



BREDERODE

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2007



## CONTENTS

Mission and strategy .....	4
Declaration by the Managing Directors.....	5
Key figures .....	6
Directors' report .....	7
Financial assets .....	10
Post-balance sheet events and outlook.....	16
NYSE Euronext .....	17
Brederode's Chair .....	19
Corporate governance .....	20
Consolidated accounts .....	24
- <i>Consolidated profit and loss account</i> .....	24
- <i>Consolidated balance sheet</i> .....	25
- <i>Cash flow statement</i> .....	26
- <i>Analysis of changes in shareholders' equity</i> .....	27
- <i>Accounting policies</i> .....	28
- <i>Notes to the accounts</i> .....	37
Statutory accounts .....	49
Calendar .....	55

« *Forecasting is very difficult especially when it concerns the future* »

(Mark TWAIN)

## MISSION AND STRATEGY

Brederode is an investment company listed on NYSE Euronext Brussels that manages a portfolio of listed and unlisted ('private equity') investments.

Brederode's mission is to increase the wealth of its shareholders not only by generating recurring dividends but also and above all through gains on the disposal of its investments.

The **portfolio of listed securities** is highly diversified and actively managed. It only includes of high quality minority stakes, for which there is generally a large market available.

The management style is of the 'stock picking' type, investing in businesses considered to be undervalued by the stock market, and which offer the best potential for profitability and growth. Brederode has the advantage of not being subject to the rigid constraints such as minimum sector allocations, maximum weighting between different positions, minimal liquidity restrictions, etc. Similarly, Brederode is completely at liberty to wait until its investments reach their full maturity before realising them.

The shares are acquired or disposed of directly on the stock market or by exercising options.

The strategy in respect of **options** consists of occasionally issuing over the counter call options on shares in the securities portfolio (covered calls) whose value is considered to have peaked and put options on shares that are in demand, with income from the premiums being added, if the option is exercised, to the return on the underlying shares. Here also, the rule is flexibility as well as a constant monitoring the ratio of the risk to the potential profit. Brederode's philosophy as regards options is therefore exactly the opposite of speculative risk-taking.

The objective of making investments in '**private equity**' is to achieve a level of profitability that is significantly greater than what can be earned on the stock market.

For fifteen years, Brederode has focused its investments on 'private equity' primarily through fixed duration partnerships with other institutional investors, participating in the capital of companies operating primarily in the United States and Western Europe.

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

Brederode seeks at all times to optimise the cost of the capital needed for its activity. That is why Brederode's assets are mainly financed by fixed capital, regularly supplemented by the reinvestment of a large proportion of the profits generated by its activities.

A small part of its portfolio is financed by carefully managed borrowing, with a view to maximising the return on equity.



## DECLARATION BY THE MANAGING DIRECTORS

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

- a) the financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, financial situation and results of Brederode and the companies included in the consolidation;
- b) the directors' report contains a true account of trends in the business, the results and the financial position of Brederode and the companies included in the consolidation, as well as a description of the main risks and uncertainties with which it is faced.

Waterloo, 7 March 2008

Luigi SANTAMBROGIO  
Managing Director

Gérard COTTON  
Managing Director



## KEY FIGURES

### Consolidated accounts

Key figures (in EUR millions)	2003 <sup>(1)</sup>	2004 <sup>(2)</sup>	2005 <sup>(2)</sup>	2006 <sup>(2)</sup>	2007 <sup>(2)</sup>
Financial assets (securities portfolio)	719	851	1,107	1,243	1,236
of which:					
- listed securities	517	633	845	973	932
- unlisted securities	202	218	262	270	304
Shareholders' equity (including O.A.C. <sup>(a)</sup> )	622	832	1,077	1,219	1,184
Financial liabilities excluding O.A.C. <sup>(a)</sup>	20	74	45	47	67
<b>Changes in fair value</b>		82	244	141	-16
<b>Net realised capital gains</b>	41				
Dividends and interest received	20	27	36	43	43
Profit for the year (group share)	79	107	256	189	49

<sup>(a)</sup> Bonds automatically convertible into Brederode shares (1999 - 2004).

### Adjusted figures per share (in EUR)

Shareholders' equity	17.28	24.28	31.42	36.74	38.02
Profit for the year (group share)	2.20	3.12	7.47	5.54	1.51
Dividend					
- gross	0.4200	0.4400	0.4670	0.4933	0.5200
- net	0.3150	0.3300	0.3500	0.3700	0.3900
- net with VVPR coupon strip	0.3570	0.3740	0.3970	0.4193	0.4420
Market price					
- highest	16.25	20.48	24.90	29.30	32.40
- lowest	8.74	15.62	19.50	24.50	28.10
- as on 31 December	15.60	20.20	24.64	29.30	29.60

### Number of shares in issue:

2003 : 35.992.692

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

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 <sup>(b)</sup>

2007 : For shareholders' equity: 32,831,759 - 1,680,858 own shares = 31,150,901

For basic earnings: 32,831,759 - 597,639 = 32,234,120 <sup>(b)</sup>

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

### Ratios

P/BV (Price <sup>(4)</sup> /Book value)	0.9	0.8	0.8	0.8	<b>0.8</b>
P/E (Price <sup>(4)</sup> /Profit - group share)	7.1	6.5	3.3	5.3	<b>19.6</b>
Return on equity (Profit/shareholders equity in %)	8.5 <sup>(3)</sup>	12.8	23.8	15.5	<b>4.1</b>
Gross return (Gross dividend/market price <sup>(4)</sup> in %)	2.7	2.2	1.9	1.7	<b>1.8</b>

<sup>(1)</sup> Figures based on Belgian accounting standards

<sup>(2)</sup> Figures based on International Financial Reporting Standards (IFRS)

<sup>(3)</sup> Excluding results arising from merger (Brederode - Afrifina)

<sup>(4)</sup> Stock Exchange price at year-end



## DIRECTORS' REPORT

Ladies and Gentlemen,

This annual report offers the reader detailed information about business trends and the results of both Brederode S.A. and its group.

Explanatory notes to the consolidated accounts also deal with the accounting principles and policies used, as well as the risks associated with financial instruments.

There was a contrasting environment during the 2007 financial year, with generally favourable conditions in the first half giving way to an unmistakably negative situation by the end of the year, under the influence of problems encountered initially by the financial sector in the United States, which subsequently spread to western Europe.

The situation deteriorated rapidly from the summer of 2007, turning into a real credit crisis. This was accentuated, for very many financial companies, by the introduction of new accounting standards.

In these circumstances, the main capital markets were shaken violently. The impact on the group's portfolio of listed securities was consequently unfavourable, more than wiping out the gains achieved during the first half of the year. On the other hand, private equity's strong performance was accentuated, as can be seen in the analysis of the profit and loss account below.

### A. Review of the consolidated entity

The consolidation perimeter of the Brederode group changed only slightly during the year, due to the sale of the companies Arthemaura and Dumo, in July 2007.

At 31 December 2007, the total consolidated assets amounted to € 1,275.4 million, against € 1,305.7 million one year earlier. This amount represents 96.9 % of the value of the underlying share portfolio, which in turn is made up of approximately 75.4% of listed shares, with the balance being accounted for by 'private equity'.

### Management of financial risk

The consolidated accounts below include a section describing the company's policy in respect of risks and uncertainties. This section is an appendix to this directors' report.



## Consolidated profit and loss account

000 EUR	31 December 2007	31 December 2006
Dividends and interest received	42,566	43,305
Change in the fair value of financial assets	-15,861	140,920
- Listed portfolio	-66,017	100,465
- Private equity	50,156	40,455
Foreign exchange result	23,115	13,782
Miscellaneous	-5,006	-4,994
<b>Profit from portfolio management</b>	<b>44,814</b>	<b>193,013</b>
Results of investments accounted for with the equity method	0	69
Other	3,188	4,170
<b>Operating profit</b>	<b>48,002</b>	<b>197,252</b>
Net financial costs	-1,613	-87
Result of discontinued operations	6,940	0
Change in deferred tax liabilities	253	-1,245
Tax	-4,883	-7,103
<b>Net profit for the period</b>	<b>48,699</b>	<b>188,817</b>
Minority interest	-7	-12
<b>Net profit (Group share)</b>	<b>48,692</b>	<b>188,805</b>

During the year under review, the Brederode group generated a consolidated profit of € 48.7 million.

This represents earnings of € 1.51 per share, against € 5.54 in 2006.

### B. Statutory situation of the company

#### Change in the number of issued shares - share buyback programme.

The extraordinary general meeting of 25 April 2007 decided to cancel 1,448,493 of the treasury shares held by Brederode, reducing the number of shares in circulation to 32,831,759.

The same meeting authorised the Board of Directors to acquire, through purchases or exchange, a maximum number of shares as stipulated by article 620, § 1er, 2° of the Companies Code, either directly or through a person acting in his own name but on behalf of the company or by a direct subsidiary within the meaning of article 627 of the Companies Code, at a minimum price of one euro and a maximum price of five per cent above the average closing rate of the last three stock exchange sessions preceding the day of the acquisition. This authorisation is valid for a period of eighteen months from the date of the publication of this decision in the annexes of Moniteur belge and may then be renewed.



This decision was published in the annexes of Moniteur belge on 27 June 2007.

In the framework of this authorisation and with a view to optimising its shareholders' equity, Brederode purchased 1,680,858 shares on the stock market, during the remainder of 2007, representing 5.1% of its capital, at an average price per share of € 30.68 (par value € 6.60). The number of shares participating in the profit at 31 December 2007 has therefore been reduced to 31,150,901.

### **Statutory accounts**

The loss realised by the parent company amounted to € 20.8 million, compared to a profit of € 28.4 million one year earlier.

The figures correspond to a loss per share of € 0.63 against a profit of € 0.86 the previous year.

This result includes € 7.7 million of dividends received (against € 6.8 million a year earlier).

### **Appropriation of profits**

The profit brought forward from the previous year amounted to € 382,119,319.50.

To this sum is added a withdrawal from tax-exempt reserves of and deducted :

- the loss for the year of € 20,824,263.01
- a transfer to non-distributable reserves (own shares) of € 59,737,385.92
- a transfer to distributable reserves of € 3,417,723.22

to make a total distributable amount of EUR 301,358,668.00 which the Board of Directors will propose at the next ordinary general meeting to allocate as follows:

- remuneration of capital € 15,755,541.52
- carried forward € 285,603,126.48

If this is approved by the shareholders, the gross dividend per share will amount to € 0.52, an increase of 5.4 %, and which is equivalent to a net dividend of € 0.39 after deduction of the withholding tax of 25 %. The net dividend for 'vvpr strip' shares will amount to € 0.442 (withholding tax reduced to 15 %).

This dividend will be made available for payment from 11 June 2008. For bearer shares, it will be paid upon presentation of coupon n° 68 at branches of Fortis Bank, Dexia Bank and KBC Bank.

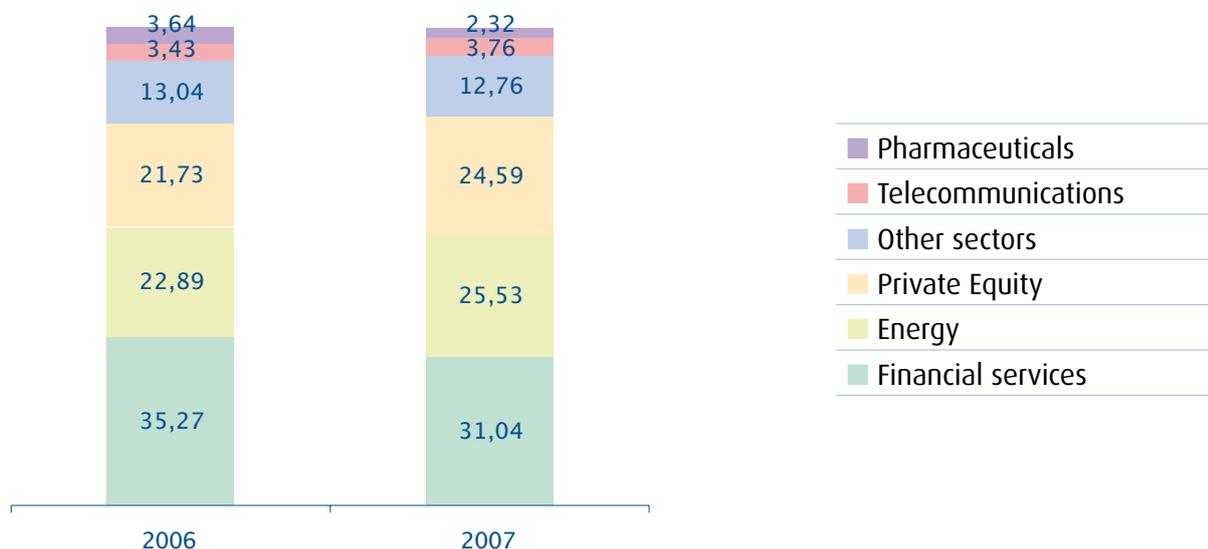
### **Outlook**

Since the accounts for 2007 were drawn up, the financial crisis has not abated.

On this topic, we invite the reader to consult our comments on page 16 under the heading: Market trends and outlook.

## FINANCIAL ASSETS

Sectoral repartition of financial assets (%)



### A. Listed holdings

The group's listed shareholdings at 31 December 2007 were the following:

Shares	Quantities		Values	
	31-dec-06	Purchases/ (sales)	31-dec-07	31-dec-07
<b>Financial services</b>				
ABN Amro	1,275,144	-1,275,144	0	0.00
Axa	1,172,222	190,778	1,363,000	37,332,570.00
Barclays Group	0	2,470,000	2,470,000	16,974,093.26
BNP Paribas	462,000		462,000	34,289,640.00
Fortis	4,210,300	2,915,200	7,125,500	128,330,255.00
Hardy Underwriting Group	1,604,158		1,604,158	6,452,503.55
HSBC	2,113,900		2,113,900	24,269,209.16
ING	1,194,515		1,194,515	31,953,276.25
Lloyds TSB Group	2,885,000	1,115,000	4,000,000	25,906,735.75
Novae Group (ex SVB Holding)	60,982,082		60,982,082	27,855,191.53
Paris Re Holdings	0	321,250	321,250	4,529,625.00
Royal Bank of Scotland	1,100,000	2,783,839	3,883,839	23,512,742.24

(2 for 1 bonus issue + ABN contribution)



U.B.S.	700,000		700,000	22,251,767.69
<b>Shares</b>		<b>Quantities</b>		<b>Values</b>
	<b>31-dec-06</b>	<b>Purchases/ (sales)</b>	<b>31-dec-07</b>	<b>31-dec-07</b>
<b>Energy</b>				
B.P.	4,775,000		4,775,000	40,041,246.25
ENI	2,150,000		2,150,000	53,857,500.00
E.on	536,114	-36,114	500,000	72,795,000.00
Iberdrola	1,075,000	3,225,000	4,300,000	44,720,000.00
		<i>(4 x 1 share split)</i>		
Royal Dutch Shell "A"	1,708,441		1,708,441	49,117,678.75
Total	970,000		970,000	55,125,100.00
<b>Telecoms</b>				
Deutsche Telecom	1,800,000	200,000	2,000,000	30,040,000.00
Telecom Italia	7,750,000		7,750,000	16,507,500.00
<b>Pharmaceuticals</b>				
Glaxo Smith Kline	300,000	-300,000	0	0.00
Pfizer	300,000	-300,000	0	0.00
Sanofi	476,000	-21,000	455,000	28,655,900.00
<b>Other sectors</b>				
Holcim	0	330,000	330,000	24,310,751.19
Rutland Trust	32,400,000	-32,400,000	0	0.00
Samsung Electronics (GDR)	100,000		100,000	19,886,556.62
Sofina	909,041	-45,777	863,264	69,061,120.00
TomTom	0	100,000	100,000	5,150,000.00
Unilever	1,554,522		1,554,522	39,096,228.30
Other holdings < € 1 million				301,166.66
<b>TOTAL</b>				<b>932,323,357.21</b>

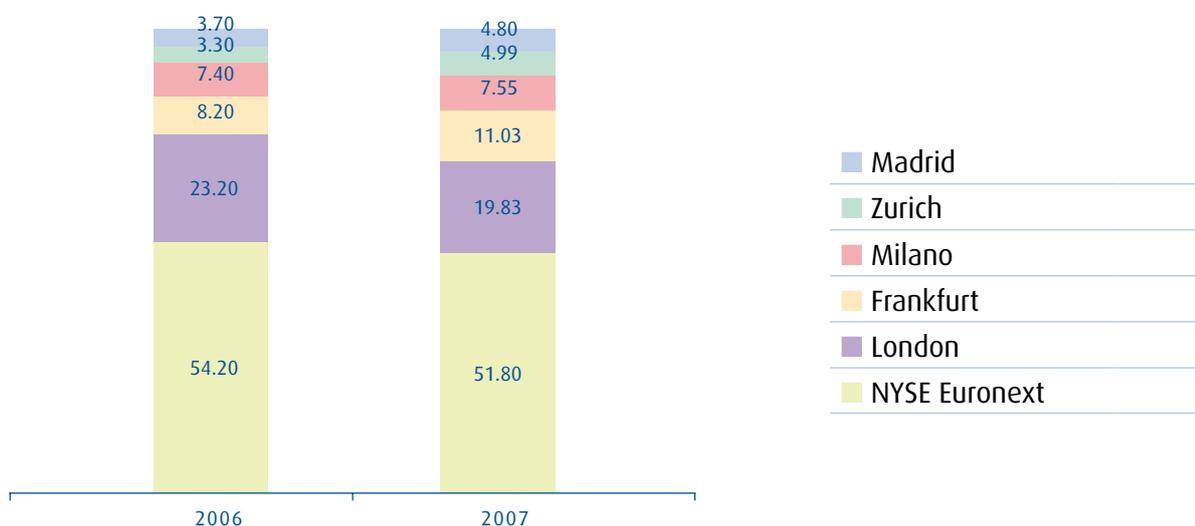
The most significant movements during the period under review were:

- the sale of shares in RUTLAND TRUST ;
- the participation in the take-over of ABN AMRO led, on the one hand, to the contribution of ABN AMRO shares to the offer made by the consortium consisting of Royal Bank of Scotland, Banco Santander and Fortis Bank and on the other hand to the subscription to the capital increase at Fortis;
- the introduction to the stock exchange of Paris Re shares, which had previously been held as an unlisted investment;
- the purchase of a significant participation in Holcim and Barclays.

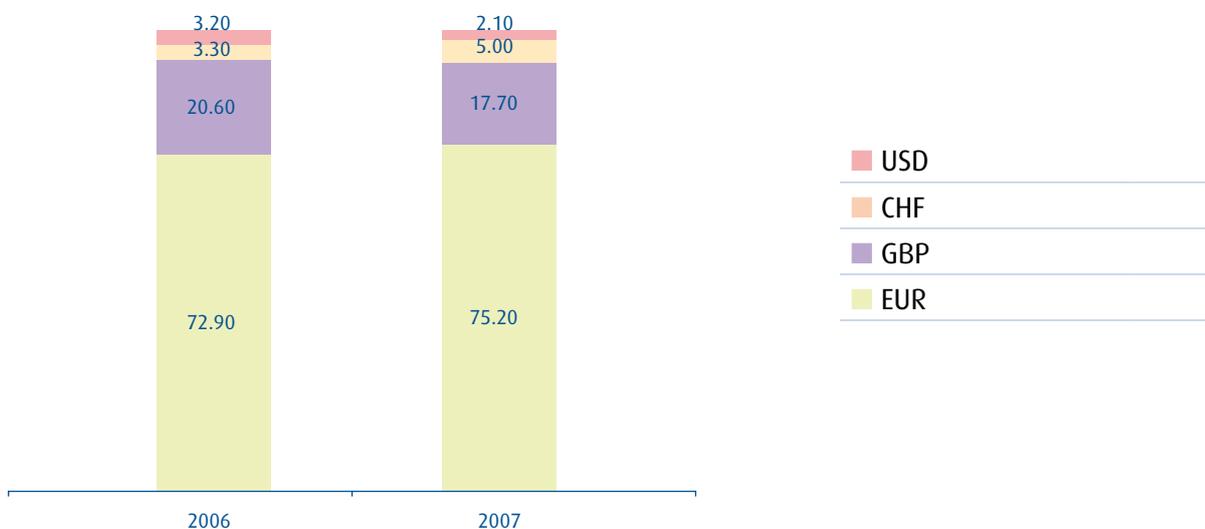
Brederode also holds 1,680,858 of its own shares, or 5.1 % of the share capital, with a stock exchange value at 31 December 2007 of € 49,753,396.80.

In the consolidated accounts, the value of these shares has been deducted from shareholders' equity and is not included in the assets on the balance sheet.

#### Breakdown of listed investments between the various financial markets (%)



#### Breakdown of listed financial assets by currency (%)



## B. Private equity

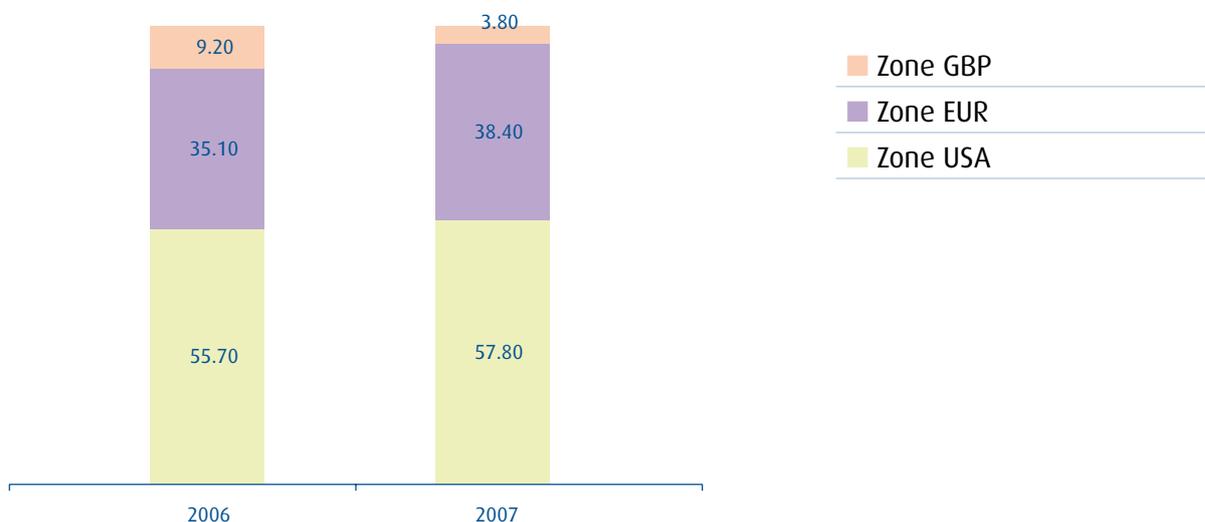
In its primary sense, 'private equity' refers to the shareholders' equity of unlisted (private) companies.

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

The portfolio primarily contributes to a greater diversification of the group's investments, in terms of both sectors and geography.

The unlisted companies in which Brederode invests operate mainly in the United States and western European.

### Geographic breakdown of private equity investments (%)



## Fixed-term partnerships and direct investments

For some fifteen years, the Brederode group has managed its investments in 'private equity' through fixed-term partnerships, with other institutional investors, under the leadership of teams of specialised managers.

The strategy of these partnerships is essentially a 'buy-out' type strategy, meaning that it aims to acquire with other investors and appropriate financial leverage (leveraged buy-out), an interest – in principle a controlling interest – in mature businesses with a predictable cash flow.

Each decision to invest is only made at the end of an in-depth 'due diligence' procedure which systematically includes conversations with these specialised managers and the in-depth examination of all the ad hoc documents.

Initial research relates, in particular, to the quality and the cohesion of management teams, investment strategy and market opportunities, past performance, sources of business and exit options.

Investments are made on the basis of detailed quarterly reports as well as the audited annual accounts of the partnerships.

With the strength of its accumulated experience, the Brederode group is able to concentrate on the most promising projects, with the best teams of specialised managers.

At the end of 2007, the group had invested € 303.9 million through 105 partnerships managed by 44 'private equity' groups, against € 270.2 million a year earlier.

Of these 105 partnerships, 49 were still in the investment phase, the others are working on realising the best price for their residual assets.

The group sometimes gets the opportunity to co-invest in parallel with these investment partnerships.

At the end of 2007, these co-investments represents € 41.0 million, against € 36.6 million one year earlier.

### Uncalled commitments

The group's commitments to invest that have not yet been drawn down have evolved as follows:

31 December 2006	Changes in existing commitments	New commitments	31 December 2007
270.8 million	-101.5 million	151.3 million	320.6 million

### Trends in the private equity portfolio in 2007

	2007	2006
Value of unlisted financial assets at the start of the period	270.2	262.8
New investments	96.5	81.9
Disposals	-113.0	-115.0
Change in fair value	50.2	40.5
Value of unlisted financial assets at the end of the period	303.9	270.2

Private equity also generated earnings (dividends and interest) of € 6.6 million in 2007, against € 4.7 million the previous year.

In terms of exits, the 'private equity' environment remained favourable in 2007, although a certain slowdown was discernable at the end of the year.

During the first half of 2007, fed by an abundance of easy credit, numerous opportunities for IPOs, as well as for disposals to industrial or financial buyers arose and were seized. Refinancing operations also generated opportunities to create partial liquidity, often several years before the final exits can be considered. In this way, high-performance companies, profiting from the abundance of bank credit



and favourable interest rates, were able to renegotiate their debts on better terms and consequently sometimes were able to pay a generous special dividend to their shareholders.

The second half of the year, on the other hand, coincided with the start of a real credit crisis that started in the USA and soon spread to Europe.

This trend began to make itself felt in the form of a slowdown in the rhythm of new investments capable of generating high returns.

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

2007 was once again a profitable year for our London-based 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, in order to enable the most accurate possible estimate of the impact of the claims. Our subsidiary Athanor therefore determined its result for 2007 based on the final status of its insurance activities in 2005.

The final result for 2007 was positive, while a loss had previously been expected because the underwriting year 2005 recorded very severe losses due to the hurricanes Katrina, Rita and Wilma. This highlights the good diversification and high quality of the syndicates supported by Athanor.

Insurance results for 2006 and 2007, which will be included in Athanor's accounts for 2008 and 2009 respectively, are currently looking favourable.

At the start of 2008, there has been a considerable weakening of insurance premium rates. However, in the absence of major catastrophes, the insurance outcome for 2008 (which will be accounted for in the 2010 results) should remain positive.

### **Industrial activities**

Brederode disposed of its 50% holding in NV Arthemaura in July 2007, which controlled 100% of its industrial subsidiary Dumo N.V., which operates in the polyurethane mousse sector. This disposal generated a consolidated gain of € 6.8 million.



## POST BALANCE SHEET EVENTS AND OUTLOOK

a) The liquidation of Brederode (UK) Ltd, which had been decided on at the start of 2007 for simplification purposes, was completed on 24 January 2008, with no impact on the results.

b) Market trends and outlook:

Since the accounts were prepared, the macro-economic environment has continued to deteriorate.

The credit crisis seems a long way from being over, and its negative impact on the economy has already plunged the United States into a recession that risks spreading to the rest of the world.

In these circumstances, it seems difficult to be optimistic about the results for the current year. On the other hand, it should be remembered that crisis situations often provide an opportunity to make additional attractive investments.

The very solid balance sheet situation of the Brederode group, along with the high quality of its assets and their strong diversity, enable us to remain ambitious for the longer-term as it is evident that fine weather will return after the storm.



## NYSE Euronext

### Financial instruments

Two Brederode financial instruments are traded on the NYSE Euronext Brussels exchange:  
32,831,759 actions  
18,250,504 VVPR strips

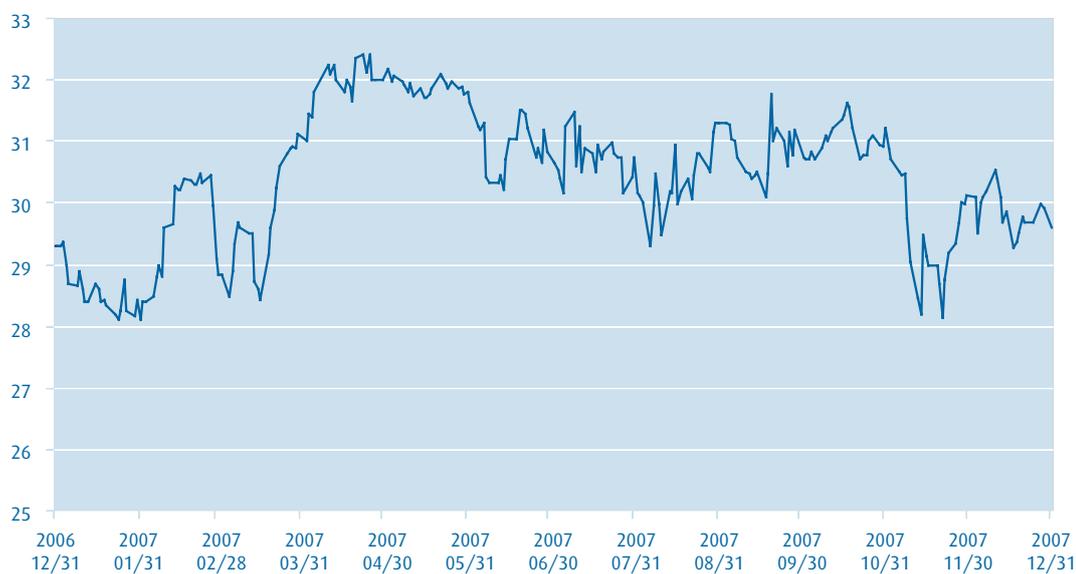
All the 32,831,759 shares issued enjoy the same rights.

The VVPR (Verlaagde Voorheffing/Précompte Réduit) strip allows the shareholder to benefit from a reduced withholding tax of 15%, instead of the normal rate of 25%, on dividends attributed to shares with this 'strip'.

### Stock market capitalisation

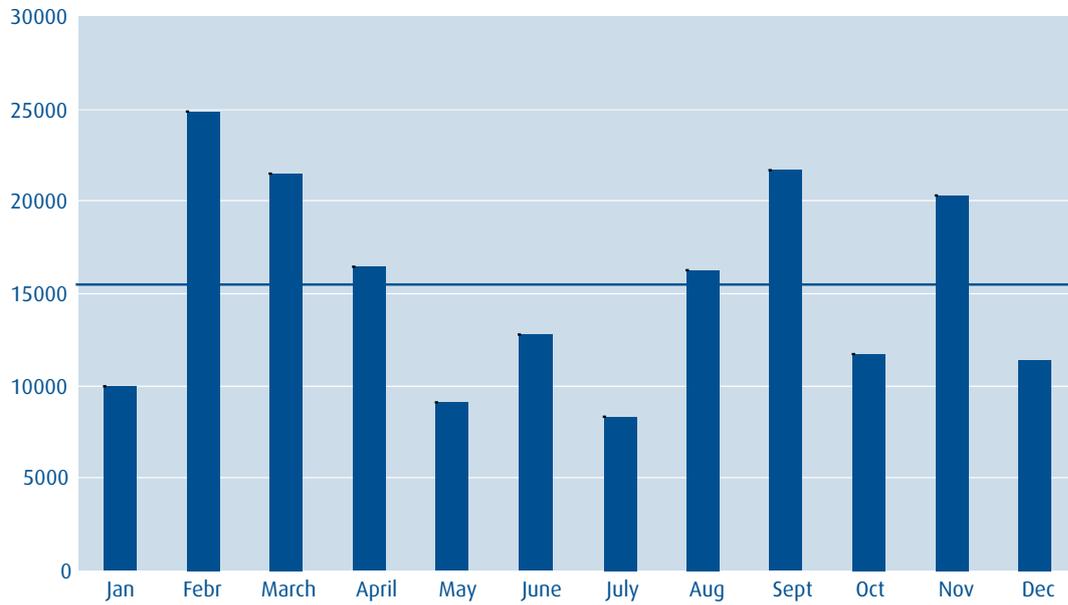
At the end of 2007, Brederode's stock market capitalisation was € 972 million, putting the company in 39th place on the NYSE Euronext Brussels exchange.

### Share price trend



## Liquidity of Brederode shares on NYSE Euronext Brussels

Average daily volumes traded per month in 2007.



Average number of shares traded every day: 15,361



## THE BREDERODE CHAIR FOR 'DEVELOPING ENTREPRENEURIAL SPIRIT'

The Brederode Chair for 'Developing entrepreneurial spirit', in cooperation with the CPME 'Business creation' unit, won the international prize for pedagogical innovation in 2007. This confirms its key supporting role for the efforts being made by UCL to develop entrepreneurship.

It aims to stimulate this both through the 'Business creation' interdisciplinary training programme and training programmes offered by the Louvain School of Management, UCL faculties or continuing development. Since this year, CPME training has involved 7 UCL faculties.

The Chair had previously enabled the recruitment of professor F. Janssen whose role is to stimulate the CPME unit, to attempt to ensure that this type of training becomes a regular feature of management programmes and to create an entrepreneurship unit in complementary and continuous training courses. It enabled an assistant to be employed in 2006 to support these numerous missions.

It offers an opportunity to students who would like to dedicate themselves to entrepreneurial activities to acquire the tools and skills they will require; it provides valuable help to those who have already identified a project. In all cases, the objective is to enable future graduates to experience real-life situations through multi-disciplinary training. The Chair is also active in several campaigns aimed at raising awareness of the entrepreneurial spirit.

It also enables the development of research in the field of business growth, governance in SMEs, entrepreneurial education, the entrepreneurial mindset, social enterprise and entrepreneurs by necessity.

Finally, it contributes to the international dissemination of UCL's savoir-faire through its participation in knowledge-transfer projects with African, Asian and Eastern European institutions.

A more complete description of the activities of the Brederode Chair can be found at [www.uclouvain.be/chaire-brederode](http://www.uclouvain.be/chaire-brederode)



## CORPORATE GOVERNANCE

### Board of Directors

Pierre van der Mersch, Chairman  
G rard Cotton, Managing Director  
Luigi Santambrogio, Managing Director  
Johanne Iweins d'Eeckhoutte <sup>(1)</sup>  
Axel van der Mersch <sup>(2)</sup>  
Bernard De Corte <sup>(3)</sup>  
Philippe De Backer <sup>(4)</sup>  
Michel Delloye <sup>(4)</sup>  
Alain Siaens <sup>(2) (4)</sup>

<sup>(1)</sup> To 25 April 2007

<sup>(2)</sup> From 25 April 2007

<sup>(3)</sup> To 31 December 2007

<sup>(4)</sup> Independent directors

### Executive management

G rard Cotton  
Luigi Santambrogio  
Axel van der Mersch

### Committees of the Board of Directors

#### - Audit committee

Michel Delloye, Chairman  
Philippe De Backer  
Bernard De Corte <sup>(1)</sup>  
Alain Siaens <sup>(2)</sup>

<sup>(1)</sup> To 31 December 2007

<sup>(2)</sup> From 25 April 2007

#### - Appointments and remunerations committee

Pierre van der Mersch, Chairman <sup>(1)</sup>  
Alain Siaens, Chairman <sup>(2)</sup>  
Philippe De Backer  
Bernard De Corte <sup>(1)</sup>  
Michel Delloye

<sup>(1)</sup> To 31 December 2007

<sup>(2)</sup> From 1st January 2008



## Corporate Governance Charter and compliance with the Code

The Board approved the Charter at its meeting of 12 January 2006 and modified it on 14 March 2007. The consolidated text of this Charter is available on the company's internet site: [www.brederode.be](http://www.brederode.be)

The company follows the principles of the Belgian Code of Corporate Governance but considers that certain of its provisions 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's strategy has for many years been decided upon 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 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 experience, knowledge and skills.

Of the seven members of the Board of Directors, four are non-executive directors, three of whom are independent directors within the meaning of the Code of Corporate Governance and the Companies' Code.

The Chairman seeks to develop a climate of trust within the Board of Directors, contributing to open discussions, the 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, regardless of whether or not they are executive or independent directors.

The Board of Directors strives in particular to ensure that any market transaction carried out within the group or with companies with which close links already exist are conducted under normal market conditions and 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. To this end, a list has been drawn up of persons with access to inside information, and a note outlining the legal consequences connected 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 direct or indirect conflict of interests with the Company.



- An informal procedure is adopted for the appointment of directors

The Chairman of the Board leads the appointment process. With the advice of the Appointments Committee, he recommends appropriate candidates to the Board of Directors. The Board then proposes the Appointment to the general meeting of shareholders.

- The board of directors has created specialist committees.

The Board of Directors has set up an audit committee, which assists it in carrying out its monitoring responsibilities in connection with control in the widest sense of the term. The auditor is invited to its meetings.

It has also created a combined Appointments and 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 is responsible in particular for the following:

- the Company's performance;
- implementation of internal controls;
- exhaustive, timely, reliable and exact preparation of financial statements in accordance with the accounting standards and policies of the Company;
- timely communication 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.

No plan exists or is under consideration to remunerate any person by the attribution of shares, share options or any other entitlement to acquire shares.

The offices of 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 resources and information that allow the shareholders to exercise their rights are available, particularly through its website.

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 corporate governance during the year under review.

### **Activity Report of meetings of the Board of Directors and its Committees**

The Board of Directors met four times during 2007, and the average individual attendance rate of directors was 70%.

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

### **Remuneration**

The gross remuneration (payable by the group) in 2007 of the directors who constitute executive management amounted to € 638,000 (including benefits in kind). No performance-related remuneration was paid.

A managing director is entitled to severance pay of € 100,000.

The amount of remuneration paid to non-executive directors amounted to € 245,000 and € 5,000 for the independent directors.

One independent director waived his right to a salary.



## CONSOLIDATED ACCOUNTS AT 31 DECEMBER

### Consolidated profit and loss account at 31 December

<b>(EUR thousand)</b>	<b>Notes</b>	<b>2007</b>	<b>2006</b>
Dividends and interest received on noncurrent assets	(1)	42,566	43,305
Change in fair value of financial assets	(2)	-15,861	140,920
- listed securities		-66,017	100,465
- unlisted securities		50,156	40,455
Foreign exchange result	(3)	23,115	13,782
Other incomes/expenses	(4)	-5,006	-4,994
<b>RESULTS OF PORTFOLIO MANAGEMENT</b>		<b>44,814</b>	<b>193,013</b>
Result of companies accounted for with the equity method	(5)	0	69
Other operating income and expenses	(6)	3,188	4,169
<b>OPERATING RESULT</b>		<b>48,002</b>	<b>197,251</b>
Interest received on current assets	(7)	1,237	865
Interest paid	(7)	-2,850	-952
Result of discontinued activities	(5)	6,940	0
Taxes	(8)	-4,630	-8,348
<b>RESULT FOR THE PERIOD</b>		<b>48,699</b>	<b>188,816</b>
- group share		48,692	188,805
- minority interests		7	11

## Consolidated balance sheet at 31 December

(EUR thousand)	Notes	2007	2006
<b>NON-CURRENT ASSETS</b>		<b>1,242,423</b>	<b>1,252,467</b>
Tangible assets	(9)	1,560	1,730
Land and buildings	(10)	4,399	4,399
Financial assets	(2)	1,236,227	1,243,237
- listed securities		932,323	973,061
- unlisted securities		303,904	270,176
Companies accounted for under the equity method		0	1 889
Deferred taxes	(8)	236	585
Other fixed assets		1	627
<b>CURRENT ASSETS</b>		<b>32,932</b>	<b>52,722</b>
Short-term amounts receivable	(11)	22,919	21,910
Financial assets	(3)(12)	6,655	5,052
Cash and cash equivalents	(13)	3,054	25,300
Other current assets		304	460
<b>TOTAL ASSETS</b>		<b>1,275,355</b>	<b>1,305,189</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>1,184,295</b>	<b>1,218,720</b>
Group shareholders' equity		1,184,206	1,218,639
<i>Called up share capital</i>	(14)	216,730	216,730
<i>Share premium account</i>		62,527	62,527
<i>Consolidation reserves</i>	(15)	904,949	939,382
Minority interests		89	81
<b>NON-CURRENT LIABILITIES</b>		<b>5,041</b>	<b>8,621</b>
Deferred tax liabilities	(8)	747	1,277
Provisions	(16)	4,294	7,344
<b>CURRENT LIABILITIES</b>		<b>86,019</b>	<b>77,848</b>
Financial debt	(17)	66,847	47,161
Financial liabilities	(3)	99	951
Other current liabilities	(18)	19,073	29,736
<b>TOTAL LIABILITIES</b>		<b>1,275,355</b>	<b>1,305,189</b>

## Cash flow statement

<b>(EUR thousand)</b>	<b>2007</b>	<b>2006</b>
Result for the period	48,699	188,816
- <i>group share</i>	48,692	188,805
- <i>minority interests</i>	7	11
Depreciation	370	85
Gains on the disposal of discontinued activities	-6,844	0
Capital gains on tangible fixed assets	-192	-449
Result of companies accounted under the equity method	-93	-69
Deferred taxes	-180	1,245
Change in reserves	-3,050	-587
Change in fair value of financial assets	15,861	-140,920
Change in working capital	-14,073	6,303
<b>Cash flow from operations</b>	<b>40,498</b>	<b>54,424</b>
Acquisitions of	-227,949	-313,874
- <i>tangible and intangible assets</i>	-432	-152
- <i>financial assets</i>	-227,517	-313,722
Disposals of	222,999	319,384
- <i>tangible and intangible assets</i>	233	487
- <i>financial assets</i>	218,666	318,897
- <i>discontinued operations</i>	4,100	0
Other changes	1	368
<b>Cash flow from investing</b>	<b>-4,949</b>	<b>5,878</b>
Dividends paid	-15,921	-15,997
Cancellation of own shares	-61,560	-31,219
Changes in short term financial debt	19,686	2,458
<b>Cash flow from financing</b>	<b>-57,795</b>	<b>-44,758</b>
Net movement in cash and cash equivalents	-22,246	15,544
Cash and cash equivalents on 1 January	25,300	9,756
<b>Cash and cash equivalents on 31 December</b>	<b>3,054</b>	<b>25,300</b>



## Table of changes in shareholders' equity

(000 EUR)	Capital	Share premium	Revaluation reserves	consolidation reserves	Differences on conversion	Minority interests	Total
<b>Balance at 1st January 2006</b>	<b>216,730</b>	<b>62,527</b>	<b>6,426</b>	<b>791,335</b>	<b>-45</b>	<b>70</b>	<b>1,077,043</b>
Result for the year				188,805		11	188,816
Dividends				-15,997			-15,997
Purchase of own shares				-31,219			-31,219
Other movements			-291		368		77
<b>Balance at 31 December 2006</b>	<b>216,730</b>	<b>62,527</b>	<b>6,135</b>	<b>932,924</b>	<b>323</b>	<b>81</b>	<b>1,218,720</b>
Result for the year				48,692		7	48,699
Dividends				-15,921			-15,921
Purchase of own shares				-61,560			-61,560
Sale of discontinued operations			-4,917				-4,917
Other movements					-727	1	-726
<b>Balance at 31 December 2007</b>	<b>216,730</b>	<b>62,527</b>	<b>1,218</b>	<b>904,135</b>	<b>-404</b>	<b>89</b>	<b>1,184,295</b>

## Accounting principles and policies

The accounting period is 12 months and these accounts for the period ending on 31 December 2007 were approved by the Board of Directors at a meeting on 13 February 2008.

### General principles and accounting standards

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards in force at 31 December 2007, as published and adopted by the European Union.

### Consolidation perimeter and methods

The consolidated financial statements, drawn up before the appropriation of profits, include the accounts of BREDERODE and its subsidiaries, i.e. companies over which the Group directly or indirectly exercises exclusive control. These companies are fully consolidated.

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

### Tangible fixed assets

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

Depreciation is charged on a straight-line basis over the estimated operational life of the different categories of assets:

- Buildings
- Plant and equipment
- Furniture
- Vehicles
- Computer equipment

### Investment property

The building housing the Group's registered office is in large part leased to third parties. Its 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, whether 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 the fair value is reassessed at each year-end based on the closing share price 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.

- **Listed portfolio**

The group actively manages a large portfolio of ordinary shares, listed primarily on European exchanges: NYSE Euronext, Frankfurt, London, Madrid, Milan and Zurich. These are minority holdings and tend to be very liquid.

- **Private Equity' portfolio**

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

Brederode's 'private equity' portfolio is primarily made up of commitments to fixed-term (10-12 years) 'Limited Partnerships'. These partnerships are composed, on the one hand, by a team of managers, the General Partner, comprised of first-rate experienced professionals, and on the other hand, by institutional investors, who are the 'Limited Partners'.

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 manages 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 of the acquisition of a sizeable, possibly controlling, stake in a mature company with a well established business model, positive cash flow and expansion or consolidation opportunities. The positive cash flows enable the company to use financial leverage that has the effect of increasing potential return on the shareholders' equity invested.

The Group also take advantage of the opportunity to co-invest directly in certain promising projects, in parallel with certain partnerships.

### **Amounts receivable**

Loans made by the group and other amounts receivable are valued at cost, reduced by any reduction in value as a result of 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 remaining commitments of a subsidiary for mine-related damages.

They were initially valued at cost, and are restated at their market value at the end of each financial year. Fluctuations arising in the value of these financial instruments during the course of the financial year are accounted for in the profit and loss account.

### **Derivative instruments**

Derivative instruments are valued at their fair value at the balance sheet date. Changes in fair value between one year-end and the next are accounted for in the profit and loss account. Movements in prices/rates can lead to a valuation of derivative instruments resulting in the creation of a financial asset or liability.

#### **• Options on listed shares**

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

The policy on such options is determined solely by market circumstances in respect 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 policy of covering exchange risk, the Group makes use of forward exchange contracts whose duration varies between one and six months. The amount of cover evolves as a result of the Group's view of the currency concerned.

## **Non-financial assets**

The Group's non-financial assets, other than taxes, are reviewed at the end of each financial year, in order to determine whether they have declined in value. If this seems to be the case, the recoverable value 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 writing back the amount previously written off, may nevertheless not exceed



the net book value that would have been determined had no amount been written down in previous financial years.

Any goodwill written off may not be written back, unless it was caused by an exceptional external event of a non-recurring and exceptional nature and the increase in the recoverable value clearly cancels 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 in force or close to adoption at the balance sheet date, as well as adjustments relating to 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 bank deposit accounts.

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 case 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 gross amount - before the 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 before the appropriation of profit.

### **Provisions**

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

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



## **Long-term financial debt**

Long-term debt comprises bank loans and bonds. It is valued at cost.

## **Short-term financial debt**

### **Commercial paper**

The Group has several commercial paper programmes offering access to financing terms under more attractive conditions than those of bank loans. The commercial paper typically has 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.

### **Short-term loans**

The Group also has a number of credit lines with various financial institutions. They can be used in the form of short-term draw-downs generally not exceeding 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 its 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 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 our investments in Lloyd's syndicates is influenced by their specific accounting methods, which involve preparing the accounts with a time-lag of three years, in order to enable a more precise estimate of the size of claims.

Where it is probable that a loss will arise, a provision is made of the amount of the expected loss.



## Financial instruments and associated risks

### 1. Market risk

#### a) Currency risk

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 related to the 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 currency risk are valued at the fair value of the hedging instruments and are shown in the balance sheet notes under "derivatives" in current financial assets (liabilities).

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

#### b) Interest rate risk

For financial assets, the risk of changes in fair value 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.

#### c) 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 portfolio*

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 (NYSE Euronext, Frankfurt, London, Madrid, Milan and Zurich).

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 sectoral diversification of the portfolio



### *Unlisted portfolio*

For the portfolio of unlisted securities, statistical and theoretical studies reach different conclusions as to whether or not the volatility of such holdings is greater than 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 has decided to deal. A second level of diversification occurs within each Partnership, which typically will invest in around 20 companies sometimes in very diverse sectors.

### *Options on shares*

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, both for puts and calls.

The price risk on this type of transaction is monitored on a daily basis and is limited by the Group's policy of not issuing uncovered call options (undertaking to sell at a given price and time a security which is not owned).

## **2. Credit risk**

This is defined as the risk that one party to a financial transaction may default on its 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.

For share options, it is up to the group Brederode itself to demonstrate its credit worthiness to 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 that initialise the transactions and manage the funds invested. This risk is kept in check through the careful choice of the General Partners with which Brederode works, reports from the auditors who verify the accounts of these partnerships, and the quarterly activity reports provided by the managers.



### **3. Liquidity risk**

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

One of the characteristics of 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 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's uncalled 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 significant cash movements generated by the unlisted portfolio.

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

The Group carefully balances 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.

### **4. Cash flow interest rate risk**

The risk that future cash flows of financial instruments may fluctuate due to variations in interest rates is analysed by the group on an ongoing basis and adequate hedging measures are used where appropriate.



## 5. Sensitivity analysis

### a) Listed portfolio

This portfolio is particularly sensitive to price movements on the stock exchange, whose evolution is difficult to forecast.

### b) 'Private Equity' portfolio

Given the significant proportion of investments in USD, changes in the USD/EUR exchange rate influence the value of the portfolio.

The Group's current policy of covering a significant part of this risk means that exchange rate fluctuations ultimately have a negligible impact.

The value of this portfolio can also be influenced by changes in the value of companies, and particularly in the multiples used. The size of these variations is nevertheless less pronounced than that of the listed portfolio.



## Notes

### (1) Dividends and interest received

	2007	2006
Gross dividends	38,703	41,147
- listed securities	35,943	38,446
- unlisted securities	2,760	2,701
Interest	3,863	2,158
<b>Total</b>	<b>42,566</b>	<b>43,305</b>

### (2) Financial assets/Change in fair value

	2007	2006
At start of period	1,243,237	1,107,492
- listed securities	973,061	844,706
- unlisted securities	270,176	262,786
Movements during the period		
buying	227,517	313,722
- listed securities	130,980	231,733
- unlisted securities	96,537	81,989
selling	218,666	318,897
- listed securities	105,976	203,843
- unlisted securities	112,690	115,054
change in fair value	(15,861)	140,920
- listed securities	(66,017)	100,465
- unlisted securities	50,156	40,455
At end of period	1,236,227	1,243,237
- listed securities	932,323	973,061
- unlisted securities	303,904	270,176

### (3) Exchange rate result

	2007	2006
Realised	17,148	10,362
- on USD foreign exchange contracts	14,231	11,562
- on GBP foreign exchange contracts	2,917	(1,200)
Unrealised *	5,967	3,420
- on USD foreign exchange contracts	3,467	4,363
- on GBP foreign exchange contracts	2,500	(943)
<b>Total</b>	<b>23,115</b>	<b>13,782</b>

\* included in current financial assets (5,967 in 2007 and 4,363 in 2006) and current financial liabilities (99 in 2007 and 943 in 2006).

#### (4) Other portfolio results

	2007	2006
Result on current financial assets	(1)	(104)
Option premiums	665	345
Management fees on unlisted securities	(5,187)	(4,472)
Buying/selling expenses on shares	(378)	(662)
Custody fees	(94)	(85)
Bank fees on unlisted securities	(11)	(16)
<b>Total</b>	<b>(5,006)</b>	<b>(4,994)</b>

#### (5) Industrial group

The company Arthemaura NV (50% shareholding) and its subsidiary Dumo NV, were disposed of in July 2007. These disposals resulted in a gain on discontinued activities of € 6.9 million. With this transaction, the Group disposed of its last remaining directly held industrial assets, enabling it to concentrate on its core areas of competence.

#### (6) Other operating results

	2007	2006
A . Income	9,112	7,256
- Capital gains on fixed assets	256	449
- Capital gains on intangible assets	0	1,858
- Rents received	223	234
- Result from Lloyds insurance	120	1,773
- Utilisation of provisions	3,894	584
- Other income	4,618	2,358
B. Expenses	(5,924)	(3,087)
- Directors' emoluments	(854)	(649)
- Staff costs	(243)	(336)
<i>Salaries and wages</i>	(193)	(275)
<i>Social security</i>	(40)	(48)
<i>Other</i>	(10)	(13)
- Fees	(2,301)	(264)
- Depreciation	(370)	(85)
- Costs related to dividend payment	(87)	(93)
- Financial expenses	(650)	(284)
- Other expenses	(1,419)	(1,376)
<b>Other operating result</b>	<b>3,188</b>	<b>4,169</b>
C. Average number of employees	3	4

Provisions written back relate primarily to the favourable evolution of provisions created in the framework of its insurance activity per sector, while other income consists of the recovery of old accounts receivable.



## (7) Net interest expenses

	2007	2006
Interest received	1,237	865
- on short-term investments	1,237	865
Interest paid	(2,850)	(952)
- on short-term bank loans	(574)	(201)
- on commercial papers	(2,276)	(751)
<b>Net interest expenses</b>	<b>(1,613)</b>	<b>(87)</b>

## (8) Taxes

	2007	2006
Tax on profits		
- Profit before tax	48,700	197,164
- Profit not subject to tax	(21,942)	(185,503)
Tax at Belgian tax rate (33.99%)	9,095	3,964
- Permanent differences	(7,320)	1,317
- Taxes calculated on a basis other than profit	2,855	3,067
- Effective tax charge	4,630	8,348
- Effective tax rate	9.51%	4.23%
Deferred tax asset		
- at the start of the year	585	1,766
- included in the result for the year	338	(1,181)
- offset against deferred tax liability	(614)	0
- other movements	(73)	0
- at the end of the year	236	585
Deferred tax liability		
- at the start of the year	1,277	1,213
- included in the result for the year	84	64
- offset against deferred tax asset	(614)	0
- at the end of the year	747	1,277

## (9) Tangible fixed assets

	Plant, machinery and equipment	Other tangible fixed assets	Total
<b>Cost</b>			
- at the start of the year	556	72	628
- acquisitions	149		149
- cancellations	(7)		(7)
- disposals	(182)	(1)	(183)
- at the end of the year	516	71	587
<b>Gains</b>			
- at the start of the year		1,409	1,409
- disposals		(191)	(191)
- at the end of the year		1,218	1,218
<b>Depreciation</b>			
- at the start of the year	295	12	307
- charge for the year	86		86
- cancelled on disposals	(148)		(148)
- at the end of the year	233	12	245
<b>Net Book Value at the end of the year</b>	<b>283</b>	<b>1,277</b>	<b>1,560</b>

## (10) Investment property

	2007	2006
Estimated fair value	4,399	4,399

This is an office building located in Waterloo, Drève Richelle 161, with a total area 2,396 m<sup>2</sup>, partially occupied by the group and whose value, based on its return, has remained stable.

## (11) Short-term receivables

	2007	2006
- taxes to be refunded	18,469	14,428
- calls for funds by Lloyds' syndicates	4,194	5,367
- underwriting results receivable (Lloyd's)	0	2,019
- other receivables	256	96
<b>Total</b>	<b>22,919</b>	<b>21,910</b>



### Tax litigation

The tax administration is contesting the tax exemption of capital gains realised on our investments in private equity through American partnerships, and on certain investments in American real estate companies for the 2004 and 2005 tax years (2003 and 2004 results). The tax administration likewise considers that the dividends paid out by those American companies cannot be considered exempt from full taxation in Belgium.

A supplementary tax charge of (000 €) 8,893 was posted on 15 September 2006 for the 2004 financial year. A supplementary tax charge of (000 €) 4,199 was posted on 17 December 2007 in respect of the 2005 financial year. Both these supplementary charges are being disputed.

### **(12) Current financial assets**

	<b>2007</b>	<b>2006</b>
- OLO state bonds	687	688
- derivatives		
- value of USD hedging instruments	3,468	4,364
- value of GBP hedging instruments	2,500	0
<b>Total</b>	<b>6,655</b>	<b>5,052</b>

The OLO bonds are held by Greenhill and serve as guarantees for possible claims for the repair of mining damages at former coalmining sites. Existing legislation on statute of limitations, however, means that it is very unlikely that this guarantee will be able to be called upon.

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

### **(13) Cash and cash equivalents**

	<b>2007</b>	<b>2006</b>
- deposits	2,013	22,233
- other	1,041	3,067
<b>Total</b>	<b>3,054</b>	<b>25,300</b>

## (14) Capital

### A. Issued capital

The fully paid-up share capital at 31 December 2007 totalled EUR 216,730,144.16. It was made up of 32,831,759 shares with no par value. All shares making up Brederode's share capital carry the same rights.

<b>Breakdown of capital</b>	<b>2007</b>	<b>2006</b>
- nominative shares	20,210,420	19,637,338
- bearer shares	2,980,419	14,642,914
- dematerialised	9,640,920	0

### B. Authorised capital

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

- increase the share capital, one or more times, by a total amount of up to EUR 207,008,761.76 (Article 7 of the Articles of Association)
- decide, on one or more occasions, to issue convertible bonds, subscription rights or other securities that may in time entitle their holders to shares in the company up to an amount such that the amount of the capital increase that could result from the exercising of the conversion rights attaching to such bonds, subscription rights or securities, shall not exceed the limits of the remaining authorised capital as defined in Article 7 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

	<b>2007</b>	<b>2006</b>
Own shares held at 31 December	1,680,858	1,109,907



## (15) Consolidated reserves

	Revaluation reserve	Consolidated reserves	Differences on conversion	Total
At 1 <sup>st</sup> January 2006	6,426	791,335	-45	797,716
Result for the year		188,805		188,805
Dividends		-15,997		-15,997
Purchase of own shares		-31,219		-31,219
Other movements	-291		368	77
<b>At 31 December 2006</b>	<b>6,135</b>	<b>932,924</b>	<b>323</b>	<b>939,382</b>
Result for the year		48,692		48,692
Dividends		-15,921		-15,921
Purchase of own shares		-61,560		-61,560
Sale of assets	-4,917			-4,917
Other movements			-727	-727
<b>At 31 December 2007</b>	<b>1,218</b>	<b>904,135</b>	<b>-404</b>	<b>904,949</b>

## (16) Provisions

	Lloyds Insurance	Other	Total
<b>At 1<sup>st</sup> January 2007</b>	<b>7,338</b>	<b>6</b>	<b>7,344</b>
Unused sums written back	(1,849)	6	(1,855)
Changes resulting from variations in exchange rates	(1,195)		(1,195)
<b>At 31 December 2007</b>	<b>4,294</b>	<b>0</b>	<b>4,294</b>

The provisions related to the Lloyd's syndicates are booked in accordance with the estimates received on the progress of outstanding claims

## (17) Financial debt

Short-term financial debt

	2007	2006
- commercial paper	66,150	47,150
- bank loans	697	11
<b>Total</b>	<b>66,847</b>	<b>47,161</b>

### Commercial paper:

Brederode benefits from a programme of unsecured commercial paper up to a maximum amount of € 200 million, with an average utilisation in 2007 of € 56.8 million.

In support of this programme, the company benefits from the confirmed lines of credit referred to below.

#### Bank loans:

These are lines of guaranteed credit for a total amount of € 75 million.

### (18) Other current liabilities

	<b>2007</b>	<b>2006</b>
- trade payables	50	40
- taxation and social security	6,582	12,717
- dividends and interest payable	1,220	1,254
- deposit of funds received	9,390	13,015
- other payables	892	451
- payables arising on the purchase of financial assets not yet completed	350	1,932
- accruals and deferred income	589	327
<b>Total</b>	<b>19,073</b>	<b>29,736</b>

### (19) Off balance sheet rights and commitments

	<b>2007</b>	<b>2006</b>
Credit lines confirmed but not used	84,303	85,000
Acquisition and disposal commitments		
- commitments to acquire unlisted securities	320,592	270,830
- commitments to dispose of land	18	250
Put and call options issued	0	1,944
Rights and commitments arising from transactions in respect of interest rates, exchange rates and other similar transactions:		
- forward sales of USD and GBP	251,0515	260,866
Real guarantees		
- state bonds (OLO) as a guarantee for the repair of mining-related damage	687	688
- for the buyer of Artilat under the sale contract (duration of 18 months from the date of the sale)	0	5,074
- guarantees entered into on behalf of subsidiaries	6,331	11,644
- in favour of the buyer of Arthemaura under the sale contract (duration of 18 months from the date of sale) (expires January 2009).	410	0



## (20) Contingent assets

Agreement with the Democratic Republic of Congo relating to final compensation for long-standing debts payable to the group relating to old African assets nationalised during the 1970s.

Principal to be paid over the next 7 years: € (000) 19,767.

## (21) Directors' remuneration

The detail of the remuneration allocated to the Directors is included in the section on Corporate Governance.

## (22) Dividends

	2007	2006
- Amount distributed during the financial year	15,921	15,997
- Amount of proposed dividend for the financial year ending 31 December 2007 at 0.52 gross per share (0.4933 in 2006)	16,198	16,364

The proposed dividend is subject to the approval of shareholders at the ordinary general meeting of 23 April 2008 and, in accordance with IFRS standards, is not included under amounts payable.

## (23) Earnings per share

	2007	2006
- Number of shares in issue at 31 December	32,831,759	34,280,252
- Held by the company	1,680,858	1,109,907
- Entitled to dividend	31,150,901	33,170,345
- Earnings per share (*)	1,51	5,54

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

At 31 December 2006: 34,084,288

At 31 December 2007: 32,234,120

## (24) Subsidiaries

List of fully consolidated subsidiaries at 31 December 2007

Name	Country	Percentage holding	Percentage of control
Athanor Ltd	United Kingdom	100	100
Brederode International Sàrl	Grand Duchy of Luxembourg	100	100
Brederode (UK) Ltd (in liquidation)	United Kingdom	100	100
Geyser S.A.	Grand Duchy of Luxembourg	100	100
Greenhill S.A.	Belgium	100	100

This list has not changed from that of the previous year.

## (25) Audit of the financial statements

Fees payable in respect of the statutory audit are shown below (art.134 of the Companies' Code).

	2007	2006
Audit fees	80	67
- of which Brederode s.a.	34	19
Other verification assignments	40	0
Tax advice	16	0
Other assignments not related to the audit assignment	4	0



**STATUTORY AUDITORS' REPORT TO THE GENERAL SHAREHOLDERS' MEETING  
ON THE CONSOLIDATED ACCOUNTS OF THE COMPANY BREDERODE SA AS  
OF AND FOR THE YEAR ENDED DECEMBER 31, 2007 (Free translation)**

As required by law and the company's articles of association, we report to you in the context of our appointment as statutory auditor. This report includes our opinion on the consolidated accounts and the required additional disclosure.

**Unqualified opinion on the consolidated accounts**

We have audited the consolidated accounts of BREDERODE SA and its subsidiaries (the "Group") as of and for the year ended December 31, 2007, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable on quoted companies in Belgium. These consolidated accounts comprise the consolidated balance sheet as of December 31, 2007 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated balance sheet amounts to EUR 1.275.355 (000) and the consolidated statement of income shows a profit for the year (group share) of EUR 48.692 (000).

The company's board of directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts 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 accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts give a true and fair view of the Group's net worth and financial position as of December 31, 2007 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable on quoted companies in Belgium.

**Additional remark**

The company's board of directors is responsible for the preparation and content of the management report on the consolidated accounts

Our responsibility is to include in our report the following additional remark, which does not have any effect on our opinion on the consolidated accounts:

- the management report deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development.

Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

Brussels, March 14, 2008

MAZARS & GUERARD - REVISEURS D'ENTREPRISES  
Statutory Auditor  
Represented by X. DOYEN



## 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 from the company's website and its registered office.



## Balance sheet

ASSETS (EUR thousand)	31 December 2007	31 December 2006
<b>FIXED ASSETS</b>	<b>781,503</b>	<b>864,404</b>
Tangible assets	4,082	4,266
Land and buildings	2,897	2,863
Furniture and vehicles	142	168
Other tangible assets	1,043	1,235
Financial assets	777,421	860,138
Associated companies		
Shareholdings	581,373	679,879
Amounts receivable and guarantees	0	625
Other financial assets		
Shareholdings	196,048	179,634
<b>CURRENT ASSETS</b>	<b>163,653</b>	<b>45,939</b>
Amounts receivable within one year	113,543	12,467
Other receivable	113,543	12,467
Treasury investments	49,804	32,920
Own shares	49,752	31,219
Other investments	52	1,701
Cash at bank and in hand	29	138
Adjustment accounts	277	414
<b>TOTAL ASSETS</b>	<b>945,156</b>	<b>910,343</b>



## Bilan

LIABILITIES (EUR thousand)	31 December 2007	31 December 2006
<b>SHAREHOLDERS' EQUITY</b>	<b>691,536</b>	<b>769,510</b>
Capital	216,730	216,730
Called-up share capital	216,730	216,730
Share premium account	62,527	62,527
Revaluation surpluses	750	941
Reserves	125,926	107,193
Legal reserve	21,673	21,673
Non-distributable reserves		
for own shares	49,753	31,219
Non-taxable reserves	0	3,219
Available reserves	54,500	51,082
Earnings carried forward	285,603	382,119
<b>PROVISIONS AND DEFERRED TAXES</b>	<b>0</b>	<b>216</b>
Deferred taxes	0	216
<b>DEBT</b>	<b>253,620</b>	<b>140,617</b>
Amounts falling due within one year	253,608	140,604
Financial debt	66,847	47,161
Credit institutions	697	11
Other loans	66,150	47,150
Trade debtors	46	33
Suppliers	46	33
Prepayments	0	54
Taxation, salaries and social security debt	5,191	9,869
Taxation	5,174	9,851
Salaries and social security	17	18
Other amounts payable	181,524	83,487
Adjustment accounts	12	13
<b>TOTAL LIABILITIES</b>	<b>945,156</b>	<b>910,343</b>

## Profit and loss account

<b>EXPENSES (EUR thousand)</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
Interest payable and similar charges	6,796	2,248
Other financial expenses	306	327
Miscellaneous goods and services	2,416	1,313
Wages, social security and pensions	135	132
Other operating charges	17	20
Depreciations and write-downs of		
Set-up expenses, intangible and tangible assets	293	292
Write-downs	27,798	219
of financial assets	25,975	118
on current assets	1,826	101
Capital loss on disposal	0	1
of financial assets	0	1
Taxes	4,203	8,899
Earnings for the year	0	28,368
<b>TOTAL EXPENSES</b>	<b>41,964</b>	<b>41,819</b>
Distributable earnings for the year	0	28,426
<b>INCOME (EUR thousand)</b>		
Income from financial assets	7,677	6,862
Dividends	7,659	6,805
Interest	18	57
Income from current assets	523	434
Other financial income	57	0
Other current income	309	358
Write-back of amounts written off	344	6,803
financial assets	344	6,803
Capital gains on realisations	3,470	16,439
of intangible and tangible assets	255	395
of financial assets	3,215	16,044
Extraordinary income	4,344	1,882
Deferred tax levies	216	30
Tax adjustment	4,200	9,011
Loss for the year	20,824	0
<b>TOTAL INCOME</b>	<b>41,964</b>	<b>41,819</b>
Transfer from untaxed reserves	3,219	58
Loss for the year to be appropriated	17,605	0



## Appropriations and allocations

	31 December 2007	31 December 2006
Profit to be appropriated	364,514	429,702
profit for the year to be appropriated		28,426
loss for the year to be appropriated	-17,605	0
profit brought forward from previous year	382,119	401,276
Transferred to shareholders' equity	-63,155	-31,219
to other reserves	63,155	31,219
Result to be carried forward	-285,603	-382,119
profit to be carried forward	285,603	382,119
Profit to be distributed	-15,756	-16,364
remuneration of capital	15,756	16,364

## Extracts from the notes to the accounts

### Capital statement

	Amounts (000 EUR)	Number of shares
<b>Called up share capital</b>		
- at the end of the previous year	216,730	34,280,252
- EGM of 25 April 2007: cancellation of own shares		-1,448,493
- at the end of the year	216,730	32,831,759
<b>Composition of capital :</b>		
- <i>ordinary shares (of which 18,250,504 with VVPR strips)</i>		32,831,759
- <i>nominative shares</i>		20,210,420
- <i>bearer shares</i>		2,980,419
- <i>dematerialised shares</i>		9,640,920

### Shareholding structure

At 31 December 2007 based on shareholding declarations at 24 December 2007 and the voting rights of the shares that make up the issued capital:

Shareholders	Number of shares	Percentage
Auximines S.A.	15,818,812	48,18
Holdicam S.A.	1,576,196	4,80
Brederode S.A.	1,661,830	5,06

## Law relating to takeover bids

Under article 74§7, the company received the following notification dated 19 November 2007:

Identity of the entity holding more than 30% of shares with voting rights:	Auximines S.A.
Identity of the entity holding ultimate control:	Stak Holdicam
Chain of control:	Stak Holdicam 99.66 % Holdicam S.A. <sup>(*)</sup> 75.55 % Auximines S.A. 48.18%
(*) Holdicam S.A. also has a direct stake of 4.8% in Brederode S.A.	Brederode S.A.
Number of shares with voting rights held	15,818,812
Percentage	48.18%



## Accounting policies

### Tangible fixed assets

These assets are depreciated on a straight-line basis, at the following rates:

- buildings: 5.0 %
- plant, machinery and equipment: 20.0 %
- computer and office equipment: 33.3 %

### Financial fixed assets

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

The values of shares is 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 stake or 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 line with international standards.

On the other end, Brederode's practice is not to revalue its investments in the non-consolidated statutory accounts.

### Provisions for risks and charges

Provisions are established to cover the risk of losses or expenses resulting from commitments for the acquisition or disposal of shares (share options) and from forward foreign exchange positions and contracts, as well as technical guarantees attached to services already performed in terms of insurance.

### Derivatives

Premiums received in respect of share options are entered immediately as "other financial income". At year-end or at any intermediate closure of the account, provision is made for the assumed risk in the financial results.

Forward foreign exchange contracts are shown under 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 risks and charges, while unrealised gains are not recorded.

## FINANCIAL CALENDAR

Ordinary general meeting 2008	23 April 2008 at 10 AM
Coupon n° 68 eligible for payment	11 June 2008
Publication of interim results for 2008	1 <sup>st</sup> August 2008
Publication of annual results for 2008	13 February 2009
Ordinary general meeting 2009	22 April 2009 at 10 AM