



BREDERODE

ANNUAL REPORT 2013



There is nothing new.  
only the history you don't know,

Harry S, Truman



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# 1.

## Mission and strategy

Brederode is an investment company, quoted on the Euronext Brussels Stock exchange, which actively manages a portfolio of listed and unlisted ('private equity') investments. The purpose of its portfolio management is to increase the wealth of shareholders over the long term, not only by generating recurring dividend income but also and above all through capital gains on its investments.

The portfolio of listed securities is highly diversified and actively managed. It consists 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's investment strategy is independent of any industrial, geographic or currency constraint.

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

The objective in Private Equity is to achieve a return that is superior to that achievable in the stock market. For over twenty years Brederode has been Investing in 'private equity' primarily through fixed-term partnerships with other institutional investors, participating in the capital of companies operating primarily in the United States and Western Europe, and to a much lesser but growing extent, in AustralAsia. Leveraging on the strength of its accumulated experience, the Brederode group is able to concentrate on the most promising projects, working 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 its assets are mainly financed by permanent capital, regularly supplemented by the reinvestment of a large proportion of the profits generated by its activities.

Brederode may utilise debt in an opportunistic way, with the objective of maximising its return on equity.

## 2.

# Key figures

### Consolidated accounts

Key figures (in € million)	2013	2012	2011	2010	2009
Financial assets	1,089.96	1,011.14	936.64	905.78	828.38
- Listed securities	572.29	485.69	424.62	441.85	465.22
- Private Equity	517.67	525.45	512.02	463.92	363.16
Shareholders' equity	1,118.97	1,034.81	946.81	906.48	842.29
Financial liabilities			12.23	21.00	4.50
Changes in fair value of financial assets	93.36	100.00	45.74	79.00	132.98
Dividends and interest received	29.63	24.82	25.21	25.96	20.89
Profit for the year (group share)	103.68	116.69	69.38	95.32	140.81
<b>Adjusted figures per share (in €)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Shareholders' equity	38.18	35.22	31.59	29.63	27.06
Profit for the year (group share)	3.54	3.95	2.29	3.07	4.52
Dividend					
Gross	0.62	0.60	0.58	0.57	0.55
Market price					
Highest	27.80	24.23	20.80	19.00	17.90
Lowest	24.01	17.93	16.10	15.00	10.01
On 31 December	27.50	23.95	18.21	18.10	17.03
<b>Ratios</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
P/BV (Price <sup>(1)</sup> /Book value)	0.72	0.68	0.58	0.61	0.63
P/E (Price <sup>(1)</sup> /Profit group share)	7.78	6.06	7.94	5.90	3.77
Return on equity					
(Profit/average of shareholders equity as a %)	9.6%	11.8%	7.5%	10.9%	18.1%
Gross return (Gross dividend/market price <sup>(1)</sup> as a %)	2.3%	2.5%	3.2%	3.1%	3.2%

### Number of shares eligible:

2009: For shareholders' equity and basic earnings: 32,831,759 – 1,700,858 = 31,130,901

2010: For shareholders' equity: 30,653,969- 62,576 own shares = 30,591,393

For basic earnings: 30,653,969 + 416,235 = 31,070,204<sup>(a)</sup>

2011: For shareholders' equity: 34,029,254- 62,879 own shares = 29,966,375

For basic earnings: 34,029,254 + 206,447 = 30,235,701<sup>(a)</sup>

2012 : For shareholders' equity: 29.377.221

For basic earnings: 29.528.389<sup>(a)</sup>

2013 : For shareholders' equity: 29.304.878

For basic earnings: 29.328.822<sup>(a)</sup>

(1) Stock exchange price at year-end.

(a) Weighted average number of shares in circulation in accordance with IAS 33.

## 3.

# Management report

Ladies and Gentlemen,

This annual report contains detailed information about the activities and the results of both Brederode S.A. and the Brederode Group.

\*

The financial markets in which Brederode is active were again largely impacted by the decisions taken by central banks.

In the United States, renewed economic growth and falling unemployment figures have allowed the Federal Reserve to gradually reduce its support to the American public debt and at the same time to maintain historically low interest rates.

As Europe is still recovering from the recession, and in the context of exceptionally low inflation, the European Central Bank has prolonged its particularly accommodating policies insofar as credit and interest rates are concerned.

On both sides of the Atlantic the stock markets have benefited from this favourable investment climate and share prices have risen steadily.

Our portfolio of listed shares, structured in a defensive manner, has produced a positive result in absolute terms. Private Equity had another good year in terms of performance and an exceptional year in terms of cash generation.

\*

### 3.1. Review of the consolidated entity

The scope of consolidation of the Brederode Group did not experience any change during the financial year apart from the acquisition of 3 Geysers shares by Brederode, without any influence on the financial statements and the result.

As at 31 December 2013, total consolidated assets amounted to € 1,138.0 million, versus € 1,039.9 million one year earlier. 96% of those assets is represented by the fair value of the securities' portfolio, which, in turn, is split approximately 47% Private Equity and 53% listed securities.

The consolidated accounts below include:

- a section describing the accounting principles and policies used (section 7.6 p. 37)
- a section describing the company's policy regarding risks and uncertainties (section 7.7 p. 42)

These sections are included as appendices to this management report.

## Consolidated profit and loss account

(in million €)	2013	2012
Dividends and interest received	29.63	24.82
Change in the fair value of financial assets	93.36	100.00
- Listed portfolio	30.90	46.32
- Private equity	62.46	53.69
Foreign exchange gains/(losses) (hedging instruments)		
Other income and expenses related to portfolio management	-9.41	-8.83
<b>Profit from portfolio management</b>	<b>113.58</b>	<b>116.00</b>
Other operating income and expenses	2.51	2.46
<b>Operating profit</b>	<b>116.09</b>	<b>118.46</b>
Non-operating income and expenses	-12.41	-1.77
<b>Profit for the period</b>	<b>103.68</b>	<b>116.69</b>
attributable:		
- to the parent company	103.67	116.68
- to minority interests	0.01	0.01

During the year under review, the Brederode group generated a consolidated profit of € 103.6 million, or € 3.53 per share compared to € 116.7 million and € 3.95 respectively in 2012. The table below shows the impact on shareholders' equity of changes in the group's assets between the start and end of the financial year.

(in million €)	2013	2012
<b>Shareholders' Equity at the start of the period</b>	<b>1,034.81</b>	<b>946.81</b>
<b>Movements in non-current financial assets</b>	<b>78.81</b>	<b>74.51</b>
Net movements of sales and purchases	-14.55	-25.49
Change in fair value	93.36	100.00
<b>Other movements in respect of portfolio management</b>	<b>20.22</b>	<b>16.00</b>
Dividends and interest	29.63	24.82
Share option premiums	0.29	0.39
Private equity management fees	-9.49	-9.05
Other banking costs	-0.21	-0.17
<b>Movement of other non-current assets</b>	<b>0.03</b>	<b>-1.02</b>
Net purchases	0.12	0.00
Other changes	-0.09	-1.02
<b>Other movements</b>	<b>-14.91</b>	<b>-1.48</b>
Net financial income (costs)	0.34	0.90
Other net operating income	1.91	2.46
Dividends paid	-17.60	-17.12
Movement in net treasury resources	18.10	9.11
Change in financial debt		12.23
Purchases of own shares	-1.82	-11.60
Other	-15.84	2.54
<b>Shareholders' Equity at the end of the period</b>	<b>1,118.97</b>	<b>1,034.81</b>

## 3.2. Review of the Company's statutory position

### Statutory accounts

At the parent company level, Brederode made a profit of € 547.6 million, versus a loss of € 15.8 million one year earlier. These figures correspond to a profit per share of € 18.54 compared to € 0.54 the previous year.

This result includes EUR € 547.4 million in dividends, of which EUR 545.3 million were dividends received from the Geysers subsidiary, write backs for EUR 6.8 million and taxes amounting to EUR 9.2 million.

### Appropriation of profits

(in €)	2013	2012
Profit brought forward from previous years	15.876.375.63	29.044.116.37
Dividend adjustment on own shares	26.324.00	265.434.68
Profit (Loss) for the year	547.563.703.86	15.789.349.41
Appropriation to non-distributable reserve (own shares)	-1.817.876.53	-11.596.192.23
<b>Profit to be appropriated</b>	<b>561.648.526.96</b>	<b>33.502.708.23</b>
- Capital remuneration <sup>(1)</sup>	-18.755.121.92	-17.626.332.60
- to available reserve	-442.885.131.48	
- Carried forward	-100.008.273.56	-15.876.375.63

<sup>(1)</sup> The dividend related to the shares bought back between January 1st, 2014 and the dividend payment date will be transferred to profit carried forward.

Subject to the approval of the shareholders, the gross dividend per share will amount to € 0.62, representing an increase of 3.3%, i.e. a net dividend of € 0.465 after deducting withholding tax of 25%.

Ex-date : 16 May 2014

Record date : 20 May 2014

Payment date : 21 May 2014

Payment service: Euroclear Belgium and affiliated banks including BNP Paribas Fortis, KBC and Banque Degroof.

### Acquisition of own shares

During the fiscal year of 2013 Brederode acquired 72,343 of its own shares on the stock exchange representing 0.25 % of its own capital. The total sum paid amounts to EUR € 1.8 million. The objective of the buy-back is to make all the shareholders benefit from the accretive effect of buying shares at a price lower than their intrinsic value.

### Art. 34 of the royal decree of 14 November 2007

Brederode has nothing else to report under this decree other than what is contained in this report, in particular as regards the capital structure, authorised capital and the purchase of its own shares.

### Outlook

Western economies, for the first time since the beginning of the crisis in 2008, seem, in general, to be on a better footing than developing countries. The impact of future decisions of the Central Banks will continue to influence the behaviour of financial markets and the value of Brederode's assets. The high level of debt in many countries leads us to believe that we are still far from a generalized and harmonious recovery. The strategy adopted by Brederode as well as the composition and diversification of its assets allows us to look at the future with confidence.

### 3.3. Corporate governance declaration

#### 3.3.1. Governance charter and compliance with the 2009 Belgian corporate governance code

The Board of Directors approved the Corporate Governance Charter at its meeting on 12 January 2006 and amended it most recently on 29 August 2012. The updated text of this Charter is available on the company's website ([www.brederode.eu](http://www.brederode.eu)).

The company adheres to the principles of the 2009 Belgian corporate governance code ([www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)) (hereafter the "Code") but believes that some of its provisions are not relevant to its specific situation. These provisions are discussed below.

#### - The Company has adopted a clear corporate governance structure

Because of its activities, investment strategy and size, the company maintains a simple, informal, consensual management structure, which is based on strong cohesion within the core management team.

The Company is managed by its executive directors, who constitute the executive management team. The Brederode Group is characterised by the fact that the executive directors are present in all the subsidiaries (joint management) and that, owing to the Group's small size, they are aware at all time of the developments in the different companies.

For many years now, the Company's strategy has been determined by the Board of Directors and set out each year in the annual report.

The executive management team guarantees the integrity of the financial statements.

The Audit Committee carries out the assignments laid down by law and in particular, ensures that the company has adequate internal control mechanisms.

#### - The Company has an effective Board of Directors that takes decisions in the company's interest

The Board of Directors is composed of individuals of diverse background and complementary experience, knowledge and skills.

Of the seven members who currently make up the Board of Directors, four are non-executive directors, two of whom are independent within the meaning of the Corporate Governance Code and the Companies Code (instead of a minimum of three as required by the Code). Nevertheless, the Board of Directors still believes that three of its members are substantially independent (see note 1 on page 15). The current composition of the Board of Directors is justified in terms of the limited number of directors, and the company's size and activities. At the present time, it does not comply with the principle of a balanced gender mix. As a reminder, the law requires that at least one third of the board of directors of Brederode to be made up of members of a different gender of the rest, starting January 1st 2019. The board continues to evaluate this new obligation.

The Chairman seeks to develop a climate of trust within the Board of Directors by contributing to open discussions, the constructive expression of different opinions and supporting decisions made by the Board of Directors. In view of the simplicity of the company's structure, there is no justification for creating a separate position for a company secretary: this function is performed by the executive directors, who rely on the advice of an external adviser, who is also responsible for providing them with guidance in terms of governance.

#### - All the directors demonstrate integrity and commitment

In making decisions, independence of judgment is required of all directors, whether executive or not, and whether they are independent or not.

The Board strives to ensure in particular that any market transactions carried out within the group or with companies with which close links exist, are made under conditions and with normal market guarantees for transactions of this type.

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 may not use information obtained in their role as directors for purposes other than exercising their directorships. For this purpose, a list of persons having access to confidential information has been drawn up and a note outlining the legal consequences in respect of the holding of confidential information has been given to each of these persons.

Each director organises his personal and professional affairs in such a way as to avoid any direct or indirect conflicts of interest with the Company.

**- A coherent and transparent procedure is adopted for the appointment and evaluation of the Board of Directors and its members**

The Chairman of the Board of Directors leads the appointment process. After receiving the opinion of the combined Appointments and Remuneration Committee, he recommends appropriate candidates to the Board of Directors. The Board then proposes the appointment to the general meeting.

To promote management stability, the directors are generally appointed for a period of four to six years.

The Board of Directors selects its chairman based on his knowledge, skills, experience and mediation ability.

Under the chairman's direction, the Board of Directors regularly evaluates its own performance and that of its committees.

Non-executive directors do not hold more than five directorships in listed companies.

**- The Board of Directors has established specialised committees**

The Board of Directors has established an Audit Committee, in accordance with the Companies Code, which assists it in exercising its monitoring responsibilities, in terms of control in the broadest sense of the term.

The Audit Committee is composed of four non-executive directors. Two of its members are independent. All of them are competent in the areas of accounting and auditing.

The Committee reserves the possibility of inviting third parties to its meetings. The Audit Committee meets at least twice per year (instead of four times as required by the Code) and can be convened either by its chairman or at the request of two of its members. The legal and financial structure of the group, which only publishes financial statements twice per year, is the reason why the Audit Committee is not obliged to meet more often.

The Audit Committee and the Board of Directors evaluate the performance of the statutory auditor and of internal control, which is described in more detail below.

The Board of Directors has also established a combined Appointments and Remuneration Committee. This committee comprises three members, who are all non-executives, with a majority of independent directors. The main representative of the executive directors attends the committee's meetings in a consultative capacity whenever the remuneration of the other executive directors is being discussed.

The Committee itself decides how frequently it meets. It convenes at least twice a year and can be called by the chairman or two of its members. It met twice in 2013.

After each of its meetings, each Committee reports back to the Board of Directors.

**- The Company has defined a clear executive management structure**

The executive management team is made up of all the executive directors.

Executive management deals in particular with:

- the company's management;
- implementing internal controls based on the framework of reference approved by the Board of Directors;
- the complete, timely, reliable and accurate preparation of the financial statements in accordance with accounting standards and company policies;
- communication to the Board of Directors, at the appropriate time, of all the information needed to meet its obligations.

**- The Company remunerates the executive and non-executive directors equitably and responsibly**

The executive directors within the group receive a basic remuneration with no bonus or long-term profit-sharing scheme. The group's structure and the nature of its activities do not justify any variable remuneration.

The remuneration of non-executive directors is not linked to performance; they do not receive any benefits in kind, or any pension-related benefits.

There are no plans to remunerate anyone by awarding shares, share options or any other rights to acquire shares.

All the directors, including executive directors, can be dismissed ad nutum (at any time) without any severance allowance, unless specific legal provisions need to be applied.

**- The Company engages in a dialogue with its shareholders and potential shareholders, based on a mutual understanding of objectives and expectations**

The Company complies with the principle of equality of treatment for its shareholders. It ensures that all resources and information that enable the shareholders to exercise their rights are available to them, particularly through its website.

Shareholders are encouraged to participate in the general meeting.

During this meeting, the directors reply to all pertinent questions, in particular those relating to the annual report and to the items on the agenda.

**- The Company ensures that full details of its corporate governance are published**

This section of the annual financial report describes all events relevant to corporate governance for the year under review.

### 3.3.2. Principal characteristics of the systems of internal control and risk management

#### Preliminary remarks

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

Internal control functions are discharged firstly by the executive directors, and secondly by the Audit Committee (none of its four members has any executive functions).

The overall philosophy is based on values of integrity, ethics and competence, which are required of each person involved in running the group. These values constitute the foundation on which it is built and according to which it operates.

#### Control environment

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

The accounts of the various companies are kept by one person. The financial affairs of the company are the responsibility of one of the Managing Directors.

The consolidated accounts are established using a high-quality international software program, set up and monitored directly by the executive directors.

#### **Risk management process**

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

The management of the specific risks faced by the Brederode Group is dealt with in section 7.7, page 42, entitled "Policy regarding risks and uncertainties".

#### **Control activities**

Ongoing control, on an almost daily basis is exercised by the executive directors who also sit on the Boards of the main subsidiaries. The executive directors also meet formally each month to conduct a detailed examination of the accounting situation of each group company, a valuation of its assets, general monitoring of its activities and financing requirements, and an assessment of risks, new commitments, etc.

The group's financial assets, representing over 96% of the total consolidated balance sheet, are held by third party bankers, trustees, etc., which significantly reduces the risks of negligence, error and internal fraud.

#### **Information, communication and oversight**

The reliability, availability and pertinence of accounting and financial information are overseen directly by the executive directors in the first instance and subsequently by the Audit Committee.

Particular attention is paid to any remarks or requests formulated not only by the supervisory authorities but also by shareholders and financial analysts, with a view to constantly adapting the quality of information.

The tasks of maintaining and adapting computer systems are entrusted to external IT service providers, employed under contract.

The executive directors oversee the quality of the services thus provided and satisfy themselves that the degree of dependency vis-à-vis these service providers remains within acceptable limits.

The security of computer systems is maximised using technical processes available in this area: access rights, back-up, anti-virus software, etc.

Executive directors prepare, check and disseminate information, after it has been submitted to the Board of Directors, an external legal adviser and the Auditors.

#### **External control**

At the Annual General meeting of 2013, Brederode nominated as company auditors Mazars, represented by Mr Philippe de Harlez, to carry out the tasks required by the Companies' Code.

#### **Own shares and authorised capital**

Information required under Article 34 of the royal decree of 14 November 2007 relating to the obligations incumbent on issuers of financial instruments listed on a regulated market:

- a. Holders of all shares with special control rights and a description of these rights (Art. 34, 3°): none.
- b. Legal or statutory restrictions on exercising the right to vote (Art. 34, 5°): none.
- c. Rules applicable to the appointment and replacement of members of the administrative body and to amendment of the issuer's articles of association (Art. 34, 7°): rules supplementing the Companies Code.
- d. Powers of the administrative body, in particular concerning the power to issue or buy shares (Art. 34, 8°):
- i. **Purchase of own shares:** by virtue of the decisions taken by the general meeting of 16 November 2010, the Board of Directors is authorised, under Article 620, section 1, of the Companies Code, to acquire by way of purchase or exchange, a maximum number of 5,875,444 shares (20% of the shares making up the company's capital), either directly or by a person acting in their own name but on the company's behalf or by a direct subsidiary company within the meaning of Article 627 of the Companies Code, at a minimum price of one euro (€ 1.00) and a maximum price which is five per cent (5%) above the average closing price of the last three trading days preceding the date of acquisition. This authorisation is valid for a period of five (5) years with effect from 14 December 2010 and is renewable.
  - ii. **Disposal of own shares:** the general meeting held on 16 November 2010 authorised the Board of Directors, under Article 622, section 2, 1°, of the Companies Code, to dispose of any shares acquired under Article 620, section 1, of the Companies Code, provided that these shares are listed within the meaning of Article 4 of the Companies Code.
  - iii. **Authorised capital:** The general meeting held on 16 November 2010 authorised the Board of Directors to increase the company's capital, in one or more operations, to two hundred and sixteen million seven hundred and thirty thousand one hundred and forty-four euro and sixteen cents (€ 216,730,144.16), such authorisation being valid for a period of five (5) years with effect from 14 December 2010. This authorisation can be used for the following operations:
    - capital increases or issues of convertible bonds or subscription rights at the time of which shareholders' preferential rights are limited or abolished;
    - capital increases or convertible bond issues at the time of which shareholders' preferential rights are limited or abolished in favour of one or more specified persons, other than members employed by the company or its subsidiaries;
    - capital increases carried out by incorporation of reserves.

As a result of both Article 603, 1st paragraph, of the companies' code, and the capital reduction decided at the Extraordinary General Meeting of December 31st, 2012, the authorised capital can be utilised only up to €182,681,909.08.

### 3.3.3. Shareholding structure

#### Law relating to the publicising of significant holdings

On 16 January 2013, the company received a joint notification from the Stichting Administratiekantoor (STAK) Holdicam, Holdicam SA and Brederode SA. That notification is based on the law of 2 May 2007 relating to the publication of significant holdings in issuers whose shares are admitted for negotiation on a regulated market and containing various provisions. In accordance with the terms of that notification and based on the latter's date, the ultimate control of Brederode SA is held by STAK Holdicam, which is not controlled by any natural or legal person. STAK Holdicam holds 100.00% of HOLDICAM SA, which itself holds 55.26% of Brederode SA, which in turn does not possess any of its own shares.

### The law relating to takeover bids

Under Article 74, section 8, of the law of 1 April 2007, relating to takeover bids, the company received the following notification on 30 August 2013:

Identity of the legal entity owning more than 30% of the voting stock :	Holdicam SA
Identity of the legal entity which is the main shareholder:	Stak Holdicam
Chain of control on 30th August 2013	Stak Holdicam
	100.00%
	Holdicam SA
	55.50%
	(*) Brederode SA
Number of voting stock	16 305 779
Percentage	55.50%
(*) Own shares in the hands of Brederode at the time of the statement	0.22%

### 3.3.4. Composition and operation of the administrative bodies and their committees

#### Composition of the Board of Directors and its Committees

##### Board of Directors

Pierre van der Mersch, Chairman  
 Luigi Santambrogio, Managing Director  
 Axel van der Mersch, Managing Director  
 Gérard Cotton  
 Michel Delloye<sup>(1)</sup>  
 Alain Siaens<sup>(2)</sup>  
 Bruno Colmant<sup>(2)</sup>

(1) Independent director until the general meeting held on 22 April 2009. For the record, Mr Delloye was appointed to the Board of Directors by a decision of the ordinary general meeting held on 23 April 2003. His term of office was renewed by decisions of the general meetings held on 26 April 2006, 25 April 2007, 23 April 2008 and 22 April 2009. In the meantime, Article 526ter, 2° of the Companies Code, inserted by the law of 17 December 2008, set the criterion for a director's independence as: "not having sat on the board of directors as a non-executive director for more than three successive terms of office, without this period exceeding twelve years". As a result, even though he has been a board member for less than twelve years, Mr Delloye does not fulfil the independence criterion contained in this provision, since it came into force.

(2) Independent director

##### Executive management

Luigi Santambrogio  
 Axel van der Mersch  
 Pierre van der Mersch

##### Committees of the Board of Directors

###### - Audit Committee

Michel Delloye. Chairman  
 Bruno Colmant  
 Gérard Cotton  
 Alain Siaens

As the general meetings held on 22 April 2009 and 12 May 2010 respectively acknowledged, Messrs Alain Siaens and Bruno Colmant are independent directors in accordance with Article 526ter of the Companies Code, as they have no functional,

family or shareholding links with the company, as defined by this provision, and they do not have any relationship with the company likely to call their independence into question, and they are not in any of the situations referred to in points 1) to 9) of that provision.

All members of the Audit Committee have held senior positions of responsibility in various economic sectors for many years. Their competence in the fields of accounting and auditing is beyond doubt.

#### - Combined Nominations and Remuneration Committee

Alain Siaens. Chairman

Michel Delloye

Bruno Colmant

#### **Operation of the Board of Directors and its Committees**

The Board of Directors and its Committees meet and operate in accordance with the corporate governance charter.

The Board of Directors met four times in 2013. The attendance rate of the directors is 86%. The Audit Committee met twice; the combined Nominations and Remuneration Committee met twice.

The directors did not conclude any transactions with the company or its associated companies during the year.

On 5 March 2014, the Combined Nominations and Remuneration Committee assessed its operation and its effectiveness, together with its internal rules, contained in the Corporate Governance Charter. It further assessed its compliance with the independence criteria of the independent directors, the availability of the non-executive directors, the performance of the executive directors and the directors' remuneration. The Committee was satisfied on all these points.

On 5 March 2014, the Audit Committee assessed its operation and its effectiveness, together with its internal rules, contained in the Corporate Governance Charter. It stated that it was satisfied on all these points. On the same day, the non-executive directors discussed among themselves interactions with the executive directors, and were satisfied with the outcome.

At its meeting on 5 March 2014, the Board of Directors evaluated its composition and operation, the interaction between directors and the contribution made by each director to its work. A similar evaluation was conducted on the same day regarding the operation of the Audit Committee and the combined Nominations and Remuneration Committee. For both, the board of directors and the committees such evaluation has four objectives: judge how well the board/committees work; verify if important matters are adequately prepared and discussed; assess the effective contribution of each member through its presence at the meetings and its constructive engagement in the discussions and the decision making process; evaluate the current composition of the board and its committees. The Board has discussed different topics related to the board/committees composition, the preparation and organisation of the meetings, the proceedings at the meetings and the way in which decision are taken and the members' contribution. This evaluation concluded that their performance was satisfactory. The Board gave further consideration to the issue of eventually adding women to the Board.

### 3.3.5. Remuneration report

#### 1. Internal procedure for making decisions relating to remuneration

All of Brederode's Executive managers are directors of the company. The policy relating to directors' remuneration is prepared by the Board of Directors, based on the proposal of the combined Nominations and Remuneration Committee. The total amount of the directors' remuneration payable by the company is fixed by the general meeting at the proposal of the Board of Directors. The level of each director's remuneration is fixed by the Board of Directors, based on the proposal of the combined Nominations and Remuneration committee, subject to the agreement of the competent body acting on behalf of the group company or companies responsible for paying this remuneration.

#### 2. Policy of remuneration of directors during the financial year

##### a. Basic remuneration principles

The executive directors within the group benefit from basic remuneration, with no bonus or long-term profit sharing scheme. The remuneration of the non-executive directors is not linked to performance; they do not receive any benefits in kind or benefits related to pension plans.

##### b. Relative significance of the various components of remuneration

This relative significance can be seen in the table below. In all cases, basic remuneration represents more than 90% of the total remuneration.

##### c. Characteristics of performance bonuses in shares, options or other rights to acquire shares

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

##### d. Information on the remuneration policy for the next two financial years

The company does not foresee any substantial modification being made to its remuneration policy during the current year or the following year.

#### 3. Amount of remuneration and other benefits granted to Brederode directors by the company and its subsidiaries

The amount of gross remuneration (payable by the group) received by the directors in 2013 amounted to (€ 000) 850 and is broken down as follows:

(in 000€)	Remuneration basic <sup>(a)</sup>	Remuneration variable	Pension <sup>(b)</sup>	Other items <sup>(c)</sup>	Total
<b>Executive directors</b>					
Pierre van der Mersch, Chairman	251.89	-		14.72	266.61
Luigi Santambrogio, Managing Director	273.35	-		4.77	278.12
Axel van der Mersch, Managing Director	251.22	-	6.89	22.06	280.17
<b>Non-executive directors</b>					
B. Colmant	6.00	-			6.00
G. Cotton	5.00	-			5.00
M. Delloye	7.00	-			7.00
A. Siaens	7.00	-			7.00
<b>Total</b>	<b>801.46</b>		<b>6.89</b>	<b>41.55</b>	<b>849.90</b>

(a) Gross remuneration or total cost, excluding social security charges payable by the company or by group companies (employers' contributions)

(b) "Fixed contribution"-type plan

(c) The other components include health insurance, representation costs plus company car costs.

4. Performance evaluation criteria in respect of the objectives and evaluation period and a description of the methods applied for the purpose of checking whether performance was satisfactory

In the absence of any variable remuneration, such an evaluation is not necessary.

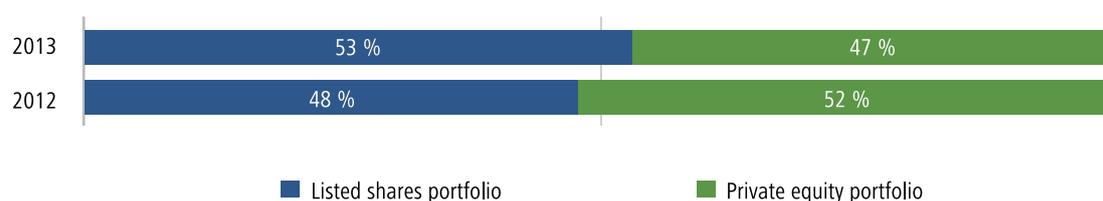
5. Payment of variable remuneration

Given that variable remuneration is not payable, there is no need to provide for the right to recover any variable remuneration, in the company's favour, in the event of erroneous financial information being provided.

6. Severance pay

All directors, including executive directors, can be dismissed immediately and without compensation, unless provisions to the contrary in this area apply.

### 3.4. Portfolio management



(in million €)	Listed shares	Private Equity	Total
<b>Fair value at start of period</b>	<b>485.69</b>	<b>525.45</b>	<b>1 011.14</b>
Additions	58.10	70.10	128.20
Disposals	-2.41	-140.34	-142.74
Change in fair value	30.90	62.46	93.36
<b>Fair value at end of the period</b>	<b>572.29</b>	<b>517.67</b>	<b>1 089.96</b>

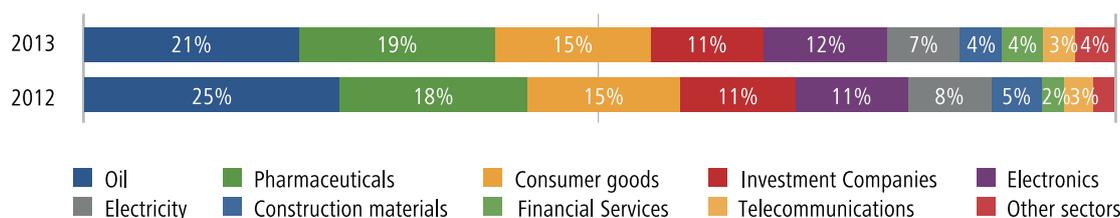
During 2013, the group has been a net buyer of listed securities for €56mn and a net seller in Private Equity for €70mn. The share of the listed portfolio in non-current financial assets increased from 48% to 53% while that of Private Equity dropped from 52% to 47%.

#### 3.4.1. Listed holdings

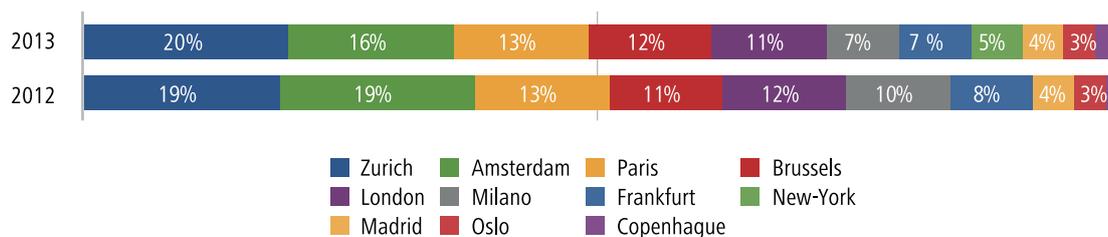
##### Introduction

The group actively manages a large portfolio of ordinary shares, listed mostly on European stock markets: Brussels, Paris, Amsterdam, Milan, Frankfurt, London, Madrid, Copenhagen, Oslo and Zurich. These are minority holdings that generally benefit from ample liquidity and are suitable for the occasional issue of put or call options.

## Breakdown of listed portfolio by sector (in %)



## Breakdown of listed investments by financial market (in %)



## Breakdown of listed holdings by currency (in %)



## Movements during the year

(in million €)	2013	2012
<b>Fair value at the start of the year</b>	<b>485.69</b>	<b>424.62</b>
Additions	58.10	47.10
Disposals	-2.41	-32.34
Change in fair value	30.90	46.32
<b>Fair value at the year-end</b>	<b>572.29</b>	<b>485.69</b>

During 2013, the composition of Brederode's listed portfolio, which continues to be biased towards defensive stocks with a good yield and strong liquidity, has not significantly changed. Taking advantage of the surplus liquidity generated by the Private Equity activities we have built a new position in Mastercard and Intel in the U.S. and in Capita, a medium-sized Service company in the UK.

We have also strengthened our position in Coloplast, Telenor, Fresenius, Saipem, Syngenta, Nestlé and Iberdrola and sold some E.on shares.

## Composition of the portfolio

At 31 December 2013, the group's listed holdings were as follows:

Securities	€ million		Number of shares		
			31/12/2013	Purchases (disposals)	31/12/2012
<b>Oil</b>	<b>120.58</b>	<b>21%</b>			
Royal Dutch Shell "A"	44.76	8%	1,727,754	90,008	1,637,746
Total	36.51	6%	820,000		820,000
ENI	30.59	5%	1,749,000		1,749,000
Saipem	8.71	2%	560,000	40,000	520,000
<b>Pharmaceuticals &amp; Healthcare</b>	<b>108.65</b>	<b>19%</b>			
Novartis	36.25	6%	625,000		625,000
Sanofi-Aventis	36.25	6%	470,000		470,000
Fresenius SE & Co	24.04	4%	215,397	13,000	202,397
Coloplast	12.11	2%	251,687	81,687	170,000
<b>Consumer Goods</b>	<b>83.08</b>	<b>15%</b>			
Unilever	47.19	8%	1,611,788		1,611,788
Nestlé	35.90	6%	674,872	97,000	577,872
<b>Investment Companies</b>	<b>64.96</b>	<b>11%</b>			
Sofina <sup>(1)</sup>	56.64	10%	684,152	19,000	665,152
Schroder UK Alpha Plus Fund <sup>(1)</sup>	4.18	1%	1,587,302		1,587,302
Schroder Specialist Value UK Eq. Fd <sup>(1)</sup>	4.14	1%	1,926,782		1,926,782
<b>Electronics</b>	<b>65.26</b>	<b>11%</b>			
Samsung Electronics (GDR)	47.35	8%	100,000		100,000
Intel	16.32	3%	867,000	867,000	
Tom Tom	1.59	0%	308,750		308,750
<b>Electricity</b>	<b>41.63</b>	<b>7%</b>			
Iberdrola	23.66	4%	5,103,595	595,630	4,507,965
E.on	17.98	3%	1,340,000	-160,000	1,500,000
<b>Financial Services</b>	<b>23.36</b>	<b>4%</b>			
Mastercard	10.45	2%	337,750		337,750
Ageas	12.90	2%	21,300	21,300	
<b>Construction Materials</b>	<b>22.45</b>	<b>4%</b>			
Holcim	22.45	4%	412,844		412,844
<b>Telecommunications</b>	<b>17.29</b>	<b>3%</b>			
Telenor	17.29	3%	1,000,000	157,836	842,164
<b>Miscellaneous Industries</b>	<b>25.04</b>	<b>4%</b>			
Syngenta	18.46	3%	63,800	25,800	38,000
Capita Plc	6.41	1%	515,118	515,118	
Other Holdings < € 1 MM	0.16	0%			
<b>TOTAL</b>	<b>572.29</b>	<b>100%</b>			

<sup>(1)</sup> Investments included in the sector 'Other industries' in the previous report.

Note: Brederode owned 72,343 treasury shares on 31st December 2013.

### 3.4.2. Private Equity

#### Introduction

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

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

For the Brederode group, this is essentially a 'buy-out' type of strategy, meaning that it aims to acquire, in association with other investors and appropriate financial leverage (a leveraged buy-out), an interest – in principle a controlling interest – in mature businesses with a predictable cash flow and offering opportunities for expansion or consolidation.

The group also analyses all opportunities to co-invest directly, together with certain funds, in projects that it considers to be promising.

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

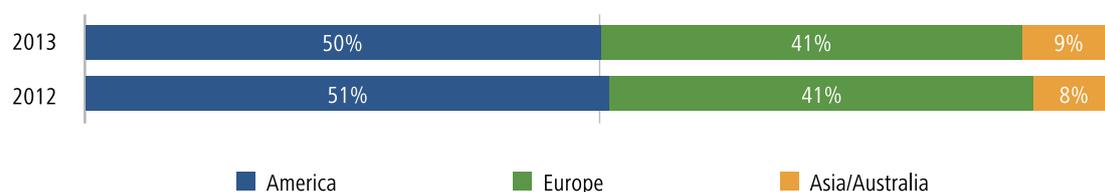
The initial research relates, in particular, to the quality and cohesion of the management teams, the investment strategy and market opportunities, past performance, sources of business and value outlook, and future exit options.

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

Brederode's Private Equity operations go back to 1992. Since then, private equity has generated cash calls for € 1,218 million and distributions for € 1,139 million.

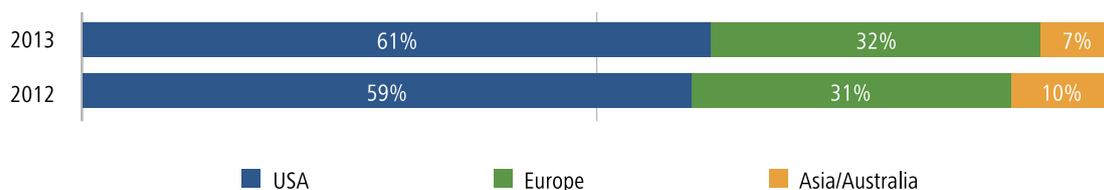
Relying on the strength of its cumulative experience, the Brederode group is able to focus on the most promising projects, led by the best teams of specialised managers.

#### Geographical breakdown of investments in private equity (in %)

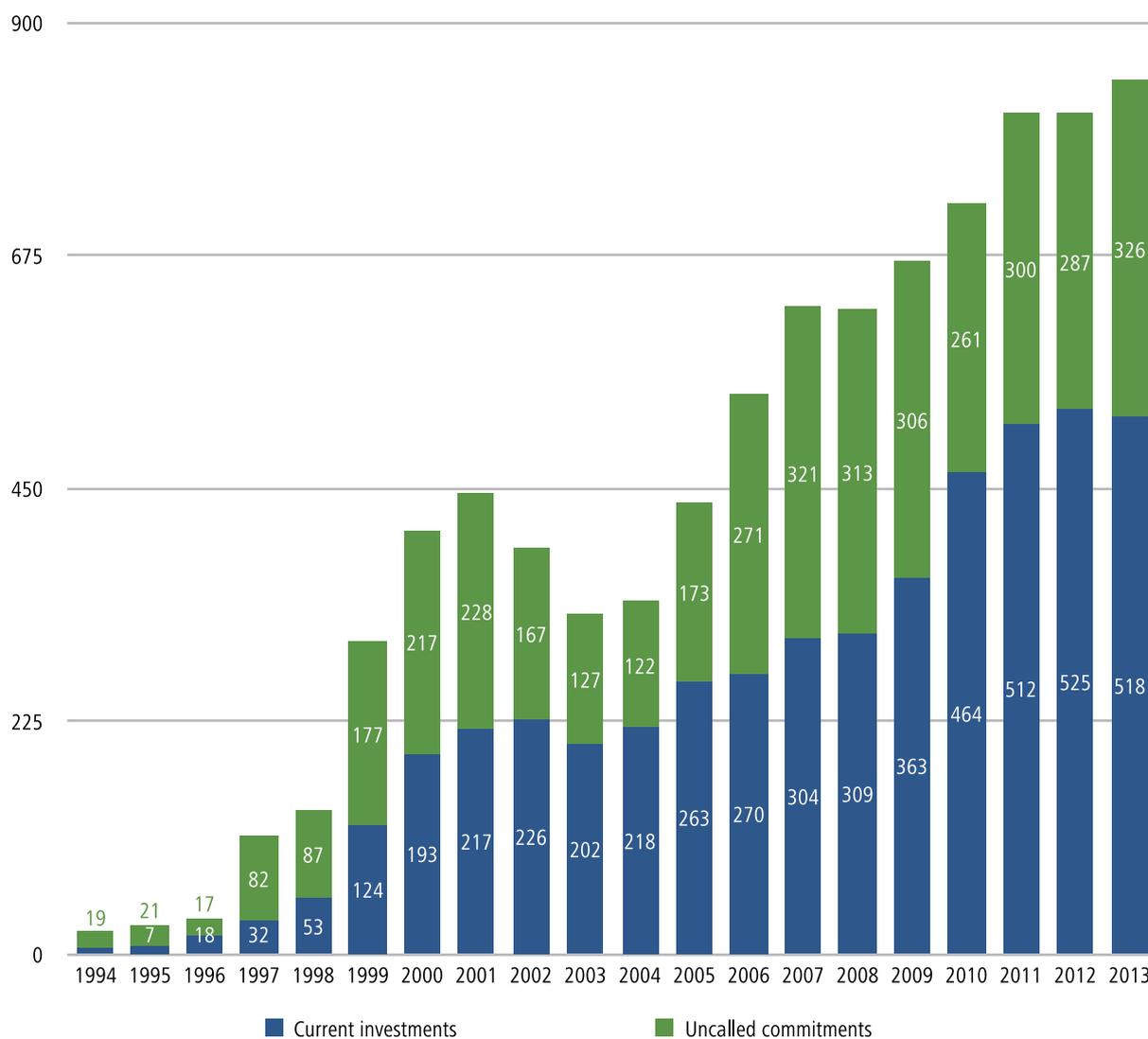


At the end of 2013, the group had made investments through 130 partnerships managed by 45 private equity groups, amounting to € 486 million, compared to € 489 million one year earlier. Of these 130 partnerships, 34 were still in the investment phase, while the others are pursuing their management activities with a view to realising the best price for their residual assets. In addition to these investments, there were direct co-investments worth a total of € 31 million at the end of 2013 vs 36 million a year earlier.

## Geographical breakdown of uncalled commitments in private equity (in %)



## Trend in private equity commitments (in 000 €)



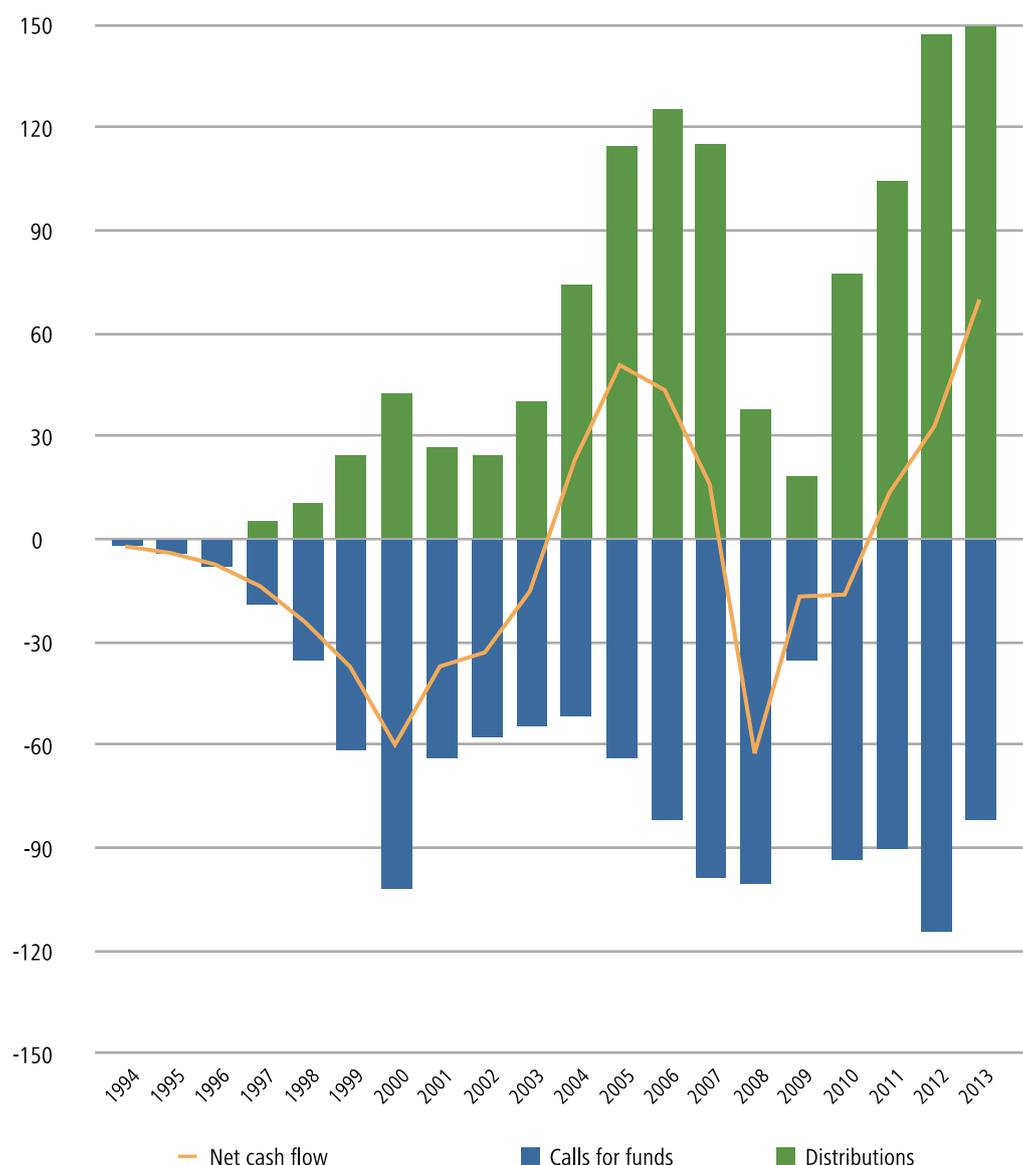
Based on the amounts invested and undrawn capital commitments, the ten main managers with whom the group works are: The Carlyle Group, Bain Capital, Axa Private Equity, Providence Equity Partners, HIG Capital, Apollo Global Management, Catterton Partners, EQT, Doughty Hanson & Co and Riverstone Holdings. These General Partners represent 54 % (compared to 55 % in 2012) of the sum of investments and undrawn capital commitments.

During 2013, the undrawn commitments progressed as follows:

(in million €)	2013	2012
<b>Commitments at the start of the year</b>	<b>286.61</b>	<b>299.76</b>
Changes in existing commitments	-78.83	-94.61
New commitments	118.60	81.46
<b>Commitments at the year-end</b>	<b>326.38</b>	<b>286.61</b>

The cash calls are spread over time (generally 5 years) so that the manager can build up its portfolio. The first exits can, therefore, contribute to finance the last investments of the same Limited Partnership.

#### Cash flow trend (in million €)



The graph above shows that during the period 2004-2007 the Private Equity portfolio has been self-financing, i.e. cash calls have been more than covered by exits. The period 2008 to 2010 shows an opposite trend. Since 2011 the Private Equity portfolio has returned to a self-financing position, which accelerated in 2013. The positive net cash-flow generated by these activities rose to EUR 69.9 million in 2013 compared to EUR 33.0 million in 2012.

In general, the financing requirements of the private equity portfolio are covered by the following sources:

- The use of existing cash resources
- Cash receipts generated by the disposal of investments from within the private equity portfolio
- Dividends and interest received
- The commercial paper program
- Lines of credit
- The disposal, where appropriate, of part of the listed portfolio which acts as a liquidity buffer

#### Trend in private equity investments

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
<b>Fair value at the start of the year</b>	<b>525.45</b>	<b>512.02</b>
Additions	70.10	102.67
Disposals	-140.34	-142.92
Change in fair value	62.46	53.69
<b>Fair value at the year-end</b>	<b>517.67</b>	<b>525.45</b>

Although sales of Private Equity investments have remained stable in 2013 at EUR 140.34 million compared to EUR 142.9 million the previous year, new investments dropped to EUR 70.1 million compared to EUR 102.7 million in 2012. The Private Equity portfolio also generated current revenue (dividends and interests) amounting to EUR 11.08 million in 2013 compared to EUR 8.1 million the previous year. Current expenses (management fees) amounted to EUR 9.5 million in 2013 compared to EUR 9.1 million in 2012.

In 2013 Private Equity was characterised by an exceptionally high level of cash generation. Distributions of EUR 140 million, double the amount of capital calls, have generated a liquidity amounting to EUR 70 million, the highest level ever achieved by the programme. Our General Partners have taken advantage of the exceptionally favourable credit conditions in the United States and, lately, in Europe as well, to refinance their companies and, in the process, return capital. A record number of IPO have been achieved, not necessarily generating liquidity in each case, in the expectation of a positive performance of the newly listed shares.

The downside is that the level of prices achieved on exits makes it more difficult for disciplined GP to deploy capital.

Our new commitments have been made primarily in the United States and to a lesser extent in Europe (Scandinavia in particular).

## List of the 30 main private equity holdings

Names (in million €)	Vintage	Investments at fair value	Uncalled com- mitments	Total commit- ments
AXA SECONDARY FUND V, L.P.	2011	13.45	7.35	20.81
CARLYLE EUROPE PARTNERS III, L.P.	2006	18.43	2.30	20.73
EQT VI L.P.	2011	6.68	12.08	18.76
APOLLO OVERSEAS PARTNERS VIII LP	2013	0.19	17.85	18.04
PROVIDENCE EQUITY PARTNERS VI LP	2006	16.24	1.67	17.91
PROVIDENCE EQUITY PARTNERS VII LP	2011	2.92	14.85	17.77
DOUGHTY HANSON & CO V	2006	12.65	4.35	17.00
RIVERSTONE GLOBAL ENERGY PARTNERS V, L.P.	2012	8.20	8.61	16.81
BC EUROPEAN CAPITAL IX, L.P.	2011	6.83	8.52	15.35
CARLYLE PARTNERS V, L.P.	2007	12.75	2.56	15.30
PACIFIC EQUITY PARTNERS FUND IV, L.P.	2007	12.15	2.96	15.11
WHITE KNIGHT VIII FCPR	2007	14.41	0.68	15.09
MONTAGU IV L.P.	2010	5.54	9.52	15.06
BAIN CAPITAL ASIA FUND II, L.P.	2011	4.37	10.62	14.99
CHARTERHOUSE CAPITAL PARTNERS IX	2008	9.01	5.83	14.83
TRITON FUND IV, L.P.	2013	1.48	13.32	14.80
BAIN CAPITAL FUND XI, L.P.	2013	0.00	14.50	14.50
TRIDENT VI, L.P.	2013		14.50	14.50
CARLYLE PARTNERS VI, L.P.	2012	0.10	14.37	14.47
APOLLO OVERSEAS PARTNERS VII LP	2007	9.93	3.38	13.31
AXA SECONDARY FUND IV, L.P.	2006	10.18	2.74	12.92
BAIN CAPITAL EUROPE FUND III, L.P.	2008	10.71	2.18	12.89
PAI EUROPE V-D FCPR	2007	10.40	0.67	11.07
CAPSTREET IV, L.P.	2013		10.88	10.88
SUN CAPITAL PARTNERS VI, L.P.	2012	0.21	10.50	10.70
BAIN CAPITAL FUND X, L.P.	2007	10.15	0.52	10.67
CAPITAL TODAY CHINA GROWTH FUND, L.P.	2006	10.60		10.60
MADISON DEARBORN CAPITAL PARTNERS V, L.P.	2006	10.09	0.50	10.59
CARLYLE EUROPE PARTNERS IV, L.P.	2013		10.00	10.00
AUTRES		299.67	118.59	418.26
<b>TOTAL</b>		<b>517.35</b>	<b>326.38</b>	<b>843.73</b>

This list has been put together based on the total exposure, i.e. the sum of the current fair value of investments and the undrawn commitments as of 31 December 2013. Altogether, these 30 partnerships represent 42% of our Private Equity investments and 64% of the undrawn commitments.

### 3.4.3. Derivative Instruments

#### Options on listed shares

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

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

In 2013, the premiums received amounted to € 0.29 million compared to € 0.39 million in 2012.

#### Currency hedging instruments

To manage its policy of covering exchange risks, the group occasionally takes out forward exchange contracts whose duration varies between one and six months. The amount of cover varies in line with the group's view of the currency concerned.

### 3.4.4. Insurance activities in Lloyd's syndicates

2013 was another 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. This delay enables a more precise estimate to be made of the impact of claims.

Athanor's results for 2013 are therefore primarily based on its insurance activities in 2011, adjusted for the provisions, if necessary, on the technical results of 2012 and 2013.

2011 was the worst year ever in terms of natural disasters both in economics and insured terms, even worse than 2005 when hurricane Katrina struck. The year saw the earthquake in Japan followed by a tsunami and a major accident in a nuclear power plant, the earthquake in Christchurch, the floods in Thailand and violent storms in the US.

Under those circumstances Athanor's contribution (EUR 1.2 million compared to EUR 0.7 million in 2012) to the result of the group is testament to the excellent underwriting skills of the syndicates we back.

During the year we also took a new participation in a high quality syndicate we have been following for quite sometime.

Positive technical results are expected for 2012 and 2013.

## 4.

# Events after the end of the reporting period and future outlook

There is no event to report after the end of the year.

Western economies, for the first time since the beginning of the crisis in 2008, seem, in general, to be on a better footing than de-veloping countries. The impact of future decisions of the Central Banks will continue to influence the behaviour of financial markets and the value of Brederode's assets. The high level of debt in many countries leads us to believe that we are still far from a general-ized and harmonious recovery. The strategy adopted by Brederode as well as the composition and diversification of its assets allows us to look at the future with confidence.

## 5.

# Declaration by the Managing Directors

In the name and on behalf of Brederode, we hereby confirm that, to the best of my 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 perimeter;
- b) the directors' report contains a true account of the business trends, results and financial position of Brederode and the companies included in the consolidation perimeter, and a description of the main risks and uncertainties with which it is faced.

Waterloo, 5 March 2014

For the Board of Directors

Luigi Santambrogio & Axel van der Mersch

Managing Directors

## 6. Brederode share listing

### Financial instruments

Only one financial instrument issued by Brederode is dealt on the Euronext Brussels market, that is 29,377,221 shares all with the same rights.

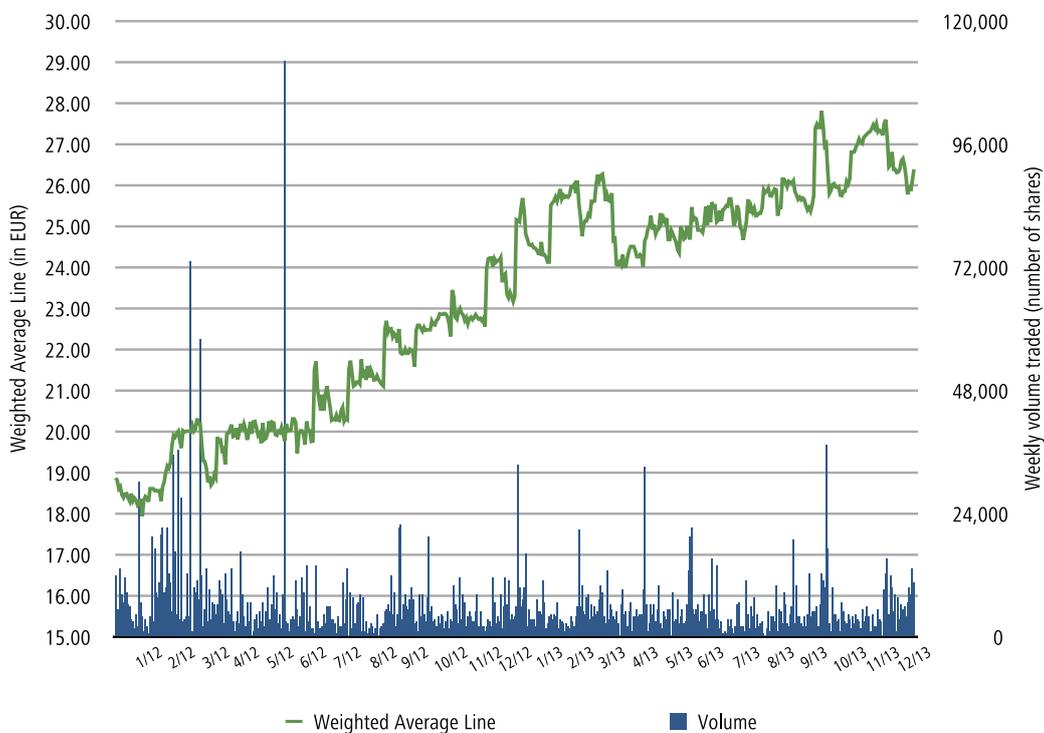
29,703,240 "strips" VVPR (Reduced withholding) have been withdrawn from the listing in 2012. As a reminder, those strips allowed a shareholder to benefit from a reduced withholding tax, under certain conditions, instead of the normal rate of 25%, on dividends attributed to shares with this 'strip'.

Since January 1st 2013 the withholding tax on income generated by capital or movable assets has been set at 25%, subject to certain exceptions. There is no more a preferential regime for the "strips VVPR". Euronext, in agreement with the FSMA, decided to cancel the listing of all the Strips VVPR starting January 1st 2013 because they do not provide any more a tax advantage.

### Stock market capitalization

At the end of 2013, Brederode's stock market capitalisation amounted to € 808 million vs € 704 million the year before.

### Trend in the share price and liquidity of Brederode shares on Euronext Brussels



The weighted average price of a Brederode share during the year 2013 was €25.64 vs €20.47 in 2012 with 1.4 million shares traded in 2013 vs 1.8 million in 2012.

## 7.

# Consolidated financial statements at 31 December

### 7.1. Profit and Loss account at 31 December

(in million €)	31 Dec. 2013	31 Dec. 2012
Dividends and interest received (1)	29.63	24.82
Change in fair value of financial assets (2)	93.36	100.00
Listed shares	30.90	46.32
Private Equity	62.46	53.69
Other income/(charges) from portfolio management (3)	-9.41	-8.83
<b>Profit from portfolio management</b>	<b>113.58</b>	<b>116.00</b>
Other operating income/(charges) (4)	2.51	2.46
<b>Operating result</b>	<b>116.09</b>	<b>118.46</b>
Net financial income/(charges) (5)	0.34	0.90
Change in deferred tax liabilities	-0.25	0.17
Tax (6)	-12.50	-2.84
<b>Result for the period</b>	<b>103.68</b>	<b>116.69</b>
Other elements of comprehensive income :		
- variation in revaluation reserves	-0.04	
- movements in conversion differences	-0.05	0.04
<b>Global result for the period</b>	<b>103.60</b>	<b>116.73</b>
<b>Result for the period attributable to :</b>		
- owners of the parent	103.67	116.68
- minority interests	0.01	0.01
<b>Global result for the period attributable to :</b>		
- owners of the parent	103.59	116.72
- minority interests	0.01	0.01

## 7.2. Balance Sheet at 31 December

(in million €)	31 Dec. 2013	31 Dec. 2012
<b>NON CURRENT ASSETS</b>	<b>1,095.29</b>	<b>1,015.51</b>
Intangible fixed assets (7)	1.05	0.00
Tangible fixed assets (8)	0.78	0.84
Land and buildings (9)	3.09	2.76
Financial assets	1,089.96	1,011.14
- listed shares	572.29	485.69
- Private Equity	517.67	525.45
Other non currents assets	0.41	0.77
<b>CURRENT ASSETS</b>	<b>42.71</b>	<b>24.38</b>
Short term receivables (10)	7.75	8.11
Financial assets (11)	0.19	0.20
Cash and cash equivalents (12)	33.85	15.75
Other current assets	0.92	0.31
<b>TOTAL ASSETS</b>	<b>1,138.00</b>	<b>1,039.89</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,118.97</b>	<b>1,034.81</b>
<b>Issued share capital and reserves attributable to owners of the parent company</b>	<b>1,118.94</b>	<b>1,034.77</b>
Issued share capital (13)	182.68	182.68
Share premium account	63.29	63.29
Consolidation reserves (14)	872.98	788.80
Minority interests	0.03	0.05
<b>NON CURRENT LIABILITIES</b>	<b>0.50</b>	<b>0.25</b>
Provisions (15)	0.00	0.00
Deferred tax liabilities	0.50	0.25
<b>CURRENT LIABILITIES</b>	<b>18.53</b>	<b>4.82</b>
Short term borrowings (16)	0.00	0.00
Tax payable	10.39	1.75
Other current liabilities (17)	8.13	3.07
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,138.00</b>	<b>1,039.89</b>

### 7.3. Cash flow statement

(in million €)	31 December 2013	31 December 2012
<b>Operating activities</b>		
Pre-tax profit for the year (group share)	116.18	119.52
Tax charges for the year	-12.50	-2.84
Net profit for the year (group share)	103.68	116.68
Net profit for the year (minority interests)	0.00	0.00
Depreciation of tangible and intangible fixed assets	0.07	0.08
Loss in value on Investment property	-0.30	0.61
Capital gains/losses on tangible fixed assets	0.00	-0.02
Movement in deferred taxation	0.25	-0.68
Net movement in provisions	0.00	-0.79
Other changes (exchange differences + other current financial liabilities)	0.00	0.04
Change in fair value	-93.36	-100.00
<b>Cash flow</b>	<b>10.34</b>	<b>15.91</b>
<b>Change in working capital</b>	<b>13.75</b>	<b>8.52</b>
<b>Cash flow resulting from operating activities</b>	<b>24.09</b>	<b>24.43</b>
<b>Investment activities</b>		
Net purchase of investment property	-0.03	-0.05
Acquisition of tangible assets	-0.12	-0.00
Acquisition of intangible assets	-1.05	-0.00
Acquisition of financial assets	-128.20	-149.76
<b>Total investments</b>	<b>-129.39</b>	<b>-149.82</b>
Disposal of tangible and intangible assets	0.07	0.02
Disposal of financial assets	142.74	175.27
<b>Total disinvestments</b>	<b>142.81</b>	<b>175.28</b>
Change in other financial assets	0.01	0.21
<b>Cash flow resulting from investment activities</b>	<b>13.43</b>	<b>25.67</b>
<b>Financing activities</b>		
Net movement in financial debt falling due after more than one year	0.00	-0.00
Dividend paid to shareholders	-17.60	-17.12
Acquisition of own shares	-1.82	-11.60
Net movement in financial liabilities falling due within one year	0.00	-12.23
<b>Cash flow resulting from financing activities</b>	<b>-19.42</b>	<b>-40.94</b>
Net movement in cash and cash equivalents	18.10	9.16
Cash and cash equivalents at 1 January	15.75	6.59
<b>Cash and cash equivalents at 31 December 2013</b>	<b>33.85</b>	<b>15.75</b>

## 7.4. Statement of movements in shareholders' equity

(in million €)	Capital	Share premium	Revaluation reserves	Own shares	Consolidation reserves	Exchange differences	Minority interests	Total
<b>Balance at 1 January 2012</b>	<b>320.40</b>	<b>63.29</b>	<b>0.58</b>	<b>-1.13</b>	<b>563.62</b>	<b>0.01</b>	<b>0.05</b>	<b>946.81</b>
- 2011 dividend paid					-17.12			-17.12
- result for the year					116.68			116.69
- movements in other items of the overall result						0.04		0.04
- purchases of own shares				-11.60				-11.60
- cancellation of own shares				12.73	-12.73			
- Capital reduction	-137.71				137.71			
- others							-0.01	-0.01
<b>Balance at 31 December 2012</b>	<b>182.68</b>	<b>63.29</b>	<b>0.58</b>	<b>0.00</b>	<b>788.17</b>	<b>0.05</b>	<b>0.05</b>	<b>1,034.81</b>
<b>Balance at 1 January 2013</b>	<b>182.68</b>	<b>63.29</b>	<b>0.58</b>	<b>0.00</b>	<b>788.17</b>	<b>0.05</b>	<b>0.05</b>	<b>1,034.81</b>
- 2012 dividend paid					-17.60			-17.60
- result for the year					103.68		0.00	103.68
- movements in other items of the overall result						-0.05		-0.05
- cancellation of own shares				-1.82				-1.82
- purchases of own shares								
- other			-0.04		0.00		-0.02	-0.06
<b>Balance at 31 December 2013</b>	<b>182.68</b>	<b>63.29</b>	<b>0.54</b>	<b>-1.82</b>	<b>874.25</b>	<b>0.00</b>	<b>0.03</b>	<b>1,118.97</b>

## 7.5. Notes

### (1) Dividends and interest received

(in million €)	2013	2012
Gross dividends	24.91	22.30
listed securities portfolio	18.55	16.70
Private Equity portfolio	6.36	5.61
Interest	4.72	2.52
<b>Total</b>	<b>29.63</b>	<b>24.82</b>

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

(in million €)	2013	2012
<b>At start of period</b>	<b>1 011.14</b>	<b>936.64</b>
listed securities portfolio	485.69	424.62
Private Equity portfolio	525.45	512.02
<b>Purchases</b>	<b>128.20</b>	<b>149.76</b>
listed securities portfolio	58.10	47.10
Private Equity portfolio	70.10	102.67
<b>Sales</b>	<b>-142.74</b>	<b>-175.27</b>
listed securities portfolio	-2.41	-32.34
Private Equity portfolio	-140.34	-142.92

<b>Change in fair value</b>		<b>93.36</b>	<b>100.00</b>
listed securities portfolio	30.90		46.32
Private Equity portfolio	62.46		53.69
<b>At end of period</b>		<b>1,089.96</b>	<b>1,011.14</b>
listed securities portfolio	572.29		485.69
Private Equity portfolio	517.67		525.45

### Fair value hierarchy

The fair value hierarchy consists of the following three levels: level 1 concerns completely verifiable data; level 2 concerns data which are not completely verifiable and may require adjustments; level 3 concerns non-verifiable data.

<b>(in million €)</b>	<b>31 Dec. 2013</b>	<b>31 Dec. 2012</b>
Financial assets		
Level 1 (listed stocks)	572.29	485.69
Level 2 (Private Equity)	517.67	525.45
Level 3	-	-
<b>Total</b>	<b>1,089.96</b>	<b>1,011.14</b>

All financial assets are accounted for at fair value through the profit and loss account.

### (3) Other portfolio income and charges

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Bank charges	-0.11	-0.05
Option premiums	0.29	0.39
Management fees on unlisted securities	-9.49	-9.05
Buying/selling expenses on shares	-0.09	-0.09
Custody fees	-0.01	-0.04
<b>Total</b>	<b>-9.41</b>	<b>-8.83</b>

### (4) Other operating results

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
<b>A. Income</b>	<b>7.48</b>	<b>8.53</b>
Result from Lloyd's insurance	1.45	0.96
Profits on the sale of tangible fixed assets	0.00	0.02
Rents received	0.21	0.25
Exchange rate result (excluding hedging instruments)	0.60	0.26
Financial income	0.09	0.10
Change in fair value of investment property	0.30	0.00
Other income (*)	4.83	6.95
<b>B. Expenses</b>	<b>-4.97</b>	<b>-6.08</b>
Directors' emoluments	-0.90	-0.88
Staff costs	-0.31	-0.31
Fees (*)	-1.88	-3.08
Depreciation	-0.02	-0.02
Costs related to dividend payment	-0.00	-0.00
Result from Lloyd's insurance	0.00	-0.03
Other financial costs	-0.08	-0.07

Exchange rate result (excluding hedging instruments)	-0.86	-0.41
Impairment of tangible assets	0.00	-0.61
Impairment of intangible assets	-0.08	0.00
Depreciation of tangible assets	-0.06	-0.05
Other expenses	-0.79	-0.60
<b>Total</b>	<b>2.51</b>	<b>2.46</b>

(\*) Relating to the ongoing recovery of a receivable from the Democratic Republic of Congo (potential asset)

#### Average number of employees

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

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

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Interest received	0.37	1.06
on short-term investments	0.37	0.99
late-payment interest	0.00	0.07
Interest paid	-0.03	-0.17
on short-term bank loans	-0.02	-0.25
on commercial paper	-0.01	0.08
Net interest received (paid)	0.34	0.90

#### (6) Taxes

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Tax base		
Profit before tax	116.43	119.35
Profit exempt from tax	-93.36	-100.00
<b>Taxable profit</b>	<b>23.07</b>	<b>19.35</b>
Tax on profits		
Current taxes relating to the current year	12.03	2.40
Current taxes relating to previous years	0.47	0.44
<b>Effective tax charge</b>	<b>12.50</b>	<b>2.84</b>
Effective tax rate	10.74%	2.38%
Deferred tax asset		
at the start of the period	-	-
at the end of the period	-	-
<b>Deferred tax liability</b>		
at the start of the period	0.25	0.94
included in the result for the year	0.25	-0.68
<b>at the end of the period</b>	<b>0.50</b>	<b>0.25</b>

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

Deferred taxation is derived mainly from temporary differences in tangible fixed assets. No active deferred taxation is calculated on taxes carried forward.

#### (7) Intangible fixed assets

Acquisition costs for our participation in a Lloyd's insurance syndicate. The price of this «admission ticket» has been booked in 2013. In that year Athanor's participated in capacity auctions that allowed it to strengthen its underwriting capacity at Lloyd's. Auction prices have increased given the scarcity of supply.

#### (8) Tangible fixed assets

(in million €)	Furniture and rolling stock	Other fixed assets	Total
<b>Acquisition value</b>			
At the end of the previous fiscal year	0.57	0.30	0.86
Purchases	0.12		0.12
Sales	-0.08	-0.03	-0.10
At the end of the fiscal year	0.61	0.27	0.88
<b>Capital gains</b>			
At the end of the previous fiscal year		0.58	0.58
Booked			
Cancelled		-0.04	-0.04
At the end of the fiscal year		0.54	0.54
<b>Depreciations/Impairments</b>			
At the end of the previous fiscal year		-0.27	-0.27
Booked		0.01	0.01
Cancelled			
At the end of the fiscal year		-0.26	-0.26
<b>Amortizations</b>			
At the end of the previous fiscal year	-0.35		-0.35
Booked	-0.08		-0.08
Cancelled	0.04		0.04
At the end of the fiscal year	-0.38		-0.38
<b>Net accounting value at the end of the fiscal year</b>	<b>0.22</b>	<b>0.55</b>	<b>0.78</b>

#### (9) Investment property

(in million €)	2013	2012
Estimated fair value at the start of the year	2.76	3.32
Prepayments	0.03	0.05
Adjustments to fair value	0.30	-0.59
<b>Estimated fair value at the year-end</b>	<b>3.09</b>	<b>2.78</b>
Rental income	0.21	0.25
Direct operating expenses	0.08	0.04

This is an office building located at Drève Richelle 161, Waterloo, with a total surface area of 2,396 square metres, occupied partially by the group, with the remaining area rented out to third parties. The fair value is determined by applying a rate of return to the rental value of the building. This rate of return is based on the opinions given by real estate professionals with recent experience of the geographical area and the category of building concerned.

**(10) Short-term receivables**

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
recoverable taxes <sup>(*)</sup>	6.05	7.24
receivables on sales in progress	1.70	0.24
Other receivables	0.00	0.63
<b>Total</b>	<b>7.75</b>	<b>8.11</b>

**(\*) Recoverable taxes**

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Withholding recoverable taxes	2.45	5.42
Disputed taxes	3.60	8.89
<b>Total</b>	<b>6.05</b>	<b>14.31</b>

**Tax litigation**

A supplementary tax charge was posted on 15 December 2006 because the tax authorities contested the tax exempt status of capital gains on certain investments in American real-estate companies for the 2004 tax year. The tax authorities considered that the dividends paid by these American companies were not entitled to benefit from a deduction on the basis that the income had already been fully taxed. Legal proceedings have been initiated and while waiting for the decision of the Liège Appeal Court, a debtor for €3.6mn (principal only) remains, as an asset, under the title "Tax disputed".

**(11) Current financial assets**

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
OLO government bonds	0.19	0.20
<b>Total</b>	<b>0.19</b>	<b>0.20</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. The existing legislation on the statute of limitations means however that it is very unlikely that this guarantee can still be called upon.

**(12) Cash and cash equivalents**

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Deposits	30.69	14.32
Other	3.17	1.44
<b>Total</b>	<b>33.85</b>	<b>15.75</b>

**(13) Capital****A. Issued capital**

The fully paid-up share capital at 31 December 2013 totalled € 182,681,909. It was made up of 29,377,221 shares with no par value. All of the shares that make up Brederode's share capital enjoy the same rights.

<b>(in number of shares)</b>	<b>2013</b>	<b>2012</b>
Shares representing the capital		
- registered shares	18,211,647	17,891,233
- bearer shares	26,492	140,571
- dematerialised	11,139,082	11,345,417
<b>Total</b>	<b>29,377,221</b>	<b>29,377,221</b>

## B. Authorised capital

Authorised capital: € 216,730,144.16 up to 182,681,909.08 can be used, according to the by-laws.

See page 11, section 3.3.3.

## C. Own shares

<b>(in number of shares)</b>	<b>2013</b>	<b>2012</b>
Own shares at the start of the year	0	62,879
- elimination		-652,033
- repurchases	72,343	589,154
<b>Total</b>	<b>72,343</b>	

See page 11, section 3.3.3.

## (14) Consolidation reserves

<b>(in million €)</b>	<b>Revaluation reserves</b>	<b>Consolidated reserves</b>	<b>Own shares</b>	<b>Exchange differences</b>	<b>Total</b>
<b>At 1 January 2012</b>	<b>0.58</b>	<b>563.62</b>	<b>-1.13</b>	<b>0.01</b>	<b>563.08</b>
- 2011 dividend paid		-17.12			-17.12
- profit for the year		116.68			116.68
- movements in other items of the overall result		-0.00		0.04	0.04
- purchases of own shares			-11.60		-11.60
- cancellation of own shares		-12.73	12.73		
- others		137.71			137.71
<b>At 31 December 2012</b>	<b>0.58</b>	<b>788.17</b>		<b>0.05</b>	<b>788.80</b>
- 2012 dividend paid		-17.60			-17.60
- profit for the year		103.68			103.68
- movements in other items of the overall result		-0.00		-0.05	-0.05
- purchases of own shares			-1.82		-1.82
- cancellation of own shares	-0.04				-0.04
<b>At 31 December 2013</b>	<b>0.54</b>	<b>874.25</b>	<b>-1.82</b>	<b>0.00</b>	<b>872.98</b>

## (15) Short-term borrowings

Short-term financial debts

None

Brederode has in place a program of commercial paper without guarantee up to a maximum amount of € 200 million, which is unused. At the end of 2013, the Group had total confirmed credit lines for € 50 millions.

**(16) Other current liabilities**

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Other payables	6.50	1.18
Social security charges payable	0.03	0.03
Adjustment accounts	0.07	0.05
Trade payables	0.10	0.10
Dividends and interest for previous years	1.42	1.70
Liabilities resulting from the sale of financial assets	0.00	0.01
Funds received on deposit	0.00	0.00
<b>Total</b>	<b>8.13</b>	<b>3.07</b>

**(17) Transactions with related companies**

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Funds deposited by Holdicam S.A.	5.46	0.00

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

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Confirmed lines of credit	50.00	50.00
(used)		
Purchase and sale commitments		
- unlisted portfolio	326.38	286.61
Put and call options outstanding		
Forward sales of USD and GBP		
Real guarantees		
State bonds (OLO) to guarantee the repair of mining-related damage	0.19	0.20
Guaranty provided to Lloyd's	8.73	7.27

**(19) Contingent assets**

Agreement with the Democratic Republic of Congo relating to final compensation for long-standing debts payable to the group relating to African assets nationalised during the 1970s. Net amount receivables as at 31st December 2013 is EUR 2.8 million vs. 5.6 million in 2012.

**(20) Directors' remuneration**

Details of the directors' remuneration are included in the corporate governance declaration.

**(21) Dividends**

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Amount distributed during the financial year	17.60	17.12
Proposed dividend for the current financial year for distribution the following year	18.17	17.63

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

**(22) Earnings per share**

	<b>2013</b>	<b>2012</b>
Number of shares in issue at 31 December	29,377,221	29,377,221
Held by the company	-72,343	0.00
Entitled to dividend	29,304,878	29,377,221
Weighted average number of shares in circulation	29,328,822	29,528,389
Earnings per share (in €)	3.53	3.95

**(23) Subsidiaries**

List of fully consolidated subsidiaries at 31 December 2013:

<b>Names</b>	<b>Addresses</b>	<b>Company no.</b>	<b>Average number of employees</b>
Athanor Ltd	Tower Bridge House – St Katharine’s Way – GB London E1W 1DD	2 810 668	0
Brederode S,A,	Drève Richelle. 161 – B 1410 Waterloo	0405 963 509	2
Brederode International Sàrl	Boulevard Joseph II. 32 – L 1840 Luxembourg	20 042 402 339	3
Geyser S,A,	Boulevard Joseph II. 32 – L 1840 Luxembourg	20 042 205 622	1
Greenhill S,A,	Drève Richelle. 161 – B 1410 Waterloo	0435 367 870	0

The percentages of both shareholdings and control in all subsidiaries are 100% except for Geyser, where it is 99.99%. This list is unchanged from that of the previous financial year.

**(24) Audit of financial statements**

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

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>
Audit fees	0.09	0.12
of which Brederode s.a.	0.04	0.04
Other audit-related assignments	0.00	0.00
Tax advice	0.01	0.00
Other assignments not related to the audit assignment	0.00	0.00
<b>Total</b>	<b>0.09</b>	<b>0.12</b>

**7.6. Accounting principles and policies**

The accounting period is 12 months and these accounts for the period ending 31 December 2013 were approved at the Board of Directors’ meeting held on 5 March 2014.

**General principles and accounting standards**

The consolidated accounts have been prepared in accordance with international accounting standards (International Financial Reporting Standards), as published and adopted by the European Union, in force at 31 December 2013.

**Changes in accounting policies**

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

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

**Standards and Interpretations which became compulsory in 2013 in the European Union:**

- Amendments to IFRS 1 – Severe hyperinflation and abolition of fixed dates for first time adopters (1st January 2013)
- Amendments to IFRS 1 – Government loans (1st January 2013)
- Amendments to IFRS 7 – Financial instruments: information to be provided – offsetting financial assets and financial liabilities (1st January 2013)
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income (1st January 2013)
- Amendments to IAS 12 – Recovery of underlying assets (1st January 2013)
- IFRS 13 – Valuation at fair value (1st January 2013)
- Amendments to IAS 19 – Employee benefits (1st January 2013)
- Amendments to IAS 32 – Financial instruments: presentation - offsetting of financial assets and financial liabilities (1st January 2014)
- IFRIC 20 – operating costs of open air mines during exploitation (1st January 2013)

**Standards and Interpretations coming into force after 31/12/2013 but whose application is allowed in the European Union:**

## Rules on consolidation methods

- IFRS 10 « Consolidated financial statements » ;
- IFRS 11 « Joint arrangements » ;
- IFRS 12 « Disclosure of interests in other entities » ;
- Amendments to IFRS 10, 11 and 12 « Transitional measures » ;
- IAS 28 revised « Investments in associates and joint ventures ».

## Other standards and interpretations :

- IFRS 9 « Financial instruments, classification and measurement » ;
- IFRS 9 « Financial instruments, hedge accounting » ;
- IAS 32 amended « Offsetting of financial assets and financial liabilities » ;
- Modifications of IAS 36 « Recoverable Amount Disclosures for Non-Financial Assets » ;
- Amendments to IAS 19 « Defined benefit schemes, contributions by staff members » ;
- Annual improvements, cycle 2010-2012 ;
- Annual improvements, cycle 2011-2013 ;
- IFRIC 21 « Levies ».

The group has not anticipated the application of any new standards and interpretations that were issued before the date of authorisation of publication of the consolidated financial statements but were due to come into effect after 31 December 2013.

The standards, amendments and interpretations that came into force on 1 January 2013 did not have any impact on the summarised consolidated financial statements.

**Consolidation perimeter and methods**

The consolidated accounts, prepared before the profits were appropriated, include those of Brederode S.A. and of its subsidiaries, i.e. companies over which Brederode exercises exclusive control, either directly or indirectly. These companies are fully consolidated.

**Conversion of transactions and balances denominated in foreign currencies**

The consolidated financial statements have been prepared in euro, Brederode's operating currency.

## 1. Transactions in foreign currencies

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

## 2. Conversion of accounts in foreign currency

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

### Accounting estimates

In preparing the consolidated accounts, the management relies on estimates and assumptions that impact on the amounts presented in the accounts. These estimates and assumptions are continuously evaluated and based on historical experience and information available externally.

The main items affected by these estimates and assumptions are:

- the private equity portfolio;
- recoverable taxes;
- investment property;
- provisions.

### Intangible fixed assets

The participations of the group in the Lloyd's syndicates are accounted for at acquisition price and will be subjected to an impairment test according to the IAS 38 standard.

### 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 fixed assets:

- Buildings
- Office furniture
- Vehicles
- Computer equipment

### Investment property

Much of the building housing the group's registered office is leased to third parties. A valuation was carried out, based on the level of rents obtained and the rate of return generally applied to buildings of the same kind, size and location.

This building is considered to be shown at its fair value in the accounts.

### Non-current financial assets

All non-current financial assets, whether listed or not, are accounted for as «financial assets at fair value through the profit and loss account». The initial value corresponds to the net acquisition cost and the fair value is reassessed 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.

This method has been chosen as it reflects the company's risk management strategy.

#### **Listed portfolio**

The listed portfolio is valued on the basis of the closing share price on the final trading day of the year.

#### **Private equity portfolio**

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

The 'private equity' portfolio is valued on the basis of the most recent financial information received from the General Partners. These are normally quarterly reports issued at the previous 30 September, adjusted to take account of investments and disposals carried out during the fourth quarter.

This valuation may be further adjusted to reflect any changes in circumstances between the date of the last formal valuation provided by the General Partners and the date of account closure.

#### **Amounts receivable**

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

#### **Current financial assets**

##### ***Government bonds***

It relates to linear bonds issued by the Belgian State which serve as a guarantee for the remaining hypothetical commitments by a subsidiary in the field of mining damages. They are initially valued at cost, and are then restated at their fair value at the end of each financial year. Fluctuations in fair value between one year-end and the next are accounted for in the profit and loss account.

##### ***Derivative instruments***

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

#### **Financial assets, current and non-current**

Purchases and sales of current and non-current financial assets and liabilities are accounted for on the settlement date.

#### **Non-financial assets**

The book value of the group's non-financial assets, other than taxes, is reviewed at the end of each financial year, in order to determine whether it has declined. If this seems to be the case, the recoverable value of the asset is estimated, i.e. the higher of the net realisable value of the asset and its economic value, which corresponds to the discounted value of expected future cash flows.

An amount previously written off the value of 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 asset, after writing back the amount previously written off, may not however exceed the net book value that would have been arrived at if there had been no write-off in previous financial years. Any goodwill written off cannot be written back.

**Current and deferred taxes**

Current taxes refer to taxes payable on taxable earnings for the year, calculated according to the taxation rates in force or about to be adopted at the end of the reporting period, as well as adjustments relating to previous years.

Deferred taxes are calculated in accordance with the variable carry-over method applied to temporary differences between the book value of assets and liabilities posted on the balance sheet and their tax basis. The calculation of any potential deferred tax on the reserves of the subsidiaries is determined by the probability that the time difference will be reversed in the foreseeable future.

**Cash and cash equivalents**

Cash includes bank current accounts.

Cash equivalents include bank deposits and fixed-term investments with a maturity date of three months or less from the acquisition date; those with a maturity date more than three months after the acquisition date 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 these shares are reported in the table of changes in shareholders' equity. These transactions have no effect on the profit and loss account.

**Appropriation of profit**

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

**Provisions**

Provisions are made at year-end where a group company has a legal or implicit obligation resulting from a past event, where it is likely that an amount will have to be paid out to meet this obligation and where the amount of the obligation can be reliably determined. The amount of the provision corresponds to the most accurate estimate of the expenditure required to meet the obligation existing on the last day of the 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 programs providing it with access to finance on more attractive terms than those of bank loans. Commercial paper typically has a term of one to three months and the amount issued depends on cash needs, the market's appetite for this type of instrument and the terms offered by 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 drawdowns generally not exceeding six months. The interest rate is determined separately for each drawdown. Interest is payable at the end of the period.

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

## Interest

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

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

## Dividends

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

## Insurance activities within Lloyd's syndicates

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

The insurance result for year (N) therefore includes:

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

## 7.7. Policy regarding risks and uncertainties

### 7.7.1. 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.

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

Outstanding forward exchange transactions carried out with a view to reducing currency risk are valued at the fair value of these hedging instruments and are shown on the balance sheet notes as «derivatives» under current financial assets (liabilities).

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

Evolution of exchange rates at 31 December:

Rate at 31 December	2013	2012	Variation <sup>(1)</sup>
USD/EUR	1.3791	1.3194	-4.5%
GBP/EUR	0.8337	0.8161	-2.2%
CHF/EUR	1.2276	1.2072	-1.7%
AUD/EUR	1.5423	1.2712	-21.3%
NOK/EUR	8.3630	7.3483	-13.8%
DKK/EUR	7.4593	7.4610	0.0%

<sup>(1)</sup> the variation sign reflects the impact of the exchange rate on the counter values of the assets denominated in a foreign currency

At the end of the financial period, exposure to currencies, excluding the euro, were broken down as follows:

(% of total assets)	2013	2012
US Dollar	35.4%	36.0%
Pound Sterling	1.6%	0.9%
Swiss Franc	10.9%	9.6%
Australian Dollar	1.3%	1.6%
Norwegian Krone	1.7%	1.3%
Danish Krone	1.2%	0.7%

There were no outstanding hedging instruments at the end of 2013 and 2012.

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

(% of total assets)	2013	2012	Variation
US Dollar	18.38	17.40	0.98
Pound Sterling	0.85	0.44	0.41
Swiss Franc	5.65	4.63	1.02
Australian Dollar	0.67	0.77	-0.10
Norwegian Krone	0.86	0.64	0.22
Danish Krone	0.61	0.32	0.29

#### b) Interest rate risk

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

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

#### c) Other price risks

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

##### i. Listed portfolio

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

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

##### ii. Private equity portfolio

For the portfolio of unlisted securities, statistical and theoretical studies reach different conclusions as to whether or not the volatility of such holdings is greater than that of listed markets. Purchase and sale prices are clearly influenced by multiples such as EV/EBITDA that are found on the market for listed securities. To a large extent, these similarities in the bases for valuation explain the significant correlation between price fluctuations on these two markets. Recent experience from the financial crisis that started in 2008 has confirmed the greater degree of stability in valuations in the private equity portfolio compared to that of the listed shares portfolio. The price risk related to unlisted securities is also reduced by the very high level of diversification maintained in the portfolio. An initial level of diversification results from the large number of General

Partners that Brederode works with. A second level of diversification is present within each Partnership, which will typically spread its investments among fifteen to twenty separate projects. At the end of 2013, our unlisted investments were split among 130 associations managed by 45 General Partners (compared to 123 and 45 respectively at the end of 2012). The top ten managers account for 54% (compared to 55% in 2012) of total investments and amounts not called. Changes in the geographical breakdown of the unlisted portfolio are included in the above management report.

### iii. Share 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 monitored on a daily basis and is limited by the group's policy of issuing only call options (undertakings to sell at a given price and time) on shares it holds in its portfolio.

### iv. Sensitivity analysis of other price risks

#### a. Listed portfolio

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

#### b. Private equity portfolio

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

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

It seems pointless to quantify the influence of these factors. For information purposes, a 5 % change in the valuation of the portfolio would result in a change in fair value of EUR 28.6 million (EUR 26.3 million in 2012).

#### 7.7.2. Credit Risk

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

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

In the case of share options, it is up to the Brederode group itself to demonstrate its creditworthiness, so that it can operate as an issuer in the over-the-counter market, which is reserved for institutional entities of acknowledged competence and solvency. As an issuer of share options, the credit risk on this type of transaction is taken by our counterparties. Bank deposits actually constitute the main credit risk incurred by our group. We constantly review the quality of our bankers.

#### Maximum exposure to credit risk:

(in million €)	2013	2012	Variation
Bank deposits	33.85	15.75	18.10
Amounts receivable	7.75	8.11	-0.36
<b>Total</b>	<b>41.60</b>	<b>23.86</b>	<b>17.74</b>

### 7.7.3. 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 holdings in private equity funds, but it is a narrow market and the selling process may prove relatively long and costly.

The evolution of the group's uncalled commitments to private equity funds is monitored closely to ensure optimal management of net cash movements.

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

The group is able to issue commercial paper, which 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.

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 that its level of financial debt is kept below the level of its confirmed credit lines.

#### Analysis of residual contractual terms of financial liabilities:

<b>(in million €)</b>	<b>2013</b>	<b>2012</b>	<b>Variation</b>
0 to 3 months	0.00	-	0.00
4 to 12 months	-	-	-
1 to 5 years	-	-	-
<b>Total</b>	<b>0.00</b>	<b>-</b>	<b>0.00</b>

### 7.7.4. Cash flow interest rate risk

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

## 8.

# Statutory auditor's report

### RAPPORT DU COMMISSAIRE A L'ASSEMBLEE GENERALE DES ACTIONNAIRES SUR LES ETATS FINANCIERS CONSOLIDES DE LA SOCIETE BREDERODE SA POUR L'EXERCICE CLOS LE 31 DECEMBRE 2013

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated statement of financial position for the year ended 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended and the related notes as well as our report on other legal and regulatory requirements.

#### **Report on the consolidated financial statements – Unqualified opinion**

We have audited the consolidated financial statements for the year ended 31 December 2013 prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to MEUR 1.138 and the consolidated income statement shows a profit for the year (Group share) of MEUR 103,67.

#### ***Board of Director's responsibility for the preparation of the consolidated financial statements***

The company's board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Statutory auditor's responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

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

#### **Unqualified opinion**

In our opinion, the consolidated financial statements of the company BREDERODE give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2013 and of its results and its 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 in Belgium.

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

The board of directors is responsible for the preparation and the content of the Management report on the consolidated financial statements.

In the framework of our mandate our responsibility is to verify compliance, in all material respects, with certain legal and regulatory requirements. On this basis, we provide the following additional statement, which does not modify our opinion on the consolidated financial statements:

- The Management report on the consolidated financial statements 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 Group is facing and on 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.

Brussels, 11 March 2014

Mazars Réviseurs d'Entreprises SCRL

Statutory Auditor

Represented by

Philippe DE HARLEZ DE DEULIN

## 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 on the company's website and at its registered office.

### Balance Sheet

(in million €)	31 December 2013	31 December 2012
<b>FIXED ASSETS</b>	<b>476.21</b>	<b>443.91</b>
TANGIBLE ASSETS	2.16	2.48
Land and buildings	1.37	1.63
Furniture and vehicles	0.03	0.05
Other tangible assets	0.76	0.80
FINANCIAL ASSETS	474.04	441.43
Shareholdings	411.22	411.23
Securities	62.83	30.20
<b>CURRENT ASSETS</b>	<b>512.10</b>	<b>5.72</b>
AMOUNTS RECEIVABLE WITHIN ONE YEAR	508.34	5.55
Other receivables	508.34	5.55
TREASURY INVESTMENTS	2.82	0.00
Own shares	1.82	
Other investments	1.00	0.00
CASH AT BANK AND IN HAND	0.94	0.17
ADJUSTMENT ACCOUNTS	0.01	0.01
<b>TOTAL ASSETS</b>	<b>988.31</b>	<b>449.63</b>

(in million €)	31 December 2013	31 December 2012
<b>SHAREHOLDERS' EQUITY</b>	<b>957.06</b>	<b>428.26</b>
CAPITAL	182.68	182.68
Called-up share capital	182.68	182.68
SHARE PREMIUM ACCOUNT	63.29	63.29
REVALUATION SURPLUSES	0.49	0.53
RESERVES	610.59	165.89
Legal reserve	23.97	23.97
For own shares	1.82	
Immunised reserves	4.20	4.20
Available reserves	580.60	137.71
EARNINGS CARRIED FORWARD	100.01	15.88
<b>(in million €)</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>LIABILITIES</b>	<b>31.25</b>	<b>21.36</b>
AMOUNTS FALLING DUE WITHIN ONE YEAR	31.22	21.36
Financial debts		
Trade payables	0.08	0.07
Taxation, salaries and social security payable	9.84	1.08
Other amounts payable	21.30	20.21
ADJUSTMENT ACCOUNTS	0.03	0.00
<b>TOTAL LIABILITIES</b>	<b>988.31</b>	<b>449.63</b>

## PROFIT AND LOSS ACCOUNT

(in million €)	31 December 2013	31 December 2012
<b>EXPENSES</b>		
Interest payable and similar expenses	0.04	0.06
Other financial costs	0.14	0.12
Miscellaneous goods and services	1.93	3.11
Wages, social security and pensions	0.15	0.16
Other current expenses	0.02	0.02
Depreciation and write downs on start-up costs, tangible and intangible fixed assets	0.29	0.29
Write-downs	0.01	0.61
of financial assets	0.01	0.61
of current assets		
Capital loss on disposal	0.02	0.00
of tangible fixed assets	0.02	
of financial assets		0.00
Taxes	9.17	0.00
Profits	547.56	15.79
<b>TOTAL EXPENSES</b>	<b>559.33</b>	<b>20.16</b>
<b>INCOME</b>		
Income from fixed asset investments	547.56	2.27
Dividends	547.56	2.27
Income from current assets	0.12	0.51
Other financial income	0.00	
Other current income	0.23	0.27
Write back of amounts written off	6.85	6.37
fixed asset investments	6.85	6.37
Capital gains on disposal of	0.02	3.84
intangible and tangible fixed assets		
financial assets	0.02	3.83
current assets		0.00
Extraordinary income	4.56	6.90
Adjustments for taxes	0.00	
Loss for the year		
<b>TOTAL INCOME:</b>	<b>559.33</b>	<b>20.16</b>
<b>PROFIT/(LOSS) FOR THE YEAR TO BE APPROPRIATED</b>	<b>547.56</b>	<b>15.79</b>

## APPROPRIATIONS AND DEDUCTIONS

(in million €)	31 December 2013	31 December 2012
Profit to be appropriated	563.47	45.10
Profit (loss) for the period to be allocated	547.56	15.79
Profit brought forward from the previous year	15.90	29.31
Reduction in shareholders' equity:		
In capital and share premium account		
In reserves		
Appropriation to shareholders' equity to capital and share premium account	-444.70	-11.60
to other reserves	444.70	-11.60
Profit to be carried forward	-100.01	-15.88
Profit to be carried forward	100.01	15.88
Profit to be distributed	-18.76	17.63
Remuneration of capital	18.76	17.63

## EXTRACTS FROM THE NOTES TO THE ACCOUNTS

## CAPITAL STATEMENT

	Amounts ( in million €)	Number of shares
SHARE CAPITAL		
Subscribed capital		
- at the end of the previous year	182.68	xxxxxxxxxxxxxx
- Changes for the year		
- at the current year-end	182.68	xxxxxxxxxxxxxx
Composition of capital		
Share categories		
- shares (including 29,703,240 VVPR strips)	182.68	29,377,221
Registered or bearer shares		
- registered shares		18,211,647
- dematerialised		11,139,082
- bearer shares		26,492
OWN SHARES held by		
- the company itself	1.82	72,343

## 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 %

### Capital assets

Incidental costs relating to share acquisitions are accounted for in the profit and loss account for the year in which they are incurred.

The values of holdings or shares are written down in the event of a loss or permanent diminution in value as justified by the specific circumstances, profitability or prospects of the company in which the holding or shares are owned.

To this end, listed securities are valued at the stock market price and private equity in accordance with estimates issued by specialised managers, in line with international standards.

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

### Provisions for risks and charges

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

## 10.

# Financial calendar

Interim Declaration	Wednesday 30 April 2014
2014 Ordinary General Meeting	Wednesday 14 May 2014, at 2.30 p.m.
Coupon no. 74 eligible for payment	Wednesday 21 May 2014

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



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