



**BREDERODE**

ANNUAL REPORT  
2017



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Virgile



# Table of contents

1.	Mission and strategy.....	2
2.	Board of Directors.....	3
3.	Corporate governance statement.....	3
4.	Managing directors' statement.....	3
5.	Key figures.....	4
6.	Management report.....	6
6.1.	Summary of the results.....	6
6.2.	Portfolio management by Brederode and its subsidiaries.....	8
6.2.1.	Private Equity Portfolio.....	10
6.2.2.	Listed securities portfolio.....	18
6.2.3.	Derivative instruments.....	19
6.3.	Insurance activities at Lloyd's.....	21
6.4.	Related party transactions.....	21
6.5.	Law on transparency obligations.....	21
6.6.	Activities in the field of research and development.....	21
6.7.	Events following the reporting period.....	21
6.8.	Proposed distribution to shareholders.....	22
6.9.	Outlook.....	22
6.10.	Main characteristics of internal controls and risk management.....	22
6.10.1.	Control environment.....	22
6.10.2.	Risk management policy.....	22
6.10.3.	Control activities.....	25
6.10.4.	Information, communication and oversight.....	25
6.10.5.	Audit.....	25
7.	Brederode shares listing.....	26
8.	Individual financial statement as at 31 December.....	28
8.1.	Individual statement of financial position.....	28
8.2.	Individual profit and loss account.....	29
8.3.	Individual statement of cash flows.....	29
8.4.	Individual financial statement of changes in equity.....	30
8.5.	Notes.....	30
8.6.	Accounting principles and policies.....	36
8.7.	Management of financial risks.....	42
9.	Report on the Audit of the Financial Statements.....	44
10.	Financial calendar.....	48

# 1. Mission and strategy

Brederode S.A. (hereafter «Brederode») is an international investment firm whose shares are listed on the regulated markets of Euronext Brussels and the Luxembourg Stock Exchange.

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

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

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

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

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

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

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

## 2. Board of Directors

Pierre van der Mersch, Chairman

Luigi Santambrogio, Managing director

Axel van der Mersch, Managing director

Michel Delloye, Independent director

Bruno Colmant, Independent director

## 3. Corporate governance statement

During the 2017 financial year, Brederode was compliant with the «X Principles of corporate governance of the Luxembourg Stock Exchange, 3rd revised edition». On May 30th, 2014, Brederode adopted a Corporate governance charter, which entered into force on July 19th, 2014. The Charter was last revised on March 13th, 2018 in order to adapt it to the 4th edition of the «X Principles of corporate governance of the Luxembourg Stock Exchange», with which Brederode is in compliance starting with the 2018 financial year. Both the Charter and the Corporate Governance Statement for the 2017 financial year are available on the company's website at [www.brederode.eu](http://www.brederode.eu) under the «Governance» tab.

## 4. Managing directors' statement

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

- a) the individual financial statements drawn up according to the applicable accounting standards give a true and fair view of the assets and liabilities, the financial position and the profits or losses pertaining to Brederode; and
- b) the Management Report contains a true account of the main events and the relevant transactions with related parties during the financial year, their effect on the set of the individual financial statements and a description of the main risks and uncertainties for the financial year.

Luxembourg, 13 March 2018

On behalf of the Board of Directors

Luigi Santambrogio & Axel van der Mersch  
Managing Directors

## 5. Key figures

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

(in € million)	2017	2016	2015 (Pro forma)	2014 (1)	2013 (1)
Shareholders' equity	1,852.79	1,705.69	1,554.62	1,301.95	1,118.97
Profit for the period	169.67	171.59	239.11	226.45	103.68
Amounts distributed to shareholders	22.57	20.51	19.05	18.10	17.60
<b>Adjusted figures per share (in €)</b>					
Shareholders' equity of Brederode	63.22	58.20	53.05	45.80	38.18
Profit for the period	5.79	5.86	8.16	7.83	3.54
Amounts distributed to shareholders	0.77	0.70	0.65	0.62	0.60
Market price at the end of the period	49.69	41.76	40.50	29.10	27.50
- highest	50.46	43.00	40.99	30.00	27.80
- lowest	41.64	33.30	29.10	27.32	24.01
<b>Ratios</b>					
P/BV (price <sup>(2)</sup> / book value)	0.79	0.72	0.76	0.64	0.72
P/E (price <sup>(2)</sup> / (earnings per share)	8.58	7.13	4.96	3.72	7.78
Return on equity (Profit / shareholders' equity at the beginning of the period)	9.5%	11.0%	17.8%	20.5%	10.0%
Dividend yield (Gross dividend / price <sup>(2)</sup> )	1.5%	1.7%	1.6%	2.2%	2.3%
<b>Number of shares used in the profit</b>					
For shareholders' equity	29,305,586	29,305,586	29,305,586	28,424,295	29,304,878
For basic earnings	29,305,586	29,305,586	29,305,586	28,917,807	29,328,822

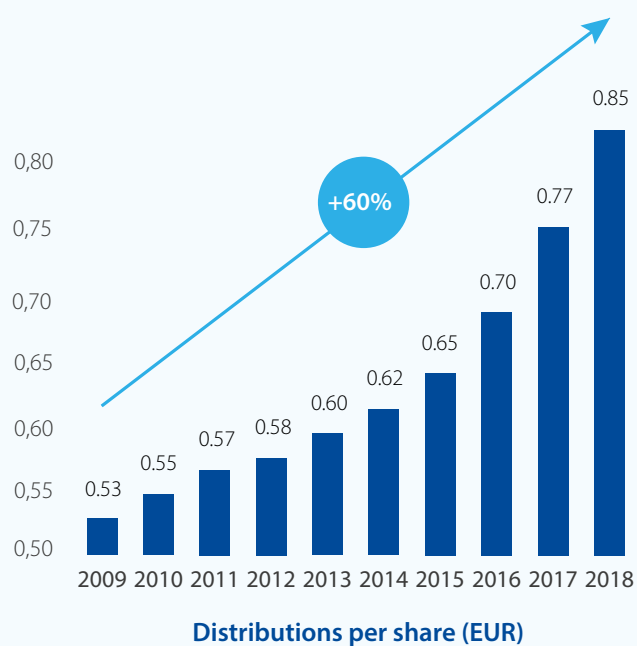
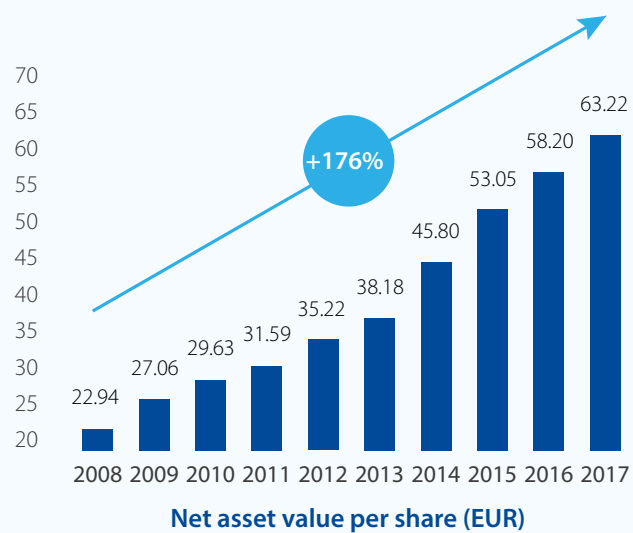
### KEY FIGURES RELATED TO THE INVESTMENT ACTIVITIES OF BREDERODE AND ITS SUBSIDIARIES

(in € million)	2017	2016	2015 (Pro forma)	2014 (1)	2013 (1)
Financial assets at fair value	1,846.91	1,667.51	1,512.12	1,278.31	1,089.96
- Private Equity	877.79	794.57	719.28	628.06	517.67
- Listed portfolio	969.12	872.94	792.85	650.26	572.29
Variations in fair value	161.47	151.98	224.15	207.51	93.36
Dividends and interests received	36.35	34.53	28.82	30.04	29.63
Net expenses related to portfolio management	-19.10	-11.31	-12.38	-9.27	-9.41
Result from portfolio management	178.72	175.21	240.59	228.28	113.58

(1) Based on the consolidated financial statements

(2) Stock market price at year-end





## 6. Management report

Ladies and gentlemen,

We are pleased to be able once again to present very solid results.

### 6.1. Summary of the results

The net profit for the 2017 financial year was € 170 million, nearly identical to that of the previous year. For the first time in a long time, it was the portfolio of listed securities that contributed the most to the results, namely around two-thirds, thanks to the continuous optimism exhibited by the stock markets.

In one year, the net asset value per share of BREDERODE rose from € 58.20 to € 63.22, an increase that, taking into account the distribution of € 0.77 per share to shareholders in the course of the financial year, represents a growth of 10%. During the same period, earnings per share reached € 5.79 (as compared to € 5.86 in 2016).

With a view to sustaining the future growth of BREDERODE's net assets and profits by reinvesting a substantial part of its earnings, the board of directors decided, at its meeting of March 13th, 2018, to propose to the General Meeting of May 9th to vote in favour of a distribution to shareholders of € 0.85 per share. If the Meeting approves this proposal, this would represent an increase of 10.4% in the remuneration of shareholders and the 15th consecutive annual increase.

The market value of the BREDERODE share was 19% higher at the end of 2017 than a year earlier. The 'discount' in relation to the intrinsic value of the share, which was 28% at the beginning of the financial year, reduced to 21% by the end of the year.

#### Private Equity

In a market that is largely global and continues to be in spectacular expansion, BREDERODE has remained particularly active in its selection of both managers and funds to which it has made new commitments. Tighter discipline in this regard has proven all the more essential given that, the abundance of liquidity and of new initiatives, as well as a frenetic search for yield, have led certain very large institutional investors to lower their return expectations or become less exacting in the conditions for participating in new projects. BREDERODE thus seeks to maintain its tight requirements and a rigorous discipline as regard due diligence.

The figures that follow often beat new records and attest to the significant activity carried out by BREDERODE in 2017 in Private Equity :

(in € million)	31 December 2017	31 December 2016	Evolution
New investments	226	170	32%
Disposals	214	196	9%
Change in fair value	72	101	-29%
Investments at the end of the financial year	878	795	10%
New commitments (*)	308	266	16%
Uncalled commitments	699	673	4%

(\*) At historical exchange rates

The change in fair value in 2017 was strongly influenced by the fall in the dollar exchange rate vs to the euro (-14%). At constant exchange rates, the change in fair value in Private Equity would have been € 154 million.

### **Portfolio of Listed Companies**

The listed securities sector is indisputably the big winner of the year 2017. That was already the case at the end of the first half, and the positive trend continued through the entire financial year. No one can predict for how long the stock markets will continue their upward trend. That being said, the quality of the various elements in BREDERODE's portfolio was generally confirmed over the course of the months, in line with the news coming from the companies we selected with a long-term perspective.

We have maintained a balance between growth and defensive securities. The sum of net dividends received from the listed portfolio increased once again, rising from € 21.5 million to € 24.2 million (+13%).

### **Financial structure**

Brederode and its subsidiaries had net financial debts of € 4 million and held lines of credit amounting to € 60 million (as compared to € 50 million a year earlier).

## 6.2. Portfolio management by Brederode and its subsidiaries

The following table provides details of the contribution of the main assets and liabilities of Brederode and its subsidiaries to shareholders' equity as expressed in Brederode's separate financial statements.

(in millions €)	31 December 2017	31 December 2016
<b>NON CURRENT ASSETS</b>	<b>1,857.37</b>	<b>1,680.76</b>
Intangible assets	7.77	10.86
Fixed assets	1.78	1.78
Non-current financial assets	1,846.91	1,667.51
- Private Equity Portfolio	877.79	794.57
- Listed Portfolio	969.12	872.94
Other non-current assets	0.92	0.61
<b>CURRENT ASSETS</b>	<b>30.32</b>	<b>32.58</b>
Cash and cash equivalents	23.32	24.89
Tax receivable	3.26	3.75
Receivables and other current assets	3.74	3.94
<b>TOTAL ASSETS</b>	<b>1,887.69</b>	<b>1,713.34</b>
<b>NON CURRENT LIABILITIES</b>	<b>-1.13</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>	<b>-33.75</b>	<b>-7.65</b>
Short term debt	-27.42	-0.42
Debts arising from purchases of financial assets	-1.20	-3.12
Tax due	-2.57	-2.72
Other current liabilities	-2.55	-1.36
<b>TOTAL LIABILITIES</b>	<b>-34.87</b>	<b>-7.63</b>
<b>MINORITY SHAREHOLDERS</b>	<b>-0.02</b>	<b>-0.02</b>
<b>TOTAL NET ASSETS</b>	<b>1,852.79</b>	<b>1,705.69</b>

## Evolution of the Private Equity and listed securities portfolios

(in € million)	31 December 2017	31 December 2016
<b>Private Equity at the beginning of the period</b>	<b>794.57</b>	<b>719.28</b>
Investments	225.56	170.49
Disposals	-214.25	-196.37
Change in fair value	71.91	101.17
<b>Private Equity at the end of the period</b>	<b>877.79</b>	<b>794.57</b>
<b>Listed portfolio at the beginning of the period (*)</b>	<b>872.94</b>	<b>792.85</b>
Investments	39.69	31.19
Disposals	-33.06	-1.90
Change in fair value (*)	89.56	50.81
<b>Listed portfolio at the end of the period (*)</b>	<b>969.12</b>	<b>872.94</b>
<b>Total portfolio managed by Brederode and its subsidiaries</b>	<b>1,846.91</b>	<b>1,667.51</b>

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

## Performance of the Private Equity and listed securities portfolios

(in € million)	31 December 2017	31 December 2016
<b>Result from Private Equity management</b>		
Dividends	6.34	8.15
Interest	3.49	2.87
Change in fair value (*)	71.91	101.17
Management fees and other management costs	-18.93	-11.12
<b>Total</b>	<b>62.81</b>	<b>101.07</b>
<b>Result from listed portfolio management</b>		
Dividends	26.53	23.51
Change in fair value (*)	89.56	50.81
Net expenses related to portfolio management	-0.17	-0.18
<b>Total</b>	<b>115.92</b>	<b>74.13</b>
<b>Result from portfolio management of Brederode and its subsidiaries</b>	<b>178.72</b>	<b>175.21</b>

(\*) This amount includes realised and unrealised capital gains/losses.

## 6.2.1. Private Equity Portfolio

### Introduction

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

The latter undertake to respond, during a period generally limited to five years (the 'commitment period'), to capital calls from the General Partner up to a maximum amount known as the "Commitment". The General Partner invests the amounts called during the commitment period in various projects and manages them until the time of their exit, generally after 4 to 7 years.

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

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

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

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

Investments are monitored on the basis of detailed quarterly reports, audited annual accounts of the Funds, and through direct and frequent contacts with the managers.

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

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

### Advantages of the Buyout style

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

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

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

#### 2. Long term value creation

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

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

### 3. Optimisation of the financial leverage

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

### 4. Rigour and discipline

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

### 5. Talent

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

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

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

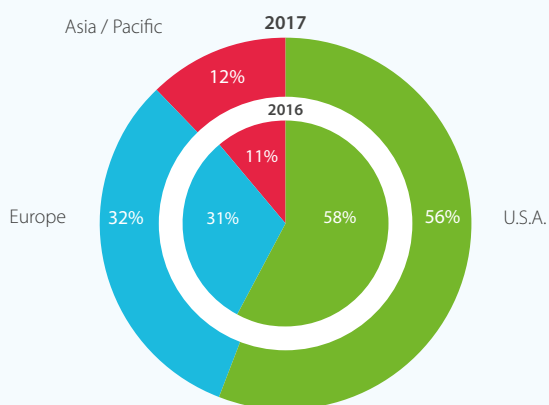
<b>(in million €)</b>	<b>10 years</b>	<b>5 years</b>	<b>3 years</b>	<b>1 year</b>
Valuation at the beginning of the period	303.90	525.45	628.06	794.57
Cash flows	129.63	178.24	60.66	-23.25
Valuation at the end of the period	877.79	877.79	877.79	877.79
<b>IRR (Internal Rate of Return)</b>	<b>12.3%</b>	<b>18.1%</b>	<b>15.6%</b>	<b>7.4%</b>

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

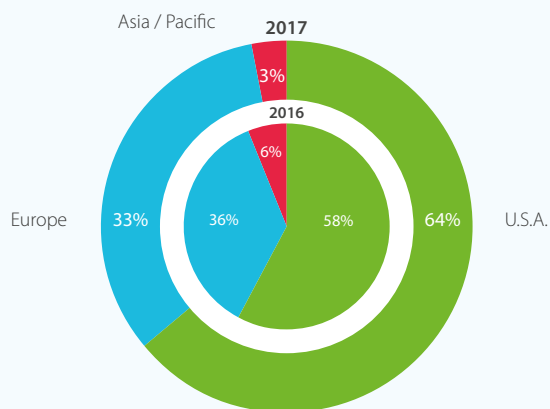


### Geographical breakdown

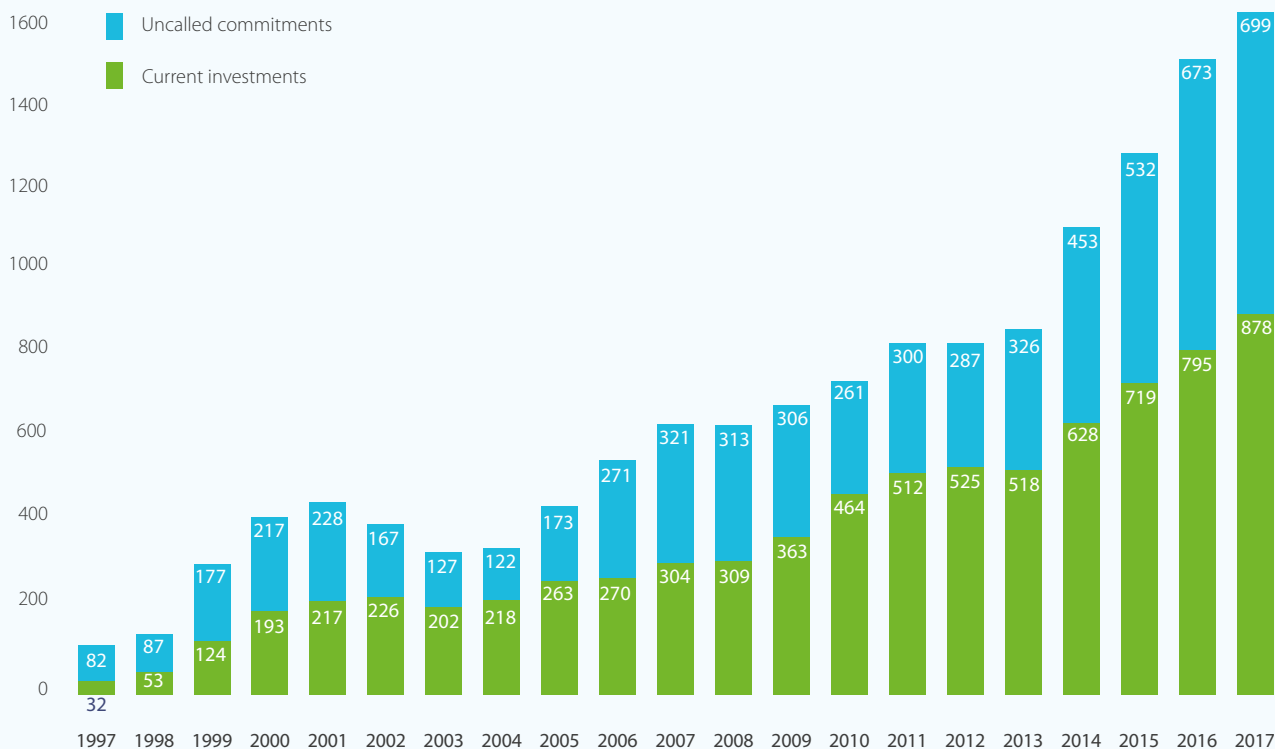
Current investments



Uncalled commitments



Geographical breakdown of Private Equity activity in 2017 (in € million)



### Statement of cash flows (in € millions)

The graph above shows that during the period 2004 to 2007 the Private Equity portfolio has been self-financing, with cash calls being largely financed by distributions. The years 2008 to 2010 showed an opposite trend. From 2011 to 2016, the Private Equity portfolio was once again self-financing. In 2017, capital calls exceeded distributions by € 23 million.

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

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

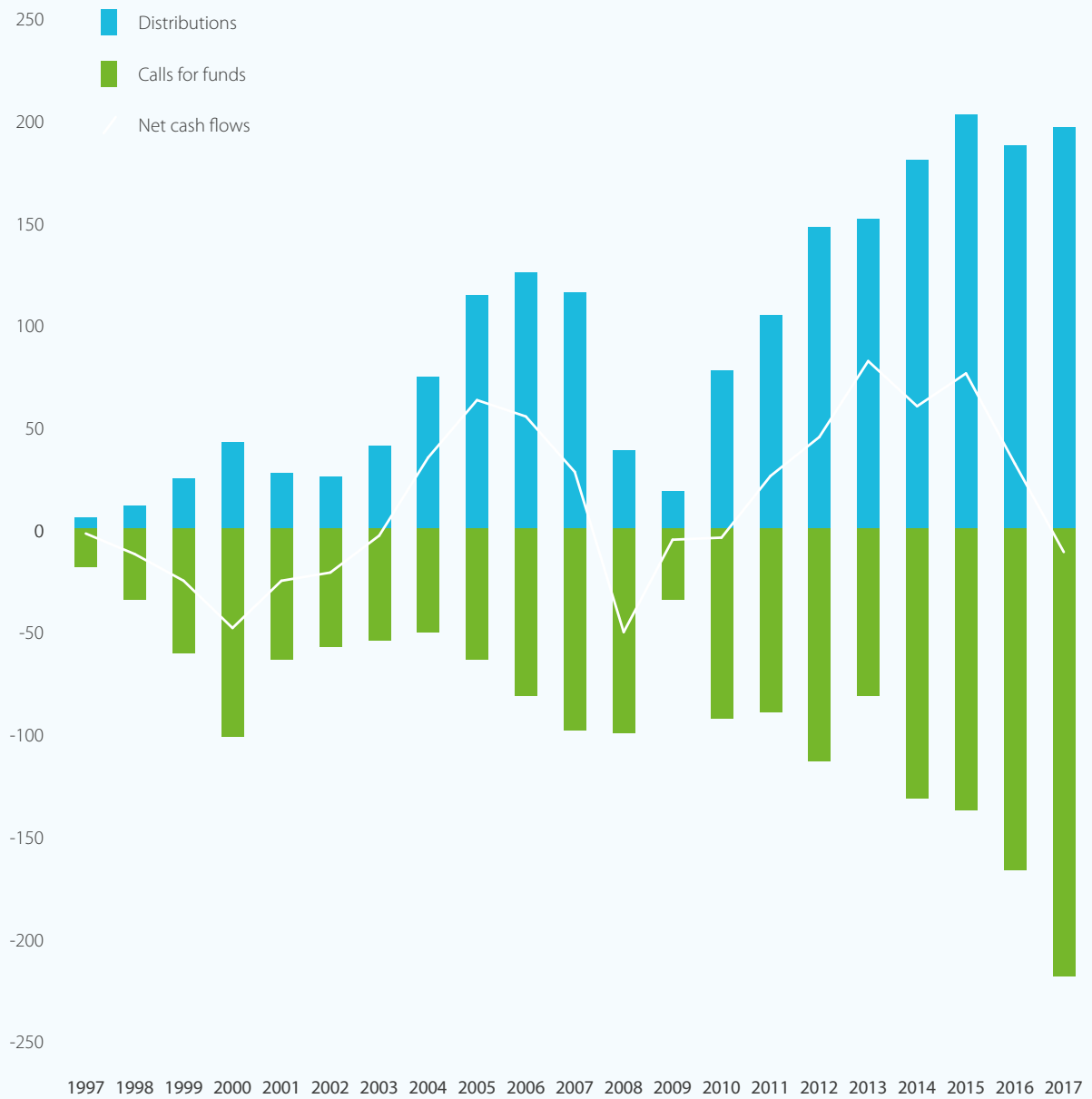
### Trend in Private Equity investments

(in € million)	31 December 2017	31 December 2016
<b>Private Equity at the beginning of the period</b>	<b>794.57</b>	<b>719.28</b>
Additions	225.56	170.49
Disposals	-214.25	-196.37
Change in fair value	71.91	101.17
<b>Private Equity at the end of the period</b>	<b>877.79</b>	<b>794.57</b>

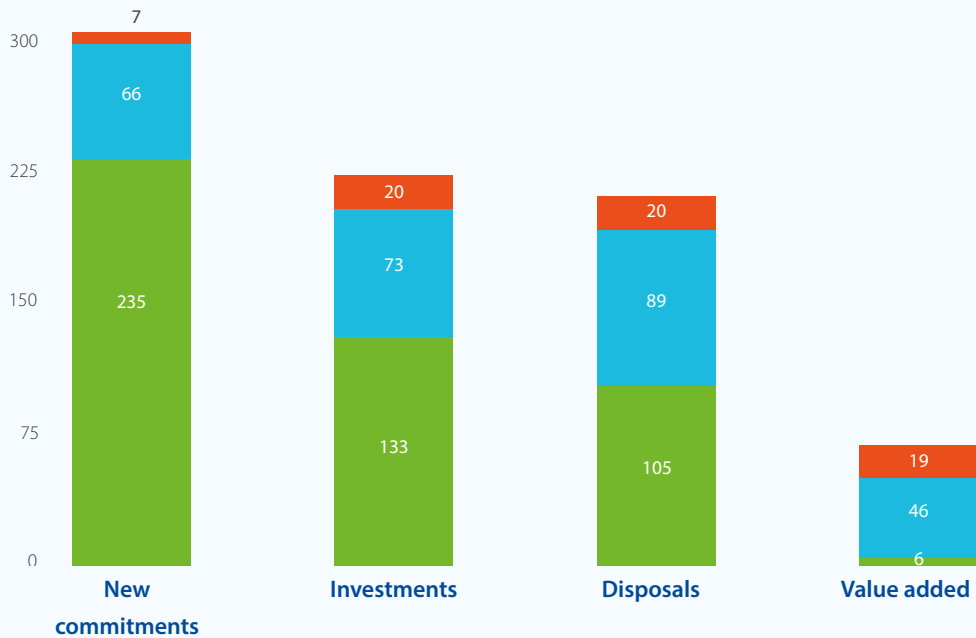
### Movements in uncalled commitments

(in € million)	31 December 2017	31 December 2016
<b>Commitments at the beginning of the period</b>	<b>673.44</b>	<b>532.11</b>
Variation in existing commitments	-282.69	-124.96
New commitments (*)	307.94	266.29
<b>Commitments at the end of the period</b>	<b>698.69</b>	<b>673.44</b>

\* At historical exchange rates.

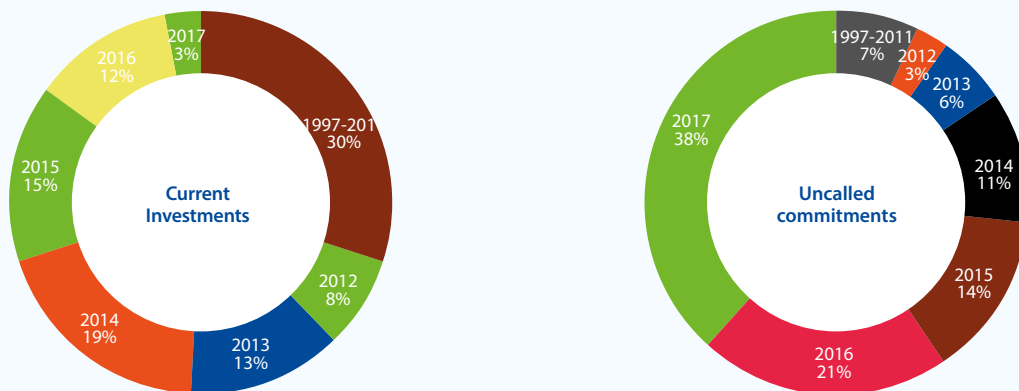


**Geographical breakdown of Private Equity activity in 2017 (in € million)**



Asia / Pacific	7	20	20	19
Europe	66	73	89	46
U.S.A.	235	133	105	6
	<b>308</b>	<b>226</b>	<b>214</b>	<b>71</b>

**Breakdown of commitments by year of subscription to the funds ('vintage year')**



## List of the 25 main Private Equity managers as at 31 December 2017 (in € million)

Names	Investments at fair value	Uncalled commitments	Total commitments
THE CARLYLE GROUP	41.00	55.41	96.42
ARDIAN	48.34	47.16	95.50
BAIN CAPITAL PARTNERS	46.06	38.64	84.70
PROVIDENCE EQUITY PARTNERS	49.99	33.83	83.82
HIG CAPITAL	33.47	43.91	77.38
EQT	34.71	34.87	69.57
L CATTERTON PARTNERS	41.36	22.76	64.12
CAPITAL TODAY	56.01	1.88	57.89
APOLLO MANAGEMENT	25.64	30.06	55.71
UPFRONT VENTURES	36.28	12.21	48.49
BC PARTNERS	25.46	19.98	45.44
PAI	16.48	26.77	43.25
TRITON	19.88	17.57	37.44
HGGC	18.56	17.87	36.43
TRILANTIC CAPITAL	13.55	21.48	35.03
VISTA EQUITY PARTNERS	24.19	8.83	33.01
GENSTAR CAPITAL	15.82	16.87	32.70
MONTAGU PRIVATE EQUITY	19.89	12.40	32.28
STONEPOINT CAPITAL	26.85	4.87	31.72
CUBERA PRIVATE EQUITY	9.92	20.91	30.83
AMERICAN SECURITIES	17.45	12.23	29.68
ARLINGTON CAPITAL PARTNERS	18.28	10.85	29.12
STIRLING SQUARE CAPITAL PARTNERS	23.97	3.36	27.34
CITIC CAPITAL PARTNERS	19.03	7.96	26.99
SWANCAP	19.09	6.85	25.94
Others	176.51	169.16	345.68
<b>TOTAL</b>	<b>877.79</b>	<b>698.69</b>	<b>1,576.48</b>

The top 25 General Partners included in this list represent 78% of the total commitments

## 6.2.2. Listed securities portfolio

Brederode actively manages a large portfolio of listed shares, its second area of activity. These are minority positions that generally benefit from ample liquidity and are suitable for the occasional issue of *put* or *call* options. As at 31 December 2017, there were no options outstanding.

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

(in € million)	31 December 2017	31 December 2016
<b>Listed securities at the beginning of the period</b>	<b>872.94</b>	<b>792.85</b>
Investments	39.69	31.19
Disposals	-33.06	-1.90
Change in fair value	89.56	50.81
<b>Listed securities at the end of the period</b>	<b>969.12</b>	<b>872.94</b>

### Composition of the portfolio of listed shares

Securities (in € million)	Begin 2017	Acquisitions (Disposals)	Variations in fair value	End 2017	Performance <sup>(1)</sup>	Number of securities	Allocation
<b>Technology &amp; Internet</b>	<b>173.68</b>	<b>2.04</b>	<b>48.17</b>	<b>223.89</b>	<b>29.5%</b>		<b>23.1%</b>
Samsung Electronics (GDR)	70.87		29.03	99.89	43.3%	100,000	10.3%
Intel	38.78		4.60	43.38	14.2%	1,127,000	4.5%
Mastercard	32.22		9.29	41.52	29.5%	328,950	4.3%
Relx	31.82	2.04	5.25	39.10	18.0%	1,994,965	4.0%
<b>Investment companies</b>	<b>136.06</b>	<b>-0.93</b>	<b>14.45</b>	<b>149.58</b>	<b>12.0%</b>		<b>15.4%</b>
Sofina	85.76		3.97	89.73	6.6%	684,152	9.3%
Brederode	50.30	-0.93 <sup>(2)</sup>	10.48	59.86	21.2%	1,204,575	6.2%
<b>Health care</b>	<b>145.83</b>	<b>1.48</b>	<b>-6.94</b>	<b>140.38</b>	<b>-2.4%</b>		<b>14.5%</b>
Novartis	43.13		0.88	44.01	5.2%	625,000	4.5%
Fresenius SE	47.99		-5.94	42.05	-11.7%	646,191	4.3%
Sanofi	36.14		-2.37	33.77	-3.3%	470,000	3.5%
Coloplast	18.58	1.48	0.49	20.55	5.1%	310,000	2.1%
<b>Consumer goods</b>	<b>108.96</b>		<b>15.06</b>	<b>124.02</b>	<b>16.7%</b>		<b>12.8%</b>
Unilever	63.05		12.64	75.69	23.1%	1,611,788	7.8%
Nestlé	45.91		2.42	48.33	8.0%	674,872	5.0%
<b>Oil</b>	<b>119.29</b>	<b>3.39</b>	<b>-1.03</b>	<b>121.65</b>	<b>4.5%</b>		<b>12.6%</b>
Royal Dutch Shell	52.28	3.39	4.08	59.75	13.4%	2,150,095	6.2%

Securities (in € million)	Begin 2017	Acquisitions (Disposals)	Variations in fair value	End 2017	Performance <sup>(1)</sup>	Number of securities	Allocation
Total	39.95		-2.19	37.76	-1.2%	820,000	3.9%
ENI	27.06		-2.92	24.14	-5.7%	1,749,000	2.5%
<b>Industrial firms</b>	<b>75.24</b>	<b>-1.08</b>	<b>9.33</b>	<b>83.50</b>	<b>13.6%</b>		<b>8.6%</b>
3M	37.22		5.90	43.12	17.9%	219,722	4.4%
Lafarge-Holcim	21.66	-0.79 <sup>(2)</sup>	-0.51	20.36	-2.4%	433,486	2.1%
Rolls Royce	16.36	-0.29 <sup>(2)</sup>	3.95	20.02	24.5%	2,097,207	2.1%
<b>Financial services</b>	<b>12.70</b>	<b>28.78</b>	<b>2.77</b>	<b>44.25</b>	<b>9.9%</b>		<b>4.6%</b>
Royal Bank of Canada	-	24.94	1.49	26.43	7.8%	387,200	2.7%
Ageas	12.70	3.84	1.28	17.83	13.2%	437,750	1.8%
<b>Miscellaneous</b>	<b>101.18</b>	<b>-27.06</b>	<b>7.75</b>	<b>81.86</b>	<b>15.5%</b>		<b>8.4%</b>
Iberdrola	36.21	3.71	1.39	41.31	8.2%	6,395,266	4.3%
Telenor	20.16		5.22	25.38	31.7%	1,420,000	2.6%
Capita	7.08		-1.92	5.16	-21.3%	1,141,622	0.5%
Syngenta	25.41	-28.33	2.92		12.5%		
<b>Other holdings &lt; € 10 MM</b>	<b>12.31</b>	<b>-2.45</b>	<b>0.14</b>	<b>10.00</b>	<b>1.4%</b>	<b>n,a,</b>	<b>1.0%</b>
<b>TOTAL</b>	<b>872.94</b>	<b>6.62</b>	<b>89.56</b>	<b>969.12</b>	<b>12.9%</b>		<b>100%</b>

(1) Indicative performance taking into account the net dividends received

(2) Reimbursement of capital or equivalent

### 6.2.3. Derivative instruments

#### Options on listed shares

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

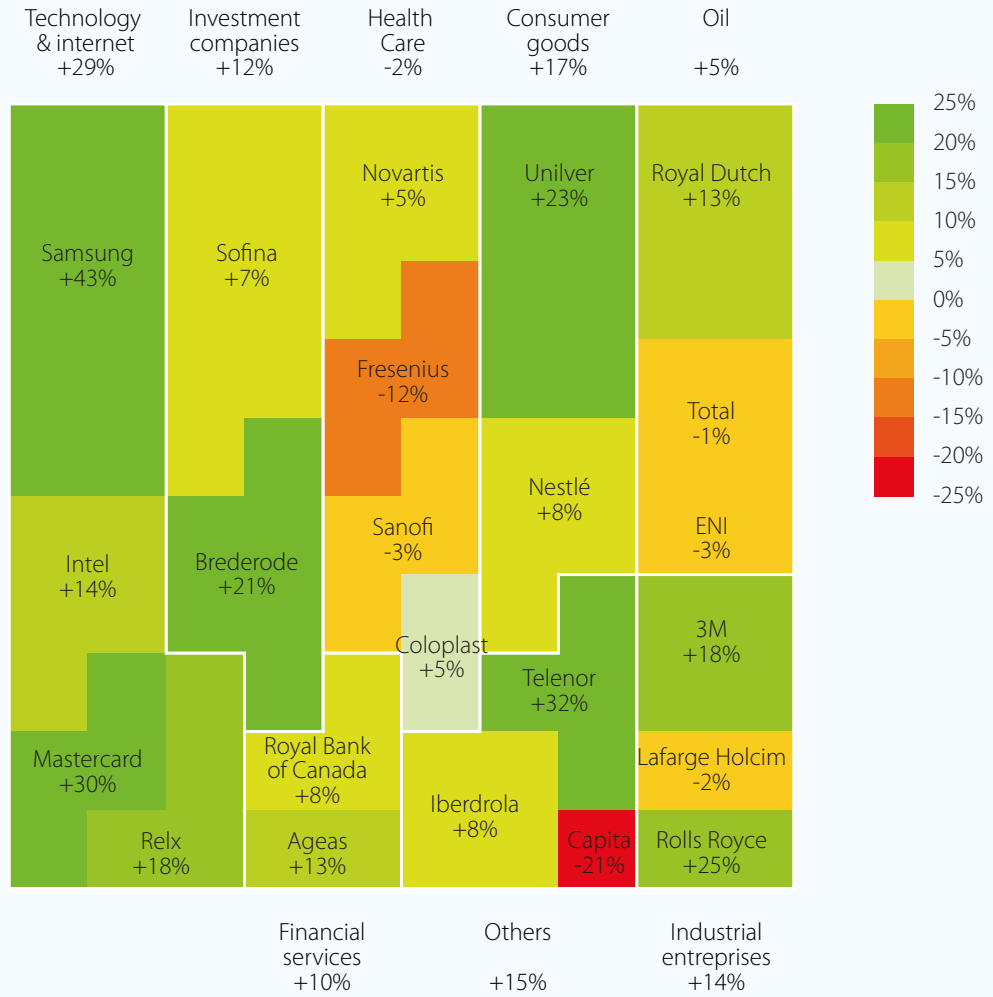
The positions taken do not generally exceed two months and are not speculative in nature; any issue of call options, for example, is always 100% covered by shares held in the portfolio.

In 2017, as in 2016, there were no option transactions.

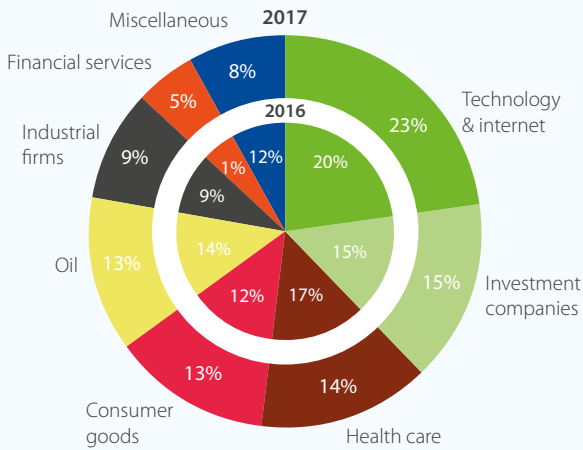
#### Currency hedging transactions

To manage its policy of covering exchange risks, the group occasionally enters into forward exchange contracts whose duration varies between one and six months. The amount of currency hedging transactions varies in line with the group's view of the currency concerned. No currency hedging transactions took place in 2017.

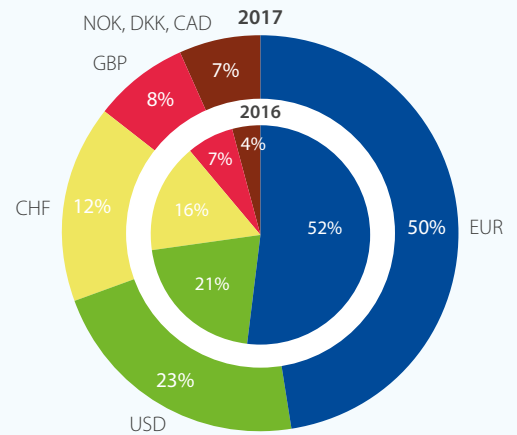
**Performance by investment and by segment of activity in 2017**



**Breakdown of the listed portfolio by industry**



**Breakdown of the listed portfolio by currency**





### 6.3. Insurance activities at Lloyd's

The result of our investments in Lloyd's syndicates was influenced by their specific accounting methods, which involve 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.

Athantor's total results for 2017 are therefore based principally on its technical insurance results for 2015, adjusted for provisions, where necessary, for the technical results of 2016 and 2017. Whereas the results for the insurance segment for 2015 were positive, Athantor had to make a provision of €1.1 million for the 2017 insurance year in light of expected losses relating to the exceptional tornadoes that occurred in 2017.

The contribution of Athantor's insurance activities to changes in Brederode's equity capital represented the equivalent of +€ 1 million (as compared to 1.7 million in the previous year). To this amount must be added the fair value variation of the Lloyd's syndicates, which closed with a loss of € 3.1 million (as compared to a loss of € 0.6 million in the previous year). The disappointing performance of Athantor is attributable largely to the impact of the recent hurricanes in the United States. The maximum amount of insurance premiums that Athantor can collect rose by € 2.1 million to a total of € 21.2 million as at 31 December 2017 (€ 18.8 million).

As mentioned above, Athantor nonetheless expects positive technical results for 2016 and, as previously noted, to a slight loss in 2017.

### 6.4. Related party transactions

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

### 6.5. Law on transparency obligations

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

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

As at 31 December 2017, Geysler S.A. held 4.11% of Brederode S.A.

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

There was no research and development activity.

### 6.7. Events following the reporting period

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

## 6.8. Proposed distribution to shareholders

The Board of Directors continues to favour a policy of steadily growing distributions to its shareholders. It will propose to the annual general meeting to be held on May 9th, 2018 a distribution of € 0.85 per share vs € 0.77 per share the previous year, a 10.4% increase. Similar to the previous year, this distribution will be sourced from the share premium account. If approved, it will be made available for payment on May 23th, 2018.

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

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

## 6.9. Outlook

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

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

### Preliminary remarks

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

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

### 6.10.1. Control environment

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

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

### 6.10.2. Risk management policy

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

## Market risks

### a) Currency risk

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

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

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

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

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

### b) Interest rate risk

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

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

### c) Other price risks

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

#### i. Listed portfolio

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

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

#### ii. Private Equity Portfolio

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

iii. Options on listed securities

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

iv. Sensitivity analysis of other price risks

a. Listed portfolio

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

b. Private Equity Portfolio

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

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

### Credit risk

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

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

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

Bank deposits actually constitute the main credit risk incurred by our group. We constantly review the quality of our bankers.

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

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

### Liquidity risk

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

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

The management of the liquidity risk also takes into account the credit lines whose availability and conditions are enhanced by the existence of an important portfolio of listed securities. The group sees to it that it keeps its level of financial indebtedness below the confirmed lines of credit.

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

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

### **6.10.3. Control activities**

On-going control, on an almost daily basis, is exercised by the executive directors who also sit on the Boards of the main subsidiaries. Moreover, the executive directors meet at least once a month to conduct a detailed examination of the financial position, portfolios, asset valuation, general monitoring of activities, financing requirements, risk assessment, new commitments, etc. Since financial assets are always held by third-party bankers, trustees, etc., the risks of negligence, error or internal fraud are significantly reduced.

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

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

### **6.10.5. Audit**

Brederode has appointed a certified company auditor in the person of Mazars Luxembourg, certified auditing firm, with its registered office established at 10A Rue Henri M. Schnadt, 2530 Luxembourg, and listed in the Trade and Companies Register under number B 159.962, appointed for a period of three years, said period coming to an end on 14 May 2020. Mazars Luxembourg and its representative, Mr Amir Chakroun, are members of the Institute of Company Auditors and authorized by the Commission de Surveillance du Secteur Financier.

Luxembourg, 13 March 2018

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

## 7. Brederode shares listing

### Financial instruments

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

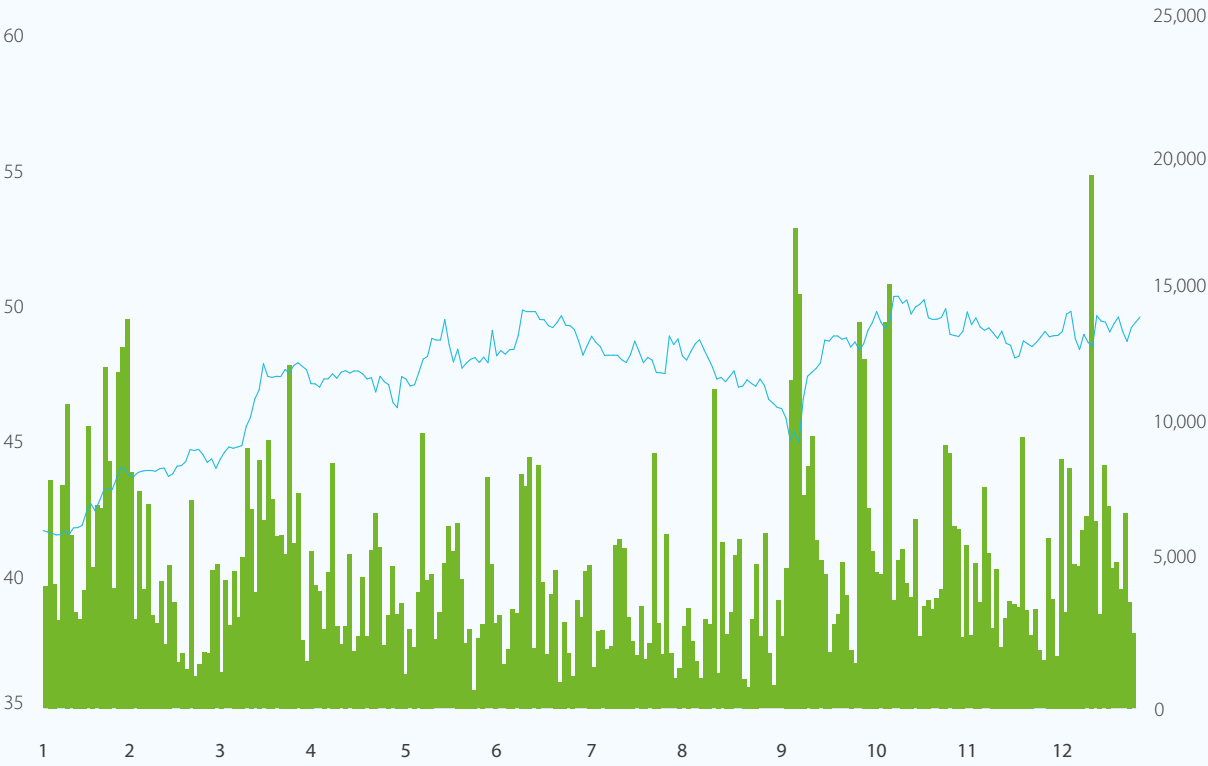
### Stock market capitalization

At the end of 2017 Brederode's stock market capitalization amounted to €1.456 million compared to € 1.224 million a year earlier.

### Share price and liquidity

In 2017, Brederode's share price increased by 19% (21% including the distribution of € 0.77 in May) with a transaction volume of 1.3 million shares (compared to 1.2 million in 2016), or an average daily volume of 5,082 shares (compared to 4,566 in 2016).

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



## 8. Individual financial statement as at 31 December

### 8.1. Individual statement of financial position

(in € million)	Notes	31 December 2017	31 December 2016
<b>NON-CURRENT ASSETS</b>		<b>1,852.75</b>	<b>1,705.91</b>
Subsidiaries at fair value	(1)	1,852.75	1,705.91
<b>CURRENT ASSETS</b>		<b>0.29</b>	<b>0.01</b>
Other current assets		0.28	-
Cash and cash equivalents		0.01	0.01
<b>TOTAL ASSETS</b>		<b>1,853.04</b>	<b>1,705.92</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,852.79</b>	<b>1,705.69</b>
Issued share capital	(2)	182.71	182.71
Share premium	(3)	711.93	734.49
Profit carried forward		788.48	616.89
Result for the financial year		169.67	171.59
<b>NON-CURRENT LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>		<b>0.25</b>	<b>0.23</b>
Other current liabilities		0.25	0.23
<b>TOTAL LIABILITIES</b>		<b>1,853.04</b>	<b>1,705.92</b>
Number of shares at the end of the period		29,305,586	29,305,586
Shareholders' equity per share (in €)		63.22	58.20

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



## 8.2. Individual profit and loss account

(in € million)	Notes	31 December 2017	31 December 2016
Change in fair value of subsidiary	(4)	146.84	171.78
<b>Profit from management of investment entity</b>		<b>146.84</b>	<b>171.78</b>
Other operating income and expenses		22.83	-0.19
<b>Operating result</b>		<b>169.67</b>	<b>171.59</b>
Net financial income (expenses)		0.00	0.00
Tax on the net result		0.00	0.00
<b>Profit for the period</b>		<b>169.67</b>	<b>171.59</b>
<b>Profit per share</b>			
Weighted number of shares		29,305,586	29,305,586
Net profit per share (in €)		5.79	5.86

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

## 8.3. Individual statement of cash flows

(in € million)	Notes	31 December 2017	31 December 2016
<b>Operating activities</b>			
Pre-tax profit for the year		169.67	171.59
Taxes for the year		0.00	0.00
Net profit for the financial year		169.67	171.59
Change in fair value	(4)	-146.84	-171.78
<b>Gross cash-flow</b>		<b>22.83</b>	<b>-0.19</b>
<b>Change in working capital requirements</b>		<b>-0.27</b>	<b>0.08</b>
<b>Cash flow resulting from operating activities</b>		<b>22.56</b>	<b>-0.11</b>
<b>Investment activities</b>			
Reimbursement from subsidiaries		-	20.60
Cash flow from investment activities		-	20.60
<b>Financing activities</b>			
Distribution to shareholders	(3)	-22.57	-20.51
Cash flow resulting from financing activities		-22.57	-20.51
<b>Net movement in cash in cash and cash equivalents</b>		<b>0.00</b>	<b>-0.03</b>
Cash and cash equivalents on 1st January		0.01	0.04
Cash and cash equivalents on 31st December		0.01	0.01

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

## 8.4. Individual financial statement of changes in equity

(in € million)	Notes	Capital	Share premium	Reported results	Total
<b>Balance on 1st January 2016</b>		<b>182.71</b>	<b>755.01</b>	<b>616.89</b>	<b>1,554.62</b>
- distribution to shareholders	(2)		-20.51		-20.51
- result for the year				171.59	171.59
<b>Balance on 31st December 2016</b>		<b>182.71</b>	<b>734.49</b>	<b>788.48</b>	<b>1,705.69</b>
<b>Balance on 1st January 2017</b>		<b>182.71</b>	<b>734.49</b>	<b>788.48</b>	<b>1,705.69</b>
- distribution to shareholders	(2)		-22.57		-22.57
- result for the year				169.67	169.67
<b>Balance on 31st December 2017</b>		<b>182.71</b>	<b>711.93</b>	<b>958.15</b>	<b>1,852.79</b>

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

## 8.5. Notes

### Accounting and consolidation methods

The financial statements are drawn up in accordance with the International Financial Reporting Standards, as published and adopted by the European Union effective 31 December 2017.

The standards, amendments and interpretations that entered into force on January 1<sup>ST</sup>, 2017 had a significant impact on the presentation of the summary financial statements. These changes are detailed in the following note.

Brederode had not opted for early adoption of those standards, amendments and interpretations that have been published but were not yet in force on 31 December 2017.

### Note 1: Subsidiaries

On January 1<sup>st</sup>, 2017 Brederode S.A. owned 100% of Algol S.à r.l. which owned 99.99% of Geyser S.A., which owned at the same time 100% of Greenhill SA and of Brederode International S.à r.l. The latter owned 100% of Athanor Ltd. During 2017 there has been no change to the above ownership structure.

By way of reminder, as of January 1<sup>st</sup>, 2016 the direct and indirect subsidiaries are no longer consolidated. From now on, changes in the fair value of those subsidiaries are accounted for at fair market value through profit and loss account, in accordance with IAS 39.

### List of subsidiaries and average number of staff

Names	Addresses	Average number of staff
Athanor Ltd	Tower Bridge House – St Katharine’s Way – GB London E1W 1DD	
Brederode S.A.	Boulevard Joseph II, 32 – L 1840 Luxembourg	
Algol S.à r.l.	Boulevard Joseph II, 32 – L 1840 Luxembourg	
Brederode International S.à r.l.	Boulevard Joseph II, 32 – L 1840 Luxembourg	5
Geyser S.A.	Boulevard Joseph II, 32 – L 1840 Luxembourg	1
Greenhill S.A.	Av. de Tervuren, 92 - B-1040 Bruxelles	

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

### Fair value hierarchy

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

Since accounting for the subsidiary Algol relies on unobservable data, fair value measurement of this asset, which constitutes more than 99 % of Brederode's total assets, has been classified as level 3. As far as the pro forma statements for the 2016 financial year are concerned, there has been no transfer to levels 1 or 2.

### Transactions with related companies

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

### Note 2: Issued share capital

	2017	2016
Number of shares representing capital		
- dematerialized	29,305,586	29,305,586
<b>Total</b>	<b>29,305,586</b>	<b>29,305,586</b>

The current capital of €182,713,909.08 is represented by 29,305,586 shares with no-par-value. On 31 December 2017, Brederode's authorised capital amounted to €432,713,909.08 (€250 million not issued).

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

### Note 3: Share premium account – distribution

The general meeting of shareholders of 10 May 2017 approved the partial reimbursement of the share premium account for an amount of €0.77 gross per share. It has been paid on 24 May 2017.

(in € million)	31 December 2017	31 December 2016
Amount distributed during the financial year	22.57	20.51
Amount proposed as distribution for the current financial year and to be distributed during the following financial year	24.91	22.57

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

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

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

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

**Note 5: Dividends from subsidiaries**

Brederode received a dividend from its subsidiary Algol S.à.r.l. in the amount of € 23 million.

**Note 6: Operational sectors**

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

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

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

(in € million)	31 December 2017	31 December 2016
<b>Fair value at the beginning of the period</b>	<b>1,705.91</b>	<b>1,554.73</b>
Investments		
Disposals (*)		-20.60
Changes in fair value	146.84	171.78
<b>Fair value at the end of the period</b>	<b>1,852.75</b>	<b>1,705.91</b>

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

b. Indicator of the result

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

c. Characteristics and risk profile of the operating sectors

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

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

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

## i. Private Equity Portfolio

**Geographical diversification of investments at fair value**

<b>(in € million)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
United States	496,15	462.28
Europe	279,08	248.78
Asia / Pacific	102,56	83.52
<b>Total</b>	<b>877,79</b>	<b>794.57</b>

**Geographical diversification of uncalled commitments**

<b>(in € million)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
United States	445,60	393.85
Europe	230,42	240.74
Asia / Pacific	22,67	38.84
<b>Total</b>	<b>698,69</b>	<b>673.44</b>

**Breakdown of commitments in Private Equity by year of subscription**

<b>(in € million)</b>	<b>Current</b>	<b>Uncalled</b>
1997-2011	230,53	48.86
2012	61,43	18.85
2013	104,54	38.59
2014	144,77	75.37
2015	117,79	94.22
2016	97,35	144.20
2017	26,49	259.91
<b>Total</b>	<b>782,90</b>	<b>680.00</b>

## ii. Portfolio of listed securities

**Sectoral diversification**

<b>(in € million)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Technology & Internet	223.89	173.68
Investment companies	149.58	136.06
Health care	140.38	145.83
Consumer goods	124.02	108.96
Oil	121.65	119.29
Industrial firms	83.50	75.24
Financial services	44.25	12.70
Miscellaneous	81.86	101.18
<b>Total</b>	<b>969.12</b>	<b>872.94</b>

### Diversification by currency

(in € million)	31 December 2017	31 December 2016
EUR	481.96	454.19
USD	227.91	179.09
CHF	112.69	136.10
GBP	74.20	64.83
NOK, DKK, CAD	72.36	38.74
<b>Total</b>	<b>969.12</b>	<b>872.94</b>

In the context of the management of its listed securities portfolio, Brederode lends a sizeable part of its listed securities to leading banks via its subsidiaries, in return for remuneration. The loan agreements also allow Brederode to gain access to credit facilities at favourable conditions. The credit risk associated with the securities lending is covered by a pledge, in favour of Brederode, of a portfolio of financial assets guaranteeing coverage of more than 100%. As at 31 December 2017, the market value of securities lent by Brederode amounted to € 135 million, and that of the portfolio of financial assets pledged to Brederode totalled € 118 million, to which were added € 27 million in liquidity made available to Brederode. The securities lent continue to be accounted for at their fair value on the balance sheet of the subsidiaries.

#### b. Fair value hierarchy

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

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

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

(in € million)	31 December 2017	31 December 2016
<b>Fair value at the beginning of the period</b>	<b>1,705.91</b>	<b>1,554.73</b>
Purchases		
Sales		-20.60
Changes in fair value	146.84	171.78
<b>Fair value at the end of the period</b>	<b>1,852.75</b>	<b>1,705.91</b>

The fair value of assets ranked at level 3 indirectly includes 969 million of listed shares that would be ranked at level 1 if they were held directly.

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

(in € million)	31 December 2017	31 December 2016
Changes in fair value	146.84	171.78
Dividends	23.00	-
<b>Total net profits and losses in the period</b>	<b>169.84</b>	<b>171.78</b>

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

(in € million)	31 December 2017	31 December 2016
<b>Tax base</b>		
Profit before tax	169.67	171.59
Profit exempt from tax	-169.67	-171.59
<b>Taxable profit</b>		
Tax on profit	0.00	0.00
Current taxes relating to the current financial year	0.00	0.00
Current taxes relating to previous financial years		
<b>Actual tax payable</b>		
Actual tax rate	0%	0%

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

**Note 8: Transactions with associated companies**

(in € million)	31 December 2017	31 December 2016
Deposit of funds at Geyser S.A.	0.28	0.05

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

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

Via its subsidiaries, Brederode has a confirmed credit line of € 60 million (as compared to € 50 million at the end of 2016) in the form of a securities lending contract (€ 135 million in securities lent as at 31 December 2017) guaranteed by a pledge of other securities with a counter-value of € 118 million and of liquidities in the amount of € 27 million. Moreover, Brederode has uncalled commitments totalling € 699 million (compared to € 673 million a year earlier) linked to the Private Equity portfolio.

**Note 10: Directors' remuneration**

Directors' remuneration at the expense of Brederode S.A. and its subsidiaries in 2017 amounted to 0.94 million and is divided as follows:

(in € million)	Base remuneration	Pension	Other components	Total
Executive directors	0.89	0.01	0.05	0.94
Non-executive directors	0.02			0.02
<b>Total</b>	<b>0.91</b>	<b>0.01</b>	<b>0.05</b>	<b>0.96</b>

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

**Note 11: Audit fees**

(in € million)	31 December 2017	31 December 2016
Audit fees	0.14	0.15
- of. inter alia. Brederode	0.04	0.04
Other audit-related assignments	-	-
Tax consulting	0.04	-
Other mandates besides audit	-	-
<b>Total</b>	<b>0.18</b>	<b>0.15</b>

**8.6. Accounting principles and policies**

The accounting period is 12 months and these accounts for the period ending 31st December 2017 were approved by the Board of Directors' meeting held on 13 March 2018.

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

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

**General principles and accounting standards**

The accounts were prepared in accordance with international accounting standards (International Financial Reporting Standards) as published and adopted by the European Union which came into effect on 31st December 2017.

**Changes in accounting principles**

The standards, amendments and interpretations that entered into force on 1 January 2017 had no significant impact on the presentation of the financial statements.

**Standards and interpretations**

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

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

**Standards and interpretations that came into force for compulsory application in the European Union in 2017:**

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

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

**New or amended standards or interpretations that came into force after 31 December 2017, early application of which is permitted in the European Union:**

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)

Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016)



Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)

Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)

IFRS 9 Financial Instruments (issued on 24 July 2014)

IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015)

IFRS 16 Leases (issued on 13 January 2016)

Brederode did not anticipate the application of new standards and interpretations issued before the date of authorisation for publication of the financial statements but whose date of entry into force is after 31 December 2017.

### **Accounting estimates**

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

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

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

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

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

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

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

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

#### 1. Transactions in foreign currencies

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

#### 2. Conversion of accounts in foreign currency

For the purposes of drawing up Brederode's individual financial statements, the results of the subsidiaries whose accounts are denominated in a foreign currency are converted at the average exchange rate in effect during the financial year. Apart from the elements that make up shareholders' equity balance sheet items expressed in foreign currency are converted at the closing rate. Any resulting differences on conversion are shown as part of the shareholders' equity and included under « conversion reserves ».

### **Tangible fixed assets**

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

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

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

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

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

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

### **Fair value**

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

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

Brederode must have access to the main market or the most appropriate market.

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

All assets or liabilities for which a fair value is set or which are mentioned in the individual financial statements are ranked in the fair value hierarchy.

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

All non-current assets, which may or may not be listed, are accounted for as « financial assets at fair value through the profit and loss account ».

In the context of the fair value assessment of direct and indirect subsidiaries of Brederode, the initial value corresponds to the net acquisition cost and the fair value is reassessed each year end based on the closing rate for listed securities and on the latest valuations provided by the general partners for unlisted securities. In the latter case the valuations are based on valuation techniques recommended by international associations operating in the Private Equity arena. Changes in the fair value of these investments between one year-end and the next are accounted for through the profit and loss account

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

**Listed portfolio**

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

**Private Equity portfolio**

The Private Equity portfolio held by investment entities that are subsidiaries of Brederode is valued on the basis of the most recent financial information received from the General Partners. These are definitive or interim valuations as at 31 December, or quarterly reports as at the previous 30 September, adjusted to take into account the investments and divestments carried out during the fourth quarter. This valuations may be further adjusted to reflect any changes in circumstances between the date of the last formal valuation provided by the General Partner and the date of account closure.

**Amounts receivable**

Loans and credits granted by Brederode and by investment entities that are subsidiaries of Brederode are valued at cost, less any reduction in value as a result of depreciation and nonrecoverability.

Following the initial drawing up of the accounts the loans and amounts receivable are valued at amortized costs calculated according the effective interest method, less the provisions for depreciations when management believes there is an objective indication of depreciation which will reduce the cash flows that were initially expected. No updating is carried out for short-term loans and credits, given their negligible potential impact.

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

**Current financial assets****Securities lending**

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

**Derivative instruments**

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

**Current and deferred taxes**

Tax expenses include tax payables and deferred tax.

- (a) Tax payable

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

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

(b) Deferred tax

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

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

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

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

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

### **Cash and cash equivalents**

Cash includes bank current accounts.

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

### **Own shares**

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

By way of reminder, the Brederode shares held by its indirect subsidiary are not recognised as own shares but as a financial asset of that subsidiary. In Brederode's individual financial statements, the fair value of those shares is determined based on the market price, and contributes indirectly to the fair value of Brederode's direct subsidiary.

### **Appropriation of profit**

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

### **Provisions**

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

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

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

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

Through one of its investment subsidiaries, Brederode has a banking line of credit. This money can be drawn down for a short term, usually not exceeding 6 months. The interest becomes payable on each maturity date. Short-term financial debts are accounted for at nominal value.

### **Interest**

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

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

### **Dividends**

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

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

The result of the investments in Lloyd's syndicates via the subsidiary Athanor Ltd is influenced by its specific accounting methods, which involve closing the accounts with a time-lag of three years. This delay enables to carry out a more precise valuation of the impact of claims. The constraints of the deadlines by which the accounts must be published also have an impact.

The insurance result for year (N) therefore includes:

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

## 8.7. Management of financial risks

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

The definition and the policy of managing the financial risks identified are described under point 6.10.2 of the management report. The effects of this management policy during the 2017 financial year can be seen in the following data.

### Market risks

a) Currency risk

#### Exchange rate evolution on 31st December:

	31 December 2017	31 December 2016	Variation
USD/EUR	1.1993	1.0541	-13.8%
GBP/EUR	0.8872	0.8562	-3.6%
CHF/EUR	1.1702	1.0739	-9.0%
AUD/EUR	1.5346	1.4596	-5.1%
NOK/EUR	9.8403	9.0863	-8.3%
DKK/EUR	7.4449	7.4344	-0.1%

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

(in % of the total assets)	31 December 2017	31 December 2016	Variation
US Dollar	43.8%	42.3%	1.6%
Pound Sterling	4.3%	4.0%	0.2%
Swiss Franc	6.1%	8.0%	-1.9%
Australian Dollar	0.8%	0.4%	0.4%
Norwegian Krone	1.6%	1.4%	0.2%
Danish Krone	1.1%	1.1%	0.0%

There were no outstanding hedging instruments (% of the risk) at the end of 2017 and 2016

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

(in € million)	31 December 2017	31 December 2016	Variation
US Dollar	40.60	36.05	4.55
Pound Sterling	3.95	3.44	0.51
Swiss Franc	5.63	6.81	-1.17
Australian Dollar	0.74	0.33	0.41
Norwegian Krone	1.44	1.17	0.27
Danish Krone	1.03	0.93	0.10
<b>Total</b>	<b>53.38</b>	<b>48.72</b>	<b>4.66</b>

## b) Interest rate risk

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

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

## c) Other price risks

Sensitivity analysis:

A 5% change in the valuation of the Private Equity and Listed Securities portfolios would result in a change in fair value of € 92 million (€ 83 million in 2016).

**Credit risk**

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

(in € million)	31 December 2017	31 December 2016	Variation
Bank deposits	23.32	24.89	-1.57
Amounts receivable	3.74	3.94	-0.20
<b>Total</b>	<b>27.06</b>	<b>28.83</b>	<b>-1.77</b>

The credit risk associated with the securities lending activity is covered by a pledge, in favour of the subsidiaries in question, of a portfolio of financial assets guaranteeing coverage of more than 100%. As at 31 December 2017, the market value of the securities lent by the subsidiaries of Brederode amounted to € 135 million, whilst that of the financial assets portfolio pledged as security in favour of those subsidiaries totalled € 118 million, to which € 27 million in liquidity made available to the Group should be added. The securities lent continue to be accounted for at their fair value on the balance sheet of the subsidiaries in question.

**Liquidity risk**

Through its subsidiaries, Brederode is able to draw on a confirmed line of credit for an amount of € 60 million. This credit facility is part of a contract for securities lending for a counter-value of € 118 million, as referred to above. As at 31 December 2017, € 27 million was drawn on this line of credit.

Analysis of the expiry of residual debt contracts with credit institutions: the line of credit referred to above will expire in 2019.

**Cash flow interest rate risk**

This risk does not affect Brederode or its subsidiaries.

## 9. Report on the Audit of the Financial Statements

To the shareholders of  
**BREDERODE S.A.**  
**Société Anonyme**

R.C.S. Luxembourg B 174.490

32, boulevard Joseph II  
L-1840 LUXEMBOURG

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **BREDERODE S.A.** (the “Company”), which comprise the statement of financial position as at **31 December 2017**, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of “Réviseur d’Entreprises Agréé” for the Audit of the Financial Statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of the unquoted instruments (“Private Equity”)

*Reasons for which a key audit matter has been raised*

As of 31 December 2017, the Company invests in unquoted instruments.



The valuation of these instruments is significant for our audit, in terms of their book value amounting to 877 million EUR as of 31 December 2017, representing about 47% of the balance sheet.

- All of the unquoted investments (over 200 as of 31 December 2017) are realized exclusively in Private Equity funds (mainly Buyout).
- Those investments are valued based on the last valuation report provided by the General Partner of the funds based on valuation procedures recommended by international associations operating in the Private Equity sector. If the last valuation reports are not available at the closing date of the Financial Statements, management uses the last valuation report available and does a retreatment to consider all investments and disinvestments realized during the period between the valuation report date and the closing date. As of 31 December 2017, 83,79% of the unquoted investments were valued based on valuation reports as at 31 December 2017.

*Response to the identified key audit matter:*

The main audit procedures implemented were:

1. A review of all valuation reports or Capital Account Statements (CAS) provided by the managers of underlying funds;
2. A back testing: we have collected audited 31 December 2016 Financial Statements for a sample of the underlying Private Equity Funds and have compared them to the information used during the 2016 audit;
3. A circularization of the all investments in portfolio, meaning a direct confirmation request sent to Private Equity fund managers of cash movements and commitments;
4. A review of all movements relevant to the financial year ending 31 December 2017. We have tested a representative sample of these movements.

**Key observations communicated to those charged with governance:**

The work performed to address the above key audit matter did not raise any comments.

**Other information**

The Board of directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the Corporate Governance Statement but does not include the financial statements and our report of "Réviseur d'Entreprises Agréé" thereon.

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

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

**Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Financial Statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare

circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

We have been appointed as “Réviseur d’Entreprises Agréé” by the General Meeting of the Shareholders on 10 May 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remain independent of the Company in conducting the audit.

Luxembourg, 27 March 2018

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

Amir CHAKROUN  
*Réviseur d’entreprises agréé*

## 10. Financial calendar

2018 Ordinary General Meeting  
n° 4 Coupon payment date

Wednesday 9 May 2018 at 2.30 pm  
Wednesday 23 May 2018

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

The annual report in French constitutes the original text.

A Dutch translation of this report is available.

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







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