basic earnings: 34,280,252 – 195,964 = 34,084,288 ^(b)

^(b) Weighted average number of shares in circulation as per IAS 33.

Ratios

P/BV (Price ⁽⁴⁾ /Book value)	0.7	0.9	0.8	0.8	0.8
P/E (Price ⁽⁴⁾ /Profit – group share)	n.a.	7.1	6.5	3.3	5.3
R.O.E. (Profit/shareholders equity in %)	n.a.	8.5(3)	12.8	23.8	15.5
Gross return (Gross dividend/market price ⁽⁴⁾ in %)	3.2	2.7	2.2	1.9	1.7

⁽¹⁾ Figures based on Belgian accounting standards

⁽²⁾ Figures based on International Financial Reporting Standards (IFRS)

⁽³⁾ Excluding results arising from merger (Brederode – Afrifina)

⁽⁴⁾ Stock Exchange price at year-end



3. MANAGEMENT REPORT

Dear Shareholders,

In similar fashion to last year, 2006 offered again an extremely favourable overall environment for the Brederode Group's investment activities. Supported by a large amount of liquidity and stimulated by low interest rates and easy access to credit, within a context of moderate inflation, financial markets have continued their upward trend.

In this annual report, the reader will find detailed information about the evolution of the business activities and of the results of Brederode S.A. and the group.

The explanatory notes to the consolidated accounts also include the accounting principles and methods, and the risks associated with financial instruments.

A. Review of the consolidated figures

There was no modification to the structure of the Brederode group during the year.

On 31 December 2006, total consolidated assets amounted to EUR 1,305.2 million, compared to EUR 1,141.7 million one year earlier. Of this amount, 95% is represented by the fair value of the securities portfolio, which in turn is made up, for approximately 78%, by listed shares, the remainder being private equity investments.



Consolidated profit and loss account

000 EUR	31 December 2006	31 December 2005
Dividend and interest income	43,305	36,182
Change in fair value of financial assets	140,920	243,872
Listed shares	100,465	156,340
Private equity	40,455	87,532
Foreign exchange result	13,782	-29,580
Other results	-4,994	-4,618
Portfolio management result	193,013	245,856
Result of companies accounted for with the equity method	69	920
Other operating income and expenses	4,169	-169
Operating result	197,251	246,607
Net financial expenses	-87	-847
Result of discontinued activities	0	14,131
Income tax	-8,348	-3,856
Profit for the period	188,816	256,035
Minority interests	-11	-91
Group share in the profit for the period	188,805	255,944

During the year under review, the Brederode Group reported consolidated net profits of EUR 188.8 million.

This represents earnings of EUR 5.54 per share, compared to EUR 7.47 in 2005.

Prospects

On the long term, the nature of the investments and the structure of the group's portfolio should lead to a regular increase in dividends received and capital gains.

B. Statutory situation of the company

Changes in number of shares

The extraordinary general meeting of shareholders on 30 May 2006 resolved to cancel the 3,366,630 own shares held by Brederode, The number of shares in circulation was therefore reduced to 34,280,252.

The same meeting authorised the Board of Directors to acquire, via purchase or exchange, a maximum number of shares as stipulated in article 620, § 1, 2. of the Companies' Code, directly or by means of a person acting in his own name but on behalf of the company, or by a direct subsidiary company according to article 627 of the Companies' Code, at a minimum price of one euro and at a maximum price of five per cent above the average closing price of the 3 days preceding the acquisition. This authorisation is valid for a period of eighteen months from the publication of this decision in the annexes to *Le Moniteur Belge*, and may be renewed.

This decision was published in the annexes to *Le Moniteur Belge* on 3 July 2006.

Within the framework of this authorisation, and with the aim of optimising its capital structure, during the second half of 2006 Brederode purchased, through the stock exchange, 1,109,907 shares representing 3.24% of its share capital at an average price of EUR 28.13 (statutory capital per share € 6.32). The number of shares benefiting from the company's earnings at 31 December 2006 is therefore 33,170,345.

Statutory accounts

Net profit of the parent company amounted to EUR 28.4 million vs EUR 61.1 million a year earlier.

These figures translate into earnings per share of EUR 0.86 and EUR 1.62 respectively.

They include € 6.8 million in dividends received (€ 7.7 million the previous year).

Appropriation of earnings

Non-consolidated profit for 2006 of EUR 28,426,506.01, plus profit carried forward from previous years of EUR 401,275,699.16, less EUR 31,218,852.20 to be transferred to the non-distributable reserve (own shares) makes up a distributable total of EUR 398,483,352.97. The Board of Directors will propose at the next ordinary general meeting of shareholders to allocate that amount as follows:

- to remuneration of capital 16,364,033.47
- to be carried forward 382,119,319.50

Subject to shareholders' approval, the gross dividend per share amounts to EUR 0.4933, a 5.7% increase, or a net dividend of EUR 0.37, after deduction of the 25% withholding tax. The net dividend for shares with VVPR strips amounts to EUR 0.4193 (withholding tax of 15%).

The dividend will be available for payment from 13 June 2007 onwards, upon presentation of coupon no. 67 at the counters of Fortis Banque, Dexia Banque and KBC Banque.



4. ASSETS

A. Listed holdings

As of 31 December 2006, Brederode Group's holdings in listed securities were as follows:

Securities	Numbers		31-Dec-06	Values 31-Dec-06
	31-Dec-05	Purchases/(Sales)		
Financial services				
ABN Amro	1,209,204	65,940	1,275,144	31,049,756
Aspen	150,000	-150,000	0	
Axa	628,000	544,222	1,172,222	35,952,049
Axis Specialty	555,359	-555,359	0	
BNP Paribas	390,000	72,000	462,000	38,184,300
Dexia	1,454,988	-1,454,988	0	
Fortis	4,210,300		4,210,300	136,076,896
Hardy Underwriting Group	1,604,158		1,604,158	6,145,490
HSBC	2,100,093	13,807	2,113,900	29,308,130
ING	1,194,515		1,194,515	40,123,759
KBC Holding	168,750	-168,750	0	
Lloyds TSB Group	1,411,000	1,474,000	2,885,000	24,530,019
Novae Group (ex SVB Holding)	32,938,296	28,043,786	60,982,082	32,012,187
Partner Re Holding	140,000	-140,000	0	
Royal Bank of Scotland	1,100,000		1,100,000	32,647,803
U.B.S.	300,000	400,000	700,000	32,257,763
		(share split by 2)		
Wachovia Bank	575,000	-575,000	0	
XL Capital	113,057	-113,057	0	

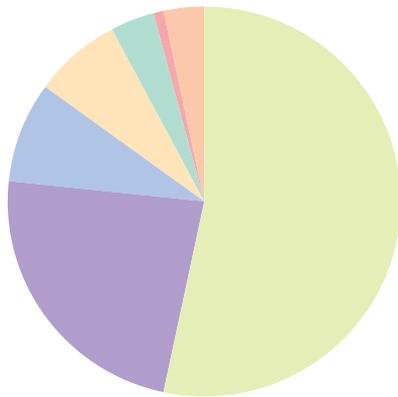
Securities	Numbers			Values 31-Dec-06
	31-Dec-05	Purchases/(Sales)	31-Dec-06	
Energy				
B.P.	1,070,000	3,705,000	4,775,000	40,354,617
Endesa	1,407,000	-1,407,000	0	
ENI	1,800,000	350,000	2,150,000	54,782,000
E.on	249,000	287,114	536,114	55,128,603
Iberdrola	1,000,000	75,000	1,075,000	35,604,000
Royal Dutch Shell "A"	1,708,441		1,708,441	45,649,544
Total	187,249	782,751	970,000	53,010,500
(share split by 4)				
Telecom				
Deutsche Telecom	1,630,000	170,000	1,800,000	24,912,000
TDC	534,000	-534,000	0	
Telecom Italia	7,750,000		7,750,000	17,747,500
Telenet	244,150	-244,150	0	
Pharmaceuticals				
Glaxo Smith Kline	0	300,000	300,000	6,004,468
Pfizer	75,000	225,000	300,000	5,899,772
Sanofi	390,000	86,000	476,000	33,296,200
Miscellaneous industry				
Ford Motor (priv.conv.)	43,000	-43,000	0	
Gallaher	300,000	-300,000	0	
Rank Group	1,079,736	-1,079,736	0	
Rutland Trust	32,400,000		32,400,000	29,374,713
Samsung Electronics (GDR)	57,457	42,543	100,000	24,981,017
Sofina	152,182	756,859	909,041	75,450,403
Unilever	508,675	1,045,847	1,554,522	32,178,605
(share split by 3)				
Other shareholdings < € 1 MM			0	399,446
TOTAL				973,061,540

Brederode also holds 1,109,907 own shares, i.e. 3.24% of its capital, with a market value as of 31 December 2006 of EUR 32,520,275.10.

The value of these shares has been deducted from shareholders' equity and is no longer shown in the consolidated assets.

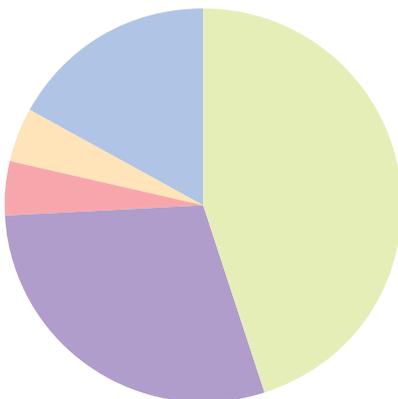


Breakdown of listed securities by financial market



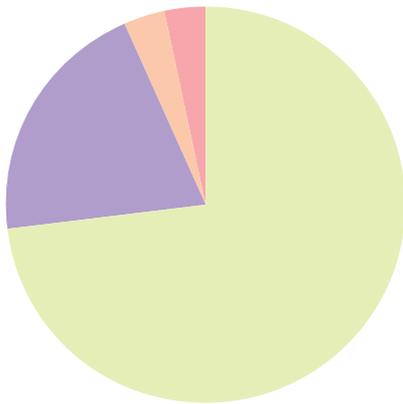
Euronext	53.6
London	23.2
Frankfurt	8.2
Milano	7.4
Madrid	3.7
New York	0.6
Other	3.3

Breakdown of listed securities by sector



Financial sector	45.0
Energy	29.2
Pharmacy	4.6
Telecoms	4.4
Other	16.8

Breakdown by currency



EUR	72.9
GBP	20.16
CHF	3.3
USD	3.2

B. Private equity

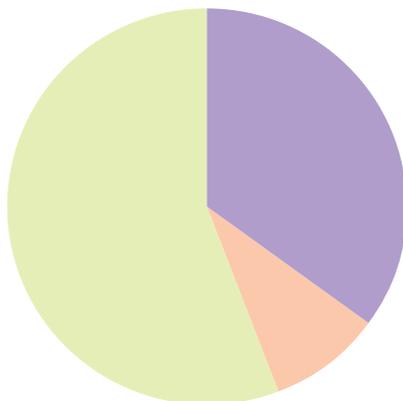
In its primary sense, "private equity" refers to the shareholders' equity of unlisted companies.

The aim is to achieve returns on these investments in excess of what can be earned on the stock exchanges.

These investments are spread across a wide variety of industries.

Unlisted companies in which Brederode invests operate primarily in the United States and Western Europe.

Geographical breakdown of private equity investments



Zone EUR	35.1
Zone GBP	9.2
Zone USA	55.7



Fixed-term partnerships and direct investments

For around a dozen years, Brederode Group has focused its private equity investments on fixed-term partnerships with other institutional investors, under the leadership of teams of specialised managers.

Its strategy is essentially to engage in "buy-outs", i.e. to acquire with other investors and with appropriate financial leverage ("leveraged buy-outs") a sizeable or controlling interest in mature companies with predictable cash flow.

Each investment decision is taken upon conclusion of a detailed "due diligence" procedure, which systematically involves meetings with these specialised managers and a detailed review of all ad hoc documents, including the prospectus and the partnership agreement.

The analysis focus is in particular on the quality and cohesion of the management teams, on the investment strategy and market opportunity, on past performance, deals sourcing and available exit routes.

Investments are monitored on the basis of detailed quarterly reports and the audited annual accounts of the partnerships.

Based on the strength of the experience it has built up over the years, Brederode is able to concentrate on the most promising projects, with the best teams of specialised managers.

At end 2006, the Group had investments in 97 partnerships managed by 44 private-equity groups in the amount of EUR 270.2 million, compared to EUR 262.8 million a year earlier.

Of these 97 associations, 37 were still in the investment phase while the others are working to best realise the remaining assets in their portfolio.

The group often has the opportunity to co-invest in parallel with these investors' associations.

At the end of 2006, co-investment stood at € 36.6 million, as against € 26 million the previous year.

Uncalled commitments

The development of the investment commitments of the group not yet drawn down was as follows:

31 December 2005	New commitments	Changes in existing commitments	31 December 2006
173.4 million	196.5 million	- 99.1 million	270.8 million

Evolution of the private equity portfolio during 2006

	2006	2005
Value of unlisted financial assets at the start of the period	262.8	218.3
New investments	81.9	60.8
Disposals	(115.0)	(103.7)
Change in fair value	40.5	87.4
Value of unlisted financial assets at the end of the period	270.2	262.8

Private equity also generated earnings **(dividends and interest)** of EUR 4.7 million in 2006, compared to EUR 6.4 million the previous year.

The private equity environment remained particularly favourable in 2006 in term of exits.

Indeed, Brederode took advantage of several IPOs and sales to industrial or financial buyers to exit a number of investments. Refinancing operations also offered opportunities to create partial liquidity, often years before final exits could be considered. In this way, successful companies taking advantage of abundant credit and favourable interest rates were able to renegotiate their debt on better terms and consequently sometimes were able to pay a generous special dividend to their shareholders. As a result, the initial cost of the investment is significantly reduced while the percentage ownership in the company and the potential for capital gains remains unchanged or even rises.

Brederode therefore once again reaped in 2006 the fruits of the experience it has built up over the years. Private equity requires an ongoing and long-term commitment but the rewards can be very attractive.

Industrial activities

Brederode still has a 50% shareholding in NV Arthemauro, which has a 100% shareholding in its industrial subsidiary Dumo N.V. operating in the polyurethane foam sector. These companies are consolidated using the equity method.

In 2006 Dumo N.V. reported EBITDA of EUR 2.7 million, as against EUR 1.4 million in 2005.

Events after the balance sheet date

- a) Shareholders in Arthemauro NV recently appointed a merchant bank to negotiate the sale of 100% of the company's shares.

With regard to Brederode, the sale of these assets corresponds to the declared strategy of abandoning the activities of industrial nature to focus on its core business. The effect of this sale on future results is expected to be negligible.



b) In an effort to simplify the group structure, the decision was taken to transfer the activities of Brederode (UK) Ltd to Athanor Ltd. Brederode (UK) Ltd has therefore been placed in voluntary liquidation. This will have no impact on future results.

Athanor

Athanor Ltd., a 100% subsidiary, is our insurance vehicle (corporate name) in London. It supports seven of the best insurance syndicates in the market.

In the past the capital to support those syndicates had been provided by Athanor in the form of listed securities pledged to Lloyd's. At the end of 2006 that pledge was replaced by a letter of credit issued by a leading bank. This change allows Athanor to concentrate on the selection and monitoring of the syndicates and frees itself from the management of a securities portfolio separate from that of other group companies.

The year was extremely positive both for Athanor and the Lloyd's insurance market.

The company benefited from a particularly low level of claims, mainly due to the almost complete absence of natural disasters. Moreover, the initial estimates of the 2005 losses linked to the hurricanes Katrina, Rita and Wilma are settling at somewhat better levels than originally forecasted.

During the year Athanor received a significant cash distribution related to the closure of the 2003 underwriting year (Lloyd's syndicates close their accounts at the end of the third year, when liabilities can be assessed with an acceptable degree of confidence) and expects again to receive a significant cash distribution during 2007.

Finally, Athanor realised a significant capital gain from the sale of its participation in one of the supported syndicates, as a result of a very attractive offer by a listed Lloyd's vehicle.

In October Equitas, the company set up in 1996 to re-insure and manage the run-off of the Lloyd's market liabilities for policies written before 1993 and covering mainly asbestos, pollution and health claims, reached an agreement with a subsidiary of Berkshire Hathaway (Warren Buffet) to transfer those liabilities to them. This was a key event that removed a significant uncertainty still surrounding the market. Once the agreement is finalised, Lloyd's will be able to operate free from the old years' legacies. Its franchise and the entities operating within its framework are already benefiting from that transaction.

Looking forward, the level of insurance rates is weakening across the board although, barring significant catastrophes, a positive underwriting result is still expected for 2007.



5. EURONEXT

Financial instruments

Brederode has two financial instruments listed on Euronext Brussels:

34,280,252 shares

18,250,504 VVPR strips

The 34,280,252 shares in issue all carry the same rights.

The VVPR (Verlaagde Voorheffing/Précompte Réduit) strip guarantees the holder the right to a reduced withholding tax of 15% on dividends, rather than the normal rate of 25%.

Stock market capitalisation

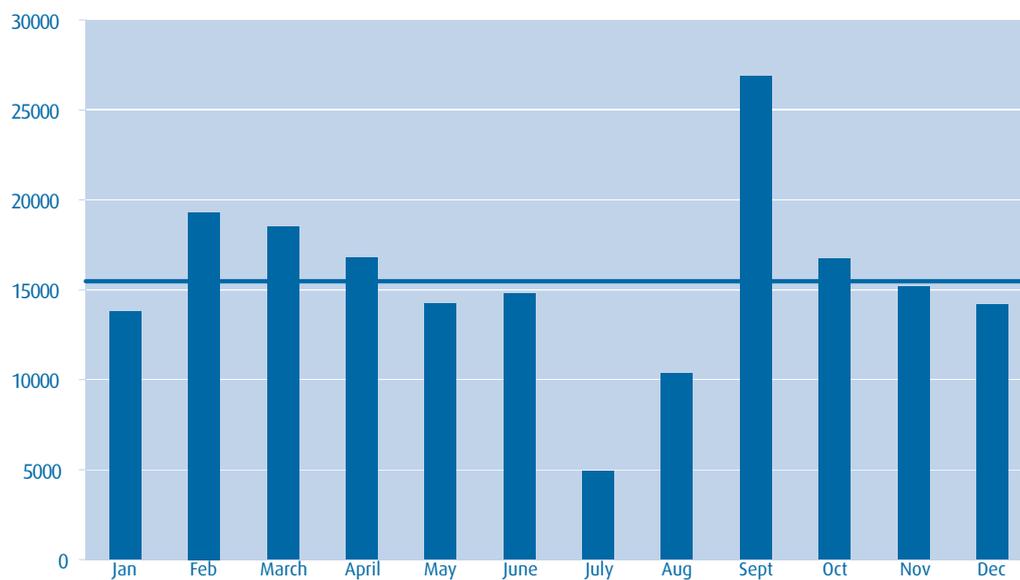
At end 2006, Brederode's stock market capitalisation amounted to EUR 1,004 million, placing the company in 35th place on the Euronext Brussels exchange.

Evolution of share price



Liquidity of the Brederode shares on Euronext Brussels

Average daily volumes traded per month in 2006.



Annual average: 15,470

6. THE BREDERODE CHAIR: "DEVELOPING ENTREPRENEURIAL SPIRIT"

The Brederode Chair « Developing entrepreneurial spirit », in cooperation with the CPME « Business creation » unit, which was recently awarded the international pedagogical innovation prize, has provided solid support to the efforts of UCL towards the development of entrepreneurship.

It intends to stimulate this both within the « Business creation » interdisciplinary development programme and the training programmes offered by the UCL or similar continuous development programmes. CPME training programme involve all the UCL faculties.

The Chair previously allowed the recruitment of a young professor, F. Janssen. His task is to develop the CPME unit, to ensure that its type of training becomes a regular feature of management programmes, and to create an entrepreneurship department dedicated to the complementary and continuous training cycles. In 2006 the Chair allowed an assistant to be taken on as back-up to the numerous missions.

It provides an opportunity, for students wishing to work hard in entrepreneurial activities, to acquire the essential tools and skills. It is of valuable assistance to those who already have a project to work on. In all cases, the aim is to use multi-disciplinary training to allow future graduates to be confronted with real life situations. The Chair is also an active participant in many awareness campaigns in favour of the spirit of enterprise.

It also allows for the development of studies on the growth paths of companies, on the governance of SMEs and on entrepreneurial pedagogy.

All this contributes to the international projection of UCL's savoir-faire through its participation in a knowledge-transfer project to a Tunisian institution, and the initiation of training for Vietnamese entrepreneurs.

For a fuller description of the activities of the Brederode Chair, visit <http://www.uclouvain.be/9824.html>



7. CORPORATE GOVERNANCE

Board of Directors

Pierre van der Mersch, Chairman ⁽¹⁾
Gérard Cotton, Managing Director
Luigi Santambrogio, Managing Director
Johanne Iweins d'Eeckhoutte ⁽²⁾
Bernard De Corte ⁽³⁾
Philippe De Backer ⁽⁴⁾
Michel Delloye ⁽⁴⁾

⁽¹⁾ Mr. Pierre van der Mersch withdrew from daily management on 31 December 2006, and remains Chairman.

⁽²⁾ Director representing the majority shareholder s.a. Auximines

⁽³⁾ Director carrying out special missions at Dumo n.v.

⁽⁴⁾ Independent Directors

Executive Management

Pierre van der Mersch (to 31 December 2006)
Gérard Cotton
Luigi Santambrogio

Committees set up by the Board of Directors

- Audit Committee

Michel Delloye, Chairman
Philippe De Backer
Bernard De Corte

- Nomination and Remuneration Committee

Pierre van der Mersch, Chairman
Philippe De Backer
Bernard De Corte
Michel Delloye

Corporate Governance Charter and compliance with the Code

The Board approved the Charter at its meeting on 12 January 2006. The Charter is available on the company's web site: www.brederode.be

Brederode follows the principles of the Belgian Corporate Governance Code but considers that certain provisions of the Code are not appropriate to its specific situation.

- The company has adopted a clear structure of business governance.

The company is run by its executive directors, who make up the executive management. The company strategy has traditionally been elaborated by the board of directors, and is set out each year in the annual report.

The executive management ensures the integrity of the financial statements.

The Audit Committee ensures that the internal controls are satisfactory.

- The company has an effective and efficient board of directors, which takes decisions in the company's interest.

The board of directors is composed of individuals with diverse backgrounds and complementary experiences, knowledge and skills.

Of the seven members on the board of directors, five are non-executive directors, and two are independent directors in the sense of the Code on Corporate Governance and the Companies' Code.

Moreover, even though one director is also Chairman, with executive functions, in the companies of the industrial group, the company nevertheless considers this director as an independent director, since he is never in a situation of conflicts of interests that could affect the independent nature of his judgment.

The Chairman seeks to develop a climate of trust within the board of directors, contributing to open discussions, constructive expression of diverging viewpoints, and adherence to the decisions taken by the board of directors.

- All the directors demonstrate their integrity and commitment.

In the decision-making processes, independent judgment is required of all directors, whether executive or non-executive, and whether independent or not.

The board of directors strives in particular to ensure that any market transaction carried out intra-group or with companies where close links already exist are conducted at conditions and with the normal market guarantees existing for operations of the same nature.

The executive directors report all information concerning the Company's financial and business situation required for the efficient functioning of the board of directors.

The directors cannot use information received in their capacity as directors for any purpose other than the exercise of their mandate. In this sense, a list of persons with access to privileged information has been established, and a note in reference to the legal consequences in connection with the possession of privileged information has been given to each of these persons.

Each director organises his personal and professional business to avoid any conflict of interests, direct or indirect, with the Company.

- An informal procedure is adopted for the nomination of directors.

The Chairman of the Board leads the nomination process. Following notification by the nomination committee, he recommends the appropriate candidate(s) to the board of directors. The board then proposes the nomination to the general meeting of shareholders.

- The board of directors has created specialist committees.

The board of directors has created an audit committee, which assists in the exercise of its monitoring responsibilities in connection with the control in the widest sense of the term. The auditor is invited to its meetings.

It has also created a combined nomination/remuneration committee. After each meeting, each committee reports to the board of directors.

- The Company has defined a clear executive management structure.

Executive management includes all the executive directors.

Executive management takes charge of the following in particular:

- the conduct of the Company;
- implementation of internal controls;
- exhaustive, punctual, reliable and exact preparation of financial statements in accordance with accounting standards and policies of the Company;
- communication with sufficient notice to the board of directors of all the information required for execution of its obligations

- The Company remunerates executive and non-executive directors in an equitable and responsible manner.

Executive directors benefit from basic remuneration, but do not benefit from bonuses or long term profit-sharing schemes.

Non-executive directors do not receive any remuneration linked to performance, or benefits in kind, or contributions to a pension plan.

There is no plan envisaged to remunerate any person by attribution of shares, share options or any other entitlement to shares.

All directors, including the executive directors, are revocable ad nutum and in principle without severance pay.

- The Company respects the rights of all shareholders, and encourages their participation.

The Company respects equal treatment among shareholders. It ensures that all means and information that allow the shareholders to exercise their rights are available, particularly via its Internet site.

Shareholders are encouraged to take part in the general meeting of shareholders.

At this meeting, the executive directors answer all pertinent questions, particularly those concerning the annual report and the points set out on the agenda.



- The Company ensures proper publication of its corporate governance

This chapter of the annual report describes, in particular, all relevant events in connection with the company governance over the last financial year.

Activity Report of the Board of Directors and its Committees

The Board of Directors met three times in 2006, with an average individual attendance rate by Directors of 86%.

The Audit Committee met twice; the Nomination and Remuneration Committee met once.

Remuneration

The base salary of the Managing Directors making up the Executive Management amounted to EUR 600,000 in 2006. The Chairman's salary was approximately one third of that amount. No variable remuneration on top of the base salary was paid.

One of the Managing Directors residing in Belgium benefits from a complementary pension plan.

A company vehicle is made available to the Managing Directors residing in Belgium.

The company does not grant any shares, options or other rights to acquire shares to any of its directors.

The Managing Directors have self-employed status, may be removed from office ad nutum and in principle without severance pay, with the exception of one Director who is entitled to lump sum severance pay of EUR 100,000.

One non-executive Director charged with a special assignment relating to the industrial subsidiaries receives a salary of EUR 90,000, while the others are paid EUR 1,500.

The fourth non-executive Director receives no emoluments.



8. Consolidated accounts as of 31 December

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Consolidated profit and loss account as of 31 December

(EUR thousand)	Notes	2006	2005
Dividends and interest received on non current assets	(1)	43,305	36,182
Change in fair value of financial assets	(2)	140,920	243,872
- listed securities		100,465	156,340
- unlisted securities		40,455	87,532
Foreign result	(3)	13,782	-29,580
Other incomes/expenses	(4)	-4,994	-4,618
RESULTS OF PORTFOLIO MANAGEMENT		193,013	245,856
Result of companies accounted for with the equity method	(5)	69	920
Other operating income and expenses	(6)	4,169	-169
OPERATING RESULT		197,251	246,607
Interest received on current assets	(7)	865	400
Interest paid	(7)	-952	-1,247
Result of discontinued activities		0	14,131
Taxes	(8)	-8,348	-3,856
RESULT FOR THE PERIOD		188,816	256,035
- group share		188,805	255,944
- minority interests		11	91



Consolidated balance sheet as of 31 December

(EUR thousand)	Notes	2006	2005
NONCURRENT ASSETS		1,252,467	1,118,346
Tangible assets	(9)	1,730	1,992
Land and buildings	(10)	4,399	4,399
Financial assets	(2)	1,243,237	1,107,492
- listed securities		973,061	844,706
- unlisted securities		270,176	262,786
Companies accounted for under the equity method		1,889	1,820
Deferred taxes	(8)	585	1,766
Other fixed assets		627	877
CURRENT ASSETS		52,722	23,347
Short-term amounts receivable	(11)	21,910	12,478
Financial assets	(3)(12)	5,052	983
Cash and cash equivalents	(13)	25,300	9,756
Other current assets		460	130
TOTAL ASSETS		1,305,189	1,141,693
SHAREHOLDERS' EQUITY		1,218,720	1,077,043
Called share capital	(14)	216,730	216,730
Share premium account		62,527	62,527
Revaluation reserves	(15)	6,135	6,426
Consolidation reserves		932,924	791,335
Consolidation differences		323	-45
Minority interests		81	70
NONCURRENT LIABILITIES		8,621	9,144
Deferred tax liabilities	(8)	1,277	1,213
Provisions	(16)	7,344	7,931
CURRENT LIABILITIES		77,848	55,506
Financial debt	(17)	47,161	44,703
Financial liabilities	(3)	951	3,541
Other current liabilities	(18)	29,736	7,262
TOTAL LIABILITIES		1,305,189	1,141,693

Cash flow statement

(EUR thousand)	2006	2005
Net earnings for the year	188,816	256,035
- <i>group share</i>	188,805	255,944
- <i>minority interests</i>	11	91
Depreciations	85	2,248
Capital gains from the sale of Artilat	0	- 11,692
Capital gains on tangible fixed assets	-449	-322
Result of companies accounted under the equity method	-69	-920
Deferred taxes	1,245	-212
Change in reserves	-587	1,939
Change in fair value of financial assets	-140,920	-243,872
Change in working capital needs	6,303	8,408
Cash flow from operations	54,424	11,612
Acquisitions of	-313,874	-235,722
- <i>tangible and intangible assets</i>	-152	-105
- <i>financial assets</i>	-313,722	-235,617
Disposals of	319,384	242,202
- <i>tangible and intangible assets</i>	487	355
- <i>financial assets</i>	318,897	221,745
- <i>subsidiaries</i>	0	20,102
Other changes	368	-4,299
Cash flow from investing	5,878	2,181
Dividends paid	-15,997	-15,083
Cancellation of own shares	-31,219	0
Changes in short term financial debt	2,458	-4,301
Cash flow from financing	-44,758	-19,384
Net increase in cash and cash equivalents	15,544	-5,591
Cash and cash equivalents on 1 January	9,756	15,347
Cash and cash equivalents on 31 December	25,300	9.756



Changes in shareholders' equity

(EUR thousand)	Capital	Share Premium account	Revaluation Reserves	Consolidation reserves	Conversion adjustments	Minority interests	Total
Balance on							
1 January 2005	216,730	62,527	2,033	550,475	170	358	832,293
Result for the year				255,944		91	256,035
Dividends				-15,084			-15,084
Other changes			4,393		-215	-379	3,799
Balance on							
31 December 2005	216,730	62,527	6,426	791,335	-45	70	1,077,043
Result for the year				188,805		11	188,816
Dividends				-15,997			-15,997
Cancellation of own shares				-31,219			-31,219
Other changes			-291		368		77
Balance on							
31 December 2006	216,730	62,527	6,135	932,924	323	81	1,218,720

Accounting principles and methods

The accounting year is the 12-month period ending on 31 December 2006 and concerns the accounts approved by the Board of Directors at its meeting on 7 February 2007.

General principles and accounting standards

The consolidated accounts are established in accordance with the International Financial Reporting Standards, as published and adopted by the European Union on 31 December 2006.

Consolidation scope and methods

The consolidated financial statement, established before appropriation of profits, includes the accounts of BREDERODE and of its subsidiaries, i.e. the companies in which the Group has exclusive direct or indirect control. These companies are fully consolidated.

The companies in which the Group does not have a controlling interest but nevertheless has a significant influence are consolidated under the equity method.

Tangible fixed assets

Tangible fixed assets are entered at acquisition or production cost less cumulative amortisation and any depreciations.

Depreciation is calculated under the straight-line method for the estimated operational life of the different categories of assets:

- Buildings
- Machinery and equipment
- Furniture
- Vehicles
- Computer equipment

Investment property

The building housing the Group's registered office is in large part leased to third parties. Valuation is based on the level of rents obtained and the rate of return generally applied to buildings of the same kind, size and location.

Non-current financial assets

All non-current financial assets, listed or not, are accounted for as "financial asset at fair value through the profit and loss account". The initial value corresponds to the net acquisition cost and is revalued at fair value at each year-end based on the closing share price for listed securities and on the latest evaluations provided by the general partners for unlisted securities. In the latter case, the evaluations are based on the valuation techniques recommended by international associations active in the private equity arena. Changes in the fair value of these investments between two account closures are accounted for through profit or loss.



- **Listed securities**

The group actively manages a large portfolio of ordinary shares, listed primarily on European and American exchanges (EURONEXT, Madrid, Frankfurt, Milan, LSE and NYSE). These holdings are of a minority nature and tend to be very liquid.

- **Private equity**

The second category of non-current financial assets is made up of investments in unlisted securities, known as private equity.

Brederode's private equity portfolio results primarily from commitments to fixed-term (10-12 years) limited partnerships. These partnerships are composed of a management team, the General Partner, comprised of experienced professionals, and limited partners, typically institutional investors.

The latter commit to fund, during a period generally limited to five years, cash calls issued by the general partner up to a maximum level known as the "commitment". The general partner then invests the amounts called in different projects under its management and follow them up until their exit, typically after a period of three to seven years.

Brederode's private equity investment policy shows a marked preference for leveraged buyouts, which consist in the acquisition of a sizeable participation or control in a mature company with a well established business plan, positive cash flow and expansion or consolidation opportunities. The positive cash flows enable the company to use a financial leverage that has the effect of increasing potential return on the invested capital.

The Group also seizes every opportunity to co-invest directly in certain promising projects, in parallel with certain partnerships.

Amounts receivable

Amounts lent by the Group are evaluated at their cost less any write-down for depreciation or non-recoverability.

Current financial assets

Government bonds

These are fixed rate bonds issued by the Belgian State and used as a guarantee for the commitments of a subsidiary relating to mining-related damages.

They are initially accounted for at cost, and later revalued, at each closing date, at their fair value. Between two closures, any fluctuations in the fair value of these financial instruments are entered as profit/loss.

Derivatives

Derivatives are valued at their fair value at each closure. Changes in fair value between two closures are accounted for through the profit/loss account. Movements in prices/rates can lead to a valuation of the derivative instruments which result in the creation of a current financial asset or liability.



• Options on listed shares

As an occasional issuer of options on listed shares, the Group plays an insurance role for operators wishing to protect themselves against a significant drop (Put) or rise (Call) in share prices. The premiums received as remuneration for this role add to the return on the portfolio.

The policy on such options is determined solely by market circumstances and is a function of the remuneration achievable by this ancillary activity.

The positions taken generally do not 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.

• Currency hedging instruments

To manage its exchange risk cover policy, the Group makes use of forward exchange contracts whose duration ranges between one and six months. The amount of cover evolves as a result of the Group's opinion on the currency concerned.

Non-financial assets

The book values of the Group's non-financial assets, other than taxes, are reviewed at each closure in order to determine whether they have decreased. If that seems to be the case, the recoverable amount of the asset is estimated, i.e. the higher of either the net realisable value of the asset or its useful value, which corresponds to the discounted value of expected future cash flows.

An amount previously written down in non-financial assets is written back if the estimates used to determine the recoverable amount of the assets are modified. The book value of the assets, after the write back, may nevertheless not be higher than the net book value that would have been determined had no amount been written down in previous financial years.

Any goodwill write down may not be written back, unless the write back is caused by an exceptional external event not likely to recur and unless the amount written back clearly offset the effect of this particular event.

Current and deferred taxes

Current taxes refer to taxes payable on taxable earnings for the year, calculated according to the rates adopted or close to adoption on the date of closure of the balance sheet, as well as adjustments for previous years.

Deferred taxes are calculated in accordance with the variable carry-over method applied to the temporary differences between the book value of the assets and liabilities entered in the balance sheet and their tax basis.



Cash and cash equivalents

Cash includes sight deposits.

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

Own shares

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

Appropriation of profit

The dividend Brederode pays to its shareholders are entered as a deduction on shareholders' equity for their gross amount, i.e. before withholding tax. The financial statement is drawn up before the appropriation of profit.

Provisions

Provisions are recorded at closure when a Group company has a legal or implicit obligation resulting from a past event, when it is probable that an amount will have to be paid out to meet this obligation and if the amount of the obligation can reliably be determined.

The amount recorded as a provision corresponds to the most accurate estimate of the payment required to liquidate the obligation existing on the last day of the financial year.

Long-term financial debt

Long-term debt comprises bank loans and bonds. They are accounted for at cost.

Short-term financial debt

Commercial paper

The Group has several commercial paper programmes offering access to financing terms more attractive than those of bank loans. The commercial paper typically have a term of one to three months and the amount issued over time depends on cash needs, the market's appetite for this type of instrument and the terms offered by the counterparties.



Advances

The Group also has a number of credit lines with different financial institutions. They can be used in the form of short-term draw-downs generally not in excess of six months. The interest rate is determined separately for each draw-down. Interest is payable at the end of the period.

Short-term financial debt is accounted for at their nominal value.

Interest

Interest income and expenses comprise interest to be paid on loans and interest to be received on investments.

Interest income received is entered prorata temporis in the profit and loss account, taking into account the effective interest rate on the investment.

Dividends

Dividends relating to financial assets are accounted for on their payment date. The amount of withholding tax is entered as a deduction against gross dividends.

Financial instruments and related risks

1. Foreign Exchange risks

Foreign Exchange 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 foreign exchange risks is directly related to amounts invested in financial instruments denominated in currencies other than the Euro and is influenced by the hedging policy implemented by the Group.

Outstanding forward exchange transactions carried out with a view to reducing exchange risks are valued at the fair value of the hedging instruments and are found in the balance sheet notes under "derivatives" in current financial assets (liabilities).

In both the profit and loss accounts and the balance sheet, the effect of changes in the fair value of hedging instruments is entered separately from changes in the fair value of financial assets.

2. Interest rate risk

For financial assets, the risk of changes in fair value related directly to interest rates is not significant given that almost all financial assets are equity instruments.

For financial liabilities, the interest rate risk is limited by the short duration of financial debt.



3. Price risk

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

• Listed securities

For Brederode's portfolio of listed securities, the risk of fluctuations related to changes in market prices is determined by the volatility of prices on the stock exchanges where the Group is active (EURONEXT, LSE, MADRID, MILAN, FRANKFURT and NYSE).

The Group's policy is to maintain diversification on these markets, which have a high level of liquidity and show less volatility than so-called emerging markets. The price risk linked to listed assets is also kept in check by the geographical and industry diversification of the portfolio.

• Unlisted securities

For the portfolio of unlisted securities, statistical and theoretical studies reach different conclusions as to whether or not the volatility of such holdings is greater than the volatility of listed markets.

Purchase and sale prices are clearly influenced by multiples such as EV/EBITDA related to listed securities. These similarities in valuation explain to a large degree the significant correlation between price fluctuations on these two markets.

The price risk related to the unlisted securities is also lessened by the level of diversification maintained in the portfolio. A first level of diversification results from the large number of general partners with which the Group is engaged. A second level of diversification occurs within the partnership itself, which typically will invest in around 20 companies sometimes in very diverse sectors.

• Stock options

The price risk is reflected directly in the price levels prevailing on the options markets. Greater volatility on stock exchanges will be reflected in higher option premiums.

The price risk on this type of transaction is followed daily and is limited by the Group's policy of only issuing call-type options (undertaking to sell at a given price and time) on shares it holds in its portfolio.

4. Credit risk

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

As an investor in shares, Brederode's main credit risk resides in the proper execution of transactions and in the custody of shares. The credit quality of intermediaries and the professionalism demonstrated by their teams are periodically assessed to keep this risk to a minimum.

In case of the issuance of options on shares, it is up to the group Brederode itself to demonstrate its credit worthiness vis a vis its counterparty, thus allowing it to operate as an issuer in the over-the-counter market, which is reserved for institutional entities of acknowledged competence and solvency.

For unlisted securities, the credit risk resides primarily in the quality of the general partners which initialise the transactions and manage the invested funds. This risk is kept in check through the careful choice of the general partners with which Brederode works, the audit of the accounts of these partnerships, and the quarterly activity reports provided by the general partners.



5. Liquidity risk

The liquidity or financing risk is defined as the risk that a unit may experience difficulties raising funds to honour its commitments related to financial instruments.

One of the characteristics of private equity investment is that the investor has no control over the liquidity of the investments. The manager alone decides when to invest or to dispose of an investment. There is a secondary market for shares in private equity funds, but it is a narrow market and the selling process is relatively long and costly.

The evolution of the Group undrawn commitments from private equity funds is followed closely so as to ensure optimal management of net cash movements.

The portfolio of listed securities is made up of highly liquid minority positions, making it possible, if needed, to absorb the important cash movements generated by the unlisted portfolio.

Part of the Group's financing is provided by the issue of commercial papers that offer particularly attractive terms. Demand for this type of financial instruments can decline momentarily, in which case the Group can always rely on its committed credit lines with several major banks.

The Group maintains a sound apportionment in its use of these credit lines to limit its liquidity risk. Some of these credit lines are committed and offer a source of guaranteed financing in the event of a liquidity crisis on the market. The Group also makes sure to keep its level of financial debt below the level of its confirmed credit lines.

6. Cash flow interest rate risk

The risk that future cash flows of financial instruments may fluctuate due to variations in interest rates is analysed on an ongoing basis and adequate hedging measures are used if need be.



Notes

(1) Dividends and interest received

	2006	2005
Gross dividends	41,147	33,506
• listed securities	38,446	29,813
• unlisted securities	2,701	3,693
Interest	2,158	2,676
Total	43,305	36,182

(2) Financial assets/Change in fair value

	2006	2005
At start of period	1,107,492	850,623
• listed securities	844,706	632,375
• unlisted securities	262,786	218,248
Movements during the period		
buying	313,722	234,742
• listed securities	231,733	173,991
• unlisted securities	81,989	60,751
selling	318,897	221,745
• listed securities	203,843	118,000
• unlisted securities	115,054	103,745
change in fair value	140,920	243,872
• listed securities	100,465	156,340
• unlisted securities	40,455	87,532
At end of period	1,243,237	1,107,492
• listed securities	973,061	844,706
• unlisted securities	270,176	262,786

(3) Exchange rate result

	2006	2005
Realised	10,362	(26,065)
- on USD foreign exchange contracts	11,562	(23,063)
- on GBP foreign exchange contracts	(1,200)	(3,002)
Unrealised *	3,420	(3,515)
- on USD foreign exchange contracts	4,363	(3,380)
- on GBP foreign exchange contracts	(943)	(135)
Total	13,782	(29,580)

* Included in current financial assets (4,363 in 2006 and 25 in 2005) and current financial liabilities (943 in 2006 and 3,541 in 2005).

Included in financial liabilities is also the valorisation of the put options outstanding (8 in 2006, 0 in 2005).

(4) Other portfolio results

	2006	2005
Result on current financial assets	(104)	(18)
Option premiums	345	48
Management fees on unlisted securities	(4,472)	(4,101)
Buying/selling expenses on shares	(662)	(344)
Custody fees	(85)	(192)
Bank fees on unlisted securities	(16)	(11)
Total	(4,994)	(4,618)

(5) Industrial group

Arthemauro NV (50% shareholding) and its subsidiary Dumo NV are consolidated using the equity method. These assets are not material to the group.

Sales in 2006 by Arthemauro/Dumo were EUR 53.1 million, as against 51.8 million in 2005. EBITDA was EUR 2.8 million, as against 1.4 million in 2005.

The Shareholders in Arthemauro NV recently appointed a merchant bank to negotiate the sale of 100% of the company.

The expected sale of these industrial assets will allow the group to focus on its core business. The incidence of the expected sale on future results is negligible.

(6) Other operating results

	2006	2005
A . Income	7,256	6,193
• Capital gains on fixed assets	449	322
• Capital gains on intangible assets	1,858	0
• Rents received	234	260
• Result from Lloyds insurance	1,773	3,508
• Utilisation of provisions	584	
• Other income	2,358	2,103
B. Expenses	(3,087)	(6,362)
• Directors' emoluments	(649)	(1,072)
• Staff costs	(336)	(281)
Salaries and wages	(275)	(231)
Social security	(48)	(50)
Other	(13)	0
• Fees	(264)	(1,644)
• Depreciation	(85)	(77)
• Costs related to dividend payment	(93)	(93)
• Financial expenses	(284)	(569)
• Other expenses	(1,376)	(674)
• Transfer to provisions	0	(1,952)
Other operating result	4,169	(169)
C. Average number of employees	4	4



(7) Net interest expenses

	2006	2005
Interest received	865	400
• on short-term investments	865	400
Interest paid	(952)	(1,247)
• on short-term bank loans	(201)	(205)
• on commercial papers	(751)	(1,042)
Net interest expenses	(87)	(847)

(8) Taxes

	2006	2005
Profit taxation		
- Profit before tax	197,164	259,891
- profit not subject to taxation	-186,383	-277,378
Taxation at Belgium tax rate (33,99%)	3,964	n.a
- Permanent differences	1,617	1,857
- Taxes calculated on a different basis than profit	3,067	1,999
- Effective tax	8,348	3,856
- Effective tax rate	4.23%	1.48%
Deffered tax asset		
• at the beginning of the period	1,766	1,448
• recognised in P&L account	(1,181)	318
• at the end of the period	585	1,766
Deffered tax liability		
• at the beginning of the period	1,213	1,524
• recognised in P&L account	64	(35)
• movements during the year	0	(276)
• at the end of the period	1,277	1,213

(9) Tangible fixed assets

	Plants, machinery and equipment	Other fixed assets	Total
Acquisition value			
• at end of previous year	476	74	550
• acquisitions	152		152
• disposals	(72)	(2)	(74)
• at year end	556	72	628
Capital gains			
• at end of previous year		1,700	1,700
• disposals		(291)	(291)
• at year end		1,409	1,409
Depreciations			
• at end of previous year	246	12	258
• recorded	85		85
• cancelled	(36)		(36)
• at year end	295	12	307
Net book value at year end	261	1,469	1,730

(10) Investment property

	2006	2005
Estimated fair value	4,399	4,399

The estimated fair value of the building is calculated utilising the latest market parameters provided by real estate agents active on the Belgium market.

(11) Short-term receivables

	2006	2005
• trade receivables	0	1
• taxes to be refunded	14,428	4,229
• calls for funds by Lloyds' syndicates	5,367	4,533
• underwriting results receivable (Lloyd's)	2,019	3,459
• other receivables	96	256
Total	21,910	12,478

Tax Litigation:

For the year 2004 (2003 results), the tax administration is contesting the tax exemption on capital gains realised on our investments in private equity via American partnerships, and on certain investments in American real estate companies. The tax administration likewise considers that the dividends paid out by those American real estate companies cannot be considered exempt from full taxation in Belgium.

A tax charge of (000 €) 8,893 was posted on 15 September 2006, and is the subject of a dispute with the Regional Tax Department in Brussels.



(12) Current financial assets

	2006	2005
• « OLO » State bonds	688	958
• Derivatives		
• valuation of USD hedging instruments	4,364	25
Total	5,052	983

The OLO bonds are held by Greenhill and serve as guarantees for possible calls for repairs of mining damage at former coalmining sites. Pursuant to current legislation on statute of limitation, however, it is not likely that this guarantee will be used.

Exchange rate hedging transactions are valued on the basis of the exchange rate as of 31 December. Positive valuations are entered as financial assets.

(13) Cash and cash equivalents

	2006	2005
- deposits	22,233	8,448
- other	3,067	1,308
Total	25,300	9,756

(14) Capital

A. Issued share capital

As of 31 December 2006, fully paid-up share capital totalled EUR 216,730,144.16. It was made up of 34,280,252 shares without face value. All shares making up Brederode's share capital entitle their holders to the same rights.

Breakdown of capital	2006	2005
- registered shares	19,637,338	21,269,676
- bearer shares	14,642,914	16,377,206

B. Authorised capital

The Extraordinary General Meeting on 14 July 2003 authorised the Board of Directors, for a period of five years, to:

- increase the share capital, one or more times, for a total amount of EUR 207,008,761.76 (Article 7 of the Articles of Association)
- decide the issue of bonds convertible into shares, subscription rights or other securities that can in time entitle their holders to shares in the company, one or more times, in an amount such that the amount of the capital increase that may result from the exercise of the conversion rights attaching to such bonds, subscription rights or securities, shall not exceed the limits of the remaining authorised capital laid down by Article 7 of the Articles of Association. (Article 14 of the Articles of Association)

The Board of Directors is also authorised to increase the capital by means of cash contributions, while restricting or cancelling shareholders' pre-emption rights.

Capital increases carried out by virtue of this authorisation shall reduce the remaining authorised capital. This authorisation, valid for five years, expires on 15 September 2008.

C. Own shares

	2006	2005
Own shares held as of 31 December	1,109,907	3,366,630

(15) Re-evaluation reserves

	2006	2005
At the beginning of the period	6,426	2,033
Valuation of the industrial assets	0	4,726
Cancellation as a result of the sale of tangible assets	(291)	(333)
At the end of the period	6,135	6,426

(16) Provisions

	Lloyds syndicates	Other	Total
At 1st January 2006	7,918	13	7,931
Utilisation of provisions		(13)	(13)
Increase in provisions		6	6
Unused provision recovered	(728)		(728)
Variation resulting from the fluctuation of exchange rates	148		148
Au 31 decembre 2006	7,338	6	7,344

The provisions related to the Lloyd's syndicates are set up in accordance with the estimates received on the development of the claims.

(17) Financial debt

Short-term financial debt

	2006	2005
• commercial paper	47,150	44,100
• bank loans	11	603
Total	47,161	44,703



(18) Other current liabilities

	2006	2005
• trade payable	40	3
• taxation and social security	12,717	893
• dividends and interest payable	1,254	1,196
• deposit of funds received	13,015	3,400
• income receivable on Lloyds' activity	0	1,199
• other amounts payable	451	567
• payables arising from purchase of financial assets not yet settled	1,932	0
• accruals and deferred income	327	4
Total	29,736	7,262

(19) Off-balance sheet commitments and rights

	2006	2005
Credit lines confirmed but not used	85,000	85,000
Acquisition and disposal commitments		
• Private equity un-drawn commitments	270,830	173,381
• commitments on disposal of land	250	30
Call and put options issued	1,944	0
Rights and commitments resulting from operations relating to interest rates, exchange rates and other similar operations:		
• USD and GBP forward sales	260,866	223,883
Real guarantees		
• funds deposited with Lloyds as guarantee of the mining-related damage	0	8,529
• OLO State bonds as guarantee for repair of mining-related damage	688	953
• for the buyer of Artilat under the sale contract (duration of 18 months from the date of sale)	5,074	5,074
• guarantees on behalf of subsidiaries	11,644	386

(20) Directors' salaries

Details on the salaries paid to Directors can be found in the Corporate Governance chapter.

(21) Dividends

	2006	2005
- Amount distributed in the course of the year	15,997	15,084
- Amount proposed as dividend payment for the year ended 31 December 2006, namely 0.4933 gross per share (0.467 in 2005)	16,364	15,997

The proposed dividend is subject to approval by the shareholders at the Annual General Meeting on 25 April 2007 and, according to the IFRS norms, is not accounted for in debtors.

(22) Earnings per share

	2006	2005
• Number of shares in issue as of 31 December	34,280,252	37,646,882
• Held by the company	1,109,907	3,366,630
• Entitled to dividend	33,170,345	34,280,252
• Earnings per share *	5.54	7.47

(*) calculated on the basis of the average weighted number of shares in circulation, i.e.:

At 31 December 2005: 34,280,252

At 31 December 2006: 34,084,288



(23) Subsidiaries

List of fully consolidated subsidiaries as of 31 December 2006.

Name	Country	Percentage of holding	Percentage of control
Athanor Ltd	United Kingdom	100	100
Brederode International Sàrl	G-D Lux	100	100
Brederode (UK) Ltd	United Kingdom	100	100
Geyser S.A.	G-D Lux	100	100
Greenhill S.A.	Belgium	100	100

This list has not changed from the list for the previous year.

List of companies consolidated using the equity method (unchanged).

Name	Country	Percentage of holding	Percentage of control
Arthemaaura N.V.	Belgium	50.00	50.00
Dumo N.V.	Belgium	99.90	49.95

(24) Audit

Audit fees are reported below (art.134 of the Companies' Code).

	2006	2005
Audit fees	67	66
- of which Brederode s.a.	19	19

**STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS
OF BREDERODE ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statements.

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements for the year ended December 31, 2006, prepared with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of € 1.305.189 (000) and a profit for the year of € 188.816 (000).

Management is responsible for the preparation and the fair presentation of these consolidated financial statements. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institute of Registered Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement, as to whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we considered the group's accounting system, as well as its internal control procedures. We have obtained from management and the company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the appropriateness of the accounting policies and consolidation principles, the reasonableness of the significant accounting estimates made by the company, as well as the overall presentation of the consolidated financial statements. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended December 31, 2006 give a true and fair view of the group's assets and liabilities, its financial position and the results of its operations in accordance with International Financial Reporting Standards as adopted by the European Union.

Additional statements

The preparation of the consolidated Director's report and its content are the responsibility of management.

Our responsibility is to supplement our report with the following additional statements which do not modify our audit opinion on the consolidated financial statements:

- The consolidated Director's report includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the consolidated group is facing, and of its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

March 9, 2007
SAINTENOY, COMHAIRE & C°
Statutory auditor represented by
Paul COMHAIRE Registered Auditor



9. STATUTORY ACCOUNTS

Pursuant to Article 105 of the Companies' Code, the financial statements presented below are an abridged version of the statutory accounts.

The Statutory Auditor has issued an unqualified opinion on the financial statements.

The full version will be filed with the National Bank of Belgium and is also available at the company's registered office.



Balance sheet

ASSETS (EUR thousand)	31 December 2006	31 December 2005
FIXED ASSETS	864,404	836,846
III. Tangible assets	4,266	4,786
A. Land and buildings	2,863	3,098
C. Furniture and vehicles	168	191
E. Other tangible assets	1,235	1,497
IV. Financial assets	860,138	832,060
A. Associated companies		
1. Shareholdings	679,879	673,511
2. Amounts receivable and guarantees	625	875
C. Other financial assets		
1. Shareholdings	179,634	157,674
CURRENT ASSETS	45,939	92,083
VII. Amounts receivable within one year	12,467	2,994
A. Trade receivable	0	1
B. Other receivable	12,467	2,993
VIII. Treasury investments	32,920	88,805
A. Own shares	31,219	83,005
B. Other investments	1,701	5,800
IX. Cash at bank and in hand	138	192
X. Adjustment accounts	414	92
TOTAL ASSETS	910,343	928,929



Balance sheet

LIABILITIES (EUR thousand)	31 December 2006	31 December 2005
SHAREHOLDERS' EQUITY	769,510	840,720
I. Capital	216,730	216,730
A. Subscribed capital	216,730	216,730
II. Share premium account	62,527	62,527
III. Revaluation surpluses	941	1,200
IV. Reserves	107,193	158,987
A. Legal reserve	21,673	21,673
B. Non-distributable reserves		
1. for own shares	31,219	82,954
C. Non-taxable reserves	3,219	3,277
D. Available reserves	51,082	51,083
V. Earnings carried forward	382,119	401,276
PROVISIONS AND DEFERRED TAXES	216	245
VII. B. Deferred taxes	216	245
DEBT	140,617	87,964
IX. Amounts falling due within one year	140,604	87,964
B. Financial debt		
1. Credit institutions	11	0
2. Other loans	47,150	44,100
C. Trade debtors		
1. Suppliers	33	2
D. Prepayments	54	29
E. Taxation, salaries and social security debt		
1. Taxation	9,851	896
2. Salaries and social security	18	16
F. Other amounts payable	83,487	42,918
X. Adjustment accounts	13	3
TOTAL LIABILITIES	910,343	928,929

Profit and loss account

EXPENSES (EUR thousand)	31 December 2006	31 December 2005
A. Interest payable and similar charges	2,248	1,442
B. Other financial expenses	327	231
C. Miscellaneous goods and services	1,313	2,365
D. Wages, social security and pensions	132	116
E. Other operating charges	20	21
F. Depreciations and write-downs of Set-up expenses, intangible and tangible assets	292	296
G. Write-downs	219	923
1. of financial assets	118	923
2. on current assets	101	
I. Capital loss on disposal	1	3
1. of tangible assets	0	3
2. of financial assets	1	0
L. Taxes	8,899	20
M. Earnings for the year	28,368	61,101
TOTAL EXPENSES	41,819	66,518
O. Distributable earnings for the year	28,426	61,159

INCOME (EUR thousand)	31 December 2006	31 December 2005
A. Income from financial assets	6,862	7,684
1. Dividends	6,805	7,679
2. Interest	57	5
B. Income from current assets	434	78
C. Other financial income	0	16
E. Other current income	358	416
G. Write-back of amounts written off	6,803	42,892
1. financial assets	6,803	27,944
2. current assets	0	14,948
I. Capital gains on realisations	16,439	15,196
1. of intangible and tangible assets	395	325
2. of financial assets	16,044	14,871
J. Extraordinary income	1,882	4
K. Deferred tax levies	30	30
L. Tax adjustment	9,011	202
TOTAL INCOME	41,819	66,518
N. Transfer from untaxed reserves	58	58



Appropriation and allocations

	31 December 2006	31 December 2005
A. Distributable profit	429,702	430,740
1. distributable profit for the year	28,426	61,159
2. profit brought forward from last year	401,276	369,581
B. Drawdown on shareholders' equity	0	471
2. from reserves	0	471
C. Appropriation to capital and reserves	-31,219	-13,938
3. to other reserves	31,219	13,938
D. Profit carried forward	-382,119	-401,276
1. profit carried forward	382,119	401,276
F. Distributable profit	-16,364	-15,997
1. dividends	16,364	15,997

Extracts from the notes

VIII. Capital statement

	Amounts (000 EUR)	Number of shares
A. Share capital		
1. Called up share capital		
1.1. at the end of the previous year	216,730	37,646,882
- Extraordinary meeting of shareholders on 30 May 2006: cancellation of own shares		- 3,366,630
1.2. at the end of the year	216,730	34,280,252
2. Composition of capital		
2.1. category of shares		
<i>ordinary shares (of which 18,250,504 with VVPR strips)</i>		34,280,252
2.2. registered or bearer shares		
<i>Registered</i>		19,637,338
<i>Bearer</i>		14,642,914

G. Shareholding structure

As of 31 December 2006, based on the shareholding declaration of 30 May 2006 and on the voting rights attaching to shares representing issued capital:

Shareholders	Number of shares	Percentage
Auximines S.A.	15,564,069	45.40
Holdicam S.A.	1,576,196	4.60

XX. Valuation rules

Tangible fixed assets

Straight-line depreciation at the following rates:

- construction: 5.0%
- furniture and vehicles: 20.0%
- computer and office equipment: 33.3%

Financial assets

Expenses related to the acquisition of shares are accounted for in the profit and loss account for the year during which they are incurred.

Shares are written down in the case of a loss or permanent diminution in value as justified by the profitability, specific circumstances or prospects of the company in which the shares are held.

To that end, listed securities are valued at the stock market price and private equity in accordance with the estimate of the specialised managers, in accordance with international standards.

On the other end, Brederode's principle is not to revalue its investments.

Provisions for risks and expenses

Provisions are established to cover risks of losses or expenses resulting from commitments for the acquisition or disposal of shares (stock options) and from forward foreign exchange contracts. They also include reserves associated with Lloyd's insurance commitments.

Derivatives

Premium from stock options are entered immediately as "other financial income". At year-end or at any intermediary closure, provision is made for the assumed risk in the financial results.

Forward foreign exchange contracts are entered under the off-balance sheet commitments and are revalued at the end of the financial year. Any unrealised loss is accounted for and included in provisions for liabilities and charges, while the unrealised gain is not recorded.

Financial calendar

Annual General Meeting 2007	25 April 2007 at 10:00 a.m.
Coupon no. 67 payable	13 June 2007
Publication of 2007 half-year results	3 August 2007
Publication of 2007 annual results	15 February 2008
Ordinary General Meeting 2008	23 April 2008 at 10:00 a.m.



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