



BREDERODE

Annual report 2005



BREDERODE

2005

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« From the fight of the opposites, proceeds the most beautiful harmony »

(Heraclitus)

I . MISSION AND STRATEGY

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

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

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

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

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

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

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

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

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

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

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

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

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



2. FINANCIAL HIGHLIGHTS

Consolidated accounts

Key figures (in EUR millions)	2001 ⁽¹⁾	2002 ⁽¹⁾	2003 ⁽¹⁾	2004 ⁽²⁾	2005 ⁽²⁾
Financial assets (securities portfolio), of which:	834	684	719	851	1.107
• listed securities	617	458	517	633	845
• unlisted securities	217	226	202	218	262
Shareholders' equity (including O.A.C. ^(*))	668	540	622	832	1.077
Financial liabilities excluding O.A.C. ^(*)	21	15	20	74	45
Changes in fair value				82	244
Net realised capital gains	60	4	41		
Dividends and interest received	29	24	20	27	36
Profit for the year (group share)	38	(103)	79	107	256
<i>(*) Bonds automatically convertible into Brederode shares</i>					
Figures per share (adjusted - EUR)					
Shareholders' equity	19.84	16.05	17.28	24.28	31.42
Profit for the year (group share)	1.13	(3.06)	2.20	3.12	7.47
Dividend					
• gross	0.75	0.40	0.42	0.44	0.467
• net	0.56	0.30	0.315	0.33	0.35
• net with VVPR coupon strip	0.64	0.34	0.357	0.374	0.397
Market price					
• highest	27.40	21.70	16.25	20.48	24.90
• lowest	14.10	10.60	8.74	15.62	19.50
• as on 31 December	18.86	12.51	15.60	20.20	24.64

Number of shares in issue:

2002 : 33,666,474

2003 : 35,992,692

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

Ratios

P/BV (Price ⁽⁴⁾ /book value)	0.9	0.7	0.9	0.8	0.8
P/E (Price ⁽⁴⁾ /Profit – group share)	16.7	n.a.	7.1	6.5	3.3
R.O.E. (Profit/shareholders equity in %)	5.2	n.a.	8.5 ⁽³⁾	12.8	23.8
Gross return (Gross dividend/market price ⁽⁴⁾ in %)	4.0	3.2	2.7	2.2	1.9

⁽¹⁾ Figures based on Belgian accounting standards

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

⁽³⁾ Excluding results arising from merger

⁽⁴⁾ Market price at end of financial period

3. MANAGEMENT REPORT

Dear Shareholders,

The year 2005 provided a very favourable environment for the investment activities of the Brederode Group's. Supported by abundant liquidity, stimulated by low interest rates and easy credit, all in a context of very moderate inflation, financial markets were markedly bullish.

While the growth rates of the planet's leading economies often differ considerably from one another and, when comparing that of Western Europe with China, such difference is by a factor of one to four, their general economic activity continued to rise, and this in spite of high fossil fuel costs.

Review of the consolidated figures

Brederode Group's consolidated financial statements for 2005 are presented for the first time this year according to IFRS accounting standards. The 2004 financial statements have been adjusted based on the new norms in order to allow comparison.

Pre-2004 accounts referred to in this report are based on Belgian accounting standards in use at the time.

The only change in group structure during the 2005 financial year was the disposal, in December 2005, of Brederode's industrial division, represented by the firms Artilat NV and Vyrolat sro, which manufacture latex foam products.

Prior to that disposal, Brederode acquired Artilat's 50% interest in the group Arthemauro/Dumo NV, a specialist in polyurethane foam. This small direct investment is of a financial nature for Brederode, the company's management being in the hand of other shareholders. This holding is accounted for under the equity method.

While this structural change had no significant impact on earnings for the year or on future prospects, it nonetheless had the immediate consequence of leading to more uniform accounts, with the removal of all headings for industrial and commercial undertakings from the balance sheet and the profit and loss accounts.

*
* *

On 31 December 2005, total consolidated assets amounted to EUR 1,141.7 million, compared to EUR 944.1 million one year earlier. Of this amount, 97% is represented by the fair value of the securities portfolio, which in turn is made up, for approximately 76%, by listed shares, the remainder being private equity investments.



Consolidated profit and loss account

in EUR thousands	31 december 2005	31 december 2004
Dividend and interest income	36,182	26,589
Change in fair value of capital assets	243,872	82,431
Listed shares	156,340	67,708
Private equity	87,532	14,723
Foreign exchange result	-29,580	6,056
Other results	-4,618	-4,680
Portfolio management result	245,856	110,396
Operating result of industrial subsidiaries	0	4,068
Result of companies accounted for with the equity method	920	0
Other operating income and expenses	-169	-1,404
Operating result	246,607	113,060
Net financial expenses	-847	-3,047
Result of discontinued activities	14,131	0
Income tax	-3,856	-2,999
Profit for the period	256,035	107,014
Minority interests	-91	-28
Group share in profit for the period	255,944	106,986

During the year under review, the Brederode Group had consolidated net profits of EUR 255.9 million, an increase of 139%.

This represents earnings of EUR 7.47 per share, compared to EUR 3.12 in 2004.

Statutory accounts

Net profit of the parent company amounted to EUR 61.1million vs EUR 101.6 million a year earlier.

These figures translate into earnings per share of EUR 1.62 and EUR 2.70 respectively.

Appropriation of earnings

Unconsolidated earnings for 2005 of EUR 61,159,161.04 in addition to profit carried forward from previous years of EUR 369,580,511.52 and transfer from reserves of EUR 471,328.20, makes for a total amount to be apportioned of EUR 431,211,000.76. The Board of Directors will make a proposal at the Annual General Meeting to apportion this amount as follows:

• to other reserves	13,937,848.20
• to remuneration of capital	15,997,453.40
• to be carried forward	401,275,699.16

Subject to shareholders' approval, the gross dividend per share amounts to EUR 0.467, a 6.1% increase, or a net dividend of EUR 0.35, after deduction of the 25% withholding tax. The net dividend for shares with VVPR strips amounts to EUR 0.397 (withholding tax of 15%).

The dividend will be available for payment from 14 June 2006 onwards, upon presentation of coupon no. 66 at the counters of Fortis Banque, Dexia Banque and KBC Banque.

Outlook

In a long-term perspective, the nature of the Group's investments and the structure of its portfolio are such that they are expected to generate a regular increase in dividends received and capital gains on disposals.



4. ASSETS

A. Listed holdings

As of 31 December 2005, Brederode Group's holdings in listed securities were as follows:

Securities	31-Dec-04	Number Purchases/(disposals)	31-Dec-05	Value 31-Dec-05
Financial services				
ABN Amro	1,147,949	61,255	1,209,204	26,711,316
ACE	488,562	-488,562	0	0
Aspen	500,000	-350,000	150,000	3,009,663
Axa	0	628,000	628,000	17,119,280
Axis Specialty	555,359		555,359	14,725,464
BNP Paribas	330,000	60,000	390,000	26,656,500
Dexia	1,454,988		1,454,988	28,343,166
Fortis	4,210,300		4,210,300	113,467,585
Goshawk Insurance Holding	2,276,025	-2,276,025	0	0
Hardy Underwriting Group	1,604,158		1,604,158	5,237,565
HSBC	2,105,068	-4,975	2,100,093	28,591,665
ING	1,154,515	40,000	1,194,515	34,999,290
J.P. Morgan	390,000	-390,000	0	0
KBC Holding	0	168,750	168,750	13,272,188
Lloyds TSB Group	1,411,000		1,411,000	10,057,982
National Australia Bank (priv. conv.)	150,000	-150,000	0	0
Partner Re Holding	140,000		140,000	7,793,337
Royal Bank of Scotland	650,000	450,000	1,100,000	28,426,966
SVB Holding	32,938,296		32,938,296	15,140,177
U.B.S.	0	300,000	300,000	24,133,667
Wachovia Bank	250,000	325,000	575,000	25,764,601
XL Capital	113,057		113,057	6,457,388

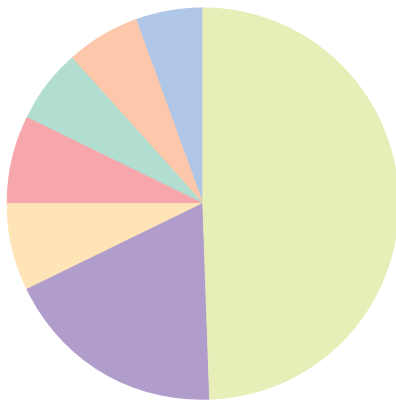
Securities	Number		31-Dec-05	Value 31-Dec-05
	31-Dec-04	Purchases/(disposals)		
Energy				
B.P.	0	1,070,000	1,070,000	9,664,818
Electrabel	133,830	-133,830	0	0
Endesa	1,350,000	57,000	1,407,000	30,827,370
ENI	1,700,000	100,000	1,800,000	42,174,000
E.on	0	249,000	249,000	21,777,540
Iberdrola	0	1,000,000	1,000,000	22,720,000
Royal Dutch Shell	650,000	1,058,441	1,708,441	44,043,609
Total	126,249	61,000	187,249	39,734,238
Unocal (priv.conv.)	100,043	-100,043	0	0
Telecoms				
Deutsche Telecom	1,200,000	430,000	1,630,000	22,950,400
TDC	534,000		534,000	27,020,307
Telecom Italia	7,000,000	750,000	7,750,000	19,065,000
Telenet	0	244,150	244,150	3,857,570
Miscellaneous industries				
Almanij	125,000	-125,000	0	0
Ford Motor (priv.conv.)	43,000		43,000	1,006,018
Gallaher	300,000		300,000	3,841,383
Pfizer		75,000	75,000	1,482,580
Rank Group	919,736	160,000	1,079,736	4,817,296
Rutland Trust	32,400,000		32,400,000	27,185,174
Sanofi	340,000	50,000	390,000	28,860,000
Samsung Electronics (GDR)	57,457		57,457	16,048,217
Sofina	0	152,182	152,182	10,652,740
Unilever	468,675	40,000	508,675	29,426,849
Other holdings < € 1 MM			0	7,643,637
TOTAL				844,706,547

Brederode also holds 3,366,630 own shares, i.e. 8.9% of its capital, with a market value as of 31 December 2005 of EUR 82,953,763.20

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

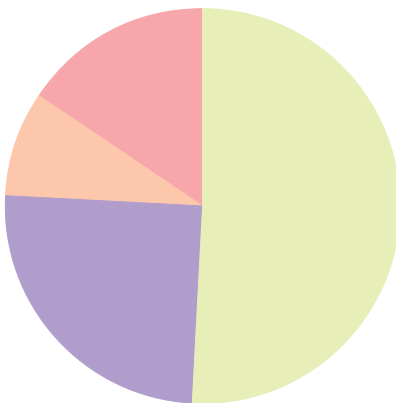


Breakdown of listed securities by financial market



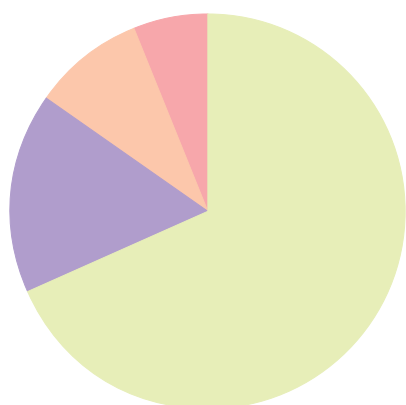
Euronext	49.6
London	18.4
Milan	7.2
New York	7.1
Madrid	6.3
Other	6.1
Frankfurt	5.3

Breakdown of listed securities by sector



Financial sector	50.9
Energy	25.0
Telecoms	8.6
Other	15.5

Breakdown of listed securities by sector



EUR	68.4
GBP	16.4
USD	9.1
Other	6.1

B. Private equity

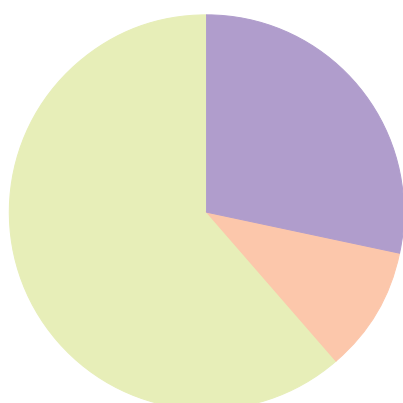
In its primary sense, "private equity" refers to the shareholders' equity of unlisted companies.

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

These investments are spread across a wide variety of industries.

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

Geographical breakdown of private equity investments



EUR Zone	28.5
GBP Zone	10.3
USA Zone	61.2



Fixed-term partnerships and direct investments

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

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

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

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

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

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

At end 2005, the Group had investments in 81 partnerships managed by 40 private-equity groups in the amount of EUR 262.8 million, compared to EUR 218.2 million a year earlier.

Uncalled commitments are broken down as follows:

31 December 2004	New commitments	Changes in existing commitments	31 December 2005
122.1 million	103 million	- 51.7 million	173.4 million

Brederode sometimes has the opportunity to **co-invest** in parallel with an investment partnerships.

At the end of 2005, co-investments accounted for EUR 26 million, as against EUR 23.7 million a year earlier.

Private equity developments in 2005

	2005	2004
Value of unlisted financial assets at the start of the period	218.3	227.7
New investments	60.8	49.3
Disposals	(103.7)	(73.4)
Change in fair value	87.4	14.7
Value of unlisted financial assets at the end of the period	262.8	218.2

Private equity also generated earnings (**dividends and interest**) of EUR 6.4 million in 2005, compared to EUR 3.5 million the previous year.

The private equity environment remained particularly favourable in 2005 in term of exits.

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

Brederode therefore once again reaped in 2005 the fruits of the experience it has built up over the years. Private equity requires an ongoing and long-term commitment but the rewards can be very attractive.

Industrial activities

In December 2005, Brederode sold its 96.8 % investment in Artilat to the industrial group Acotex-Velouta N.V..

Prior to that transaction, Brederode had acquired directly Artilat's 50% stake in the holding company Arthemauro, whose subsidiary Dumo N.V. is active in the polyurethane foam market. Arthemauro and its subsidiary are consolidated under the equity method.

Dumo N.V. had gross operating results (EBITDA) of EUR 1.4 million in 2005, compared to EUR 1.7 million in 2004.



Athamor

Athamor Ltd is Brederode's insurance vehicle at Lloyd's of London.

This wholly-owned subsidiary participates in eight of the best insurance syndicates. Its equity capital is invested in a portfolio of shares listed in London –included in the Group's main listed holdings – which serve as collateral for the beneficiaries of the insurance policies issued by Lloyd's on behalf of the syndicates.

This structure offers two sources of profitability:

- a) financial, from the securities portfolio serving as collateral; and
- b) technical, in the form of remuneration of the risk incurred.

2005 has been a contrasting year for Athamor.

Technical results were seriously affected by the heaviest losses ever incurred by the sector as a result of Hurricanes Katrina, Rita and Wilma, which caused tremendous destruction after crossing the Gulf of Mexico and making landfall in the United States.

On the other end Athamor has received during 2005 its largest cash distribution ever from its Lloyd's syndicates, related to the closing of the 2002 year of account, and is expected to receive another significant distribution during 2006 related to the closing of the 2003 year of account.

The 2004 underwriting year of account is expected to be firmly into positive territory as well.

On balance, previous years' and current technical results together with realised capital gains on the equities portfolio enabled Athamor to pay in 2005 exceptional dividends of £1,362,000 in total, equivalent to 25% of the company's original paid up capital.

Going forward, as insurance rates continue relatively firm in most of its lines of business, and barring exceptional catastrophic events, Athamor should expect to achieve positive technical results in 2006.



5. EURONEXT

Financial instruments

Brederode has two financial instruments listed on Euronext Brussels:

37,646,882 shares

18,250,504 VVPR strips

The 37,646,882 shares in issue all carry the same rights.

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

Stock market capitalisation

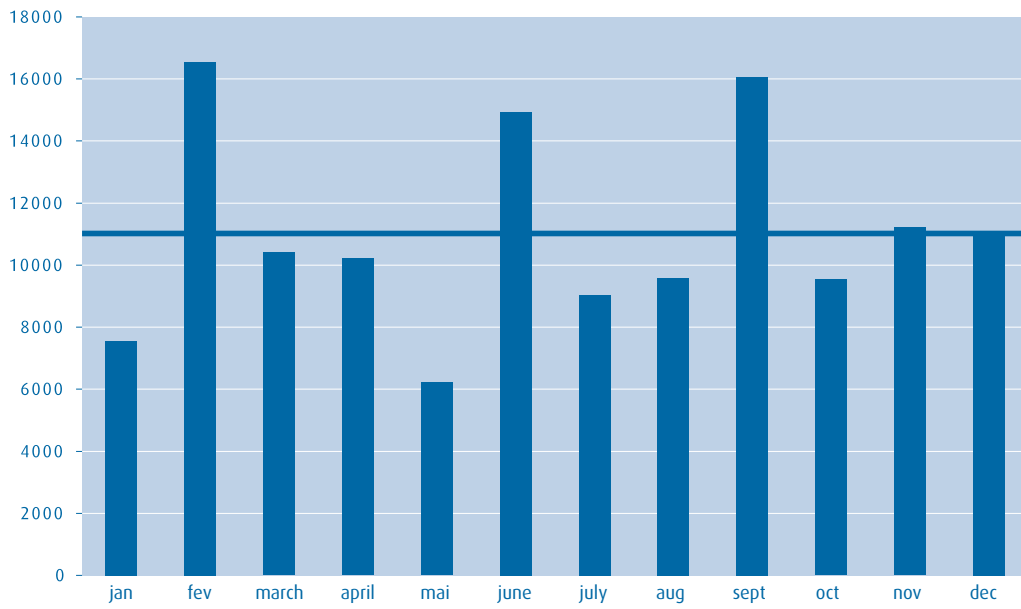
At end 2005, Brederode's stock market capitalisation amounted to EUR 928 million, placing the company in 32nd place on the Euronext Brussels exchange.

Evolution of share price



Liquidity of the Brederode shares on Euronext Brussels

Average daily volumes traded per month in 2005.



6. THE BREDERODE CHAIR: "DEVELOPING ENTREPRENEURIAL SPIRIT"

The Brederode Chair, "Developing Entrepreneurial Spirit", in collaboration with the "Business Creation" unit (CPME) set up at UCL a number of years ago, provides strong support for the University's activities in the field of business development.

It aims to provide stimulus in this area within both the "Business Creation" interdisciplinary course and the different curricula offered by the UCL faculties. It is intended for students of management, law, agronomy and applied sciences, and soon will be open to all UCL faculties.

The Chair has made it possible to recruit a young lecturer, F. Janssen, who is responsible for building up the CPME programme, working to ensure that this type of training becomes a regular feature of management programmes, and creating an entrepreneurship section in complementary and continuing training cycles.

It gives students wishing to set up businesses the possibility of acquiring essential tools and skills and provides valuable assistance for those who have already developed a project. In all cases, the objective is to offer multidisciplinary training so that future graduates can be confronted with real situations.

A more complete description of the activities of Brederode Chair is available on the site www.uclouvain.be/chaire-brederode



7. CORPORATE GOVERNANCE

Board of Directors

Pierre van der Mersch, Chairman (from 13 February 2006)
G rard Cotton, Managing Director
Luigi Santambrogio, Managing Director (from 13 February 2006)
Johanne Iweins d'Eeckhoutte (Managing Director until 24 November 2005) ⁽¹⁾
Bernard De Corte ⁽²⁾
Philippe De Backer ⁽³⁾
Michel Delloye ⁽³⁾

⁽¹⁾ Director representing the majority shareholder s.a. Auximines

⁽²⁾ Director in charge of special assignments relating to the former industrial investments Artilat-Vyrolat and to Dumo n.v.

⁽³⁾ Independent Directors

Executive Management

Pierre van der Mersch
G rard Cotton
Luigi Santambrogio

Committees set up by the Board of Directors

- Audit Committee

Michel Delloye, Chairman
Philippe De Backer
Bernard De Corte

- Nomination and Remuneration Committee

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

Corporate Governance Charter and compliance with the Code

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

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

Activity Report of the Board of Directors and its Committees

The Board of Directors met three times in 2005, with a 76% individual attendance rate by Directors.

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

Remuneration

The base salary of the Managing Directors making up Executive Management amounted to EUR 732,000 in 2005. The Chairman's salary was approximately one fourth of that amount. No variable remuneration on top of the base salary was paid.

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

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

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

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

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

The fourth non-executive Director receives no emoluments.



8. Consolidated accounts as of 31 December

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Transition to IFRS

The company published on 14 July 2005 an explanatory note dealing in particular with the reconciliation of shareholders' equity and the profit and loss account for the year ended 31 December 2004.

This note is available on the company's web site and will be sent to shareholders on request.

Consolidated profit and loss account as of 31 December

(EUR thousand)	Notes	2005	2004
Dividends and interest received on non current assets	(1)	36,182	26,589
Change in fair value of financial assets	(2)	243,872	82,431
- listed securities		156,340	67,708
- unlisted securities		87,532	14,723
Foreign exchange result	(3)	-29,580	6,056
Other income/expenses	(4)	-4,618	-4,680
RESULTS OF PORTFOLIO MANAGEMENT		245,856	110,396
Operating result of industrial subsidiaries	(5)	0	4,068
Result on shares consolidated under the equity method	(5)	920	0
Other operating income and expenses	(6)	-169	-1,404
OPERATING RESULT		246,607	113,060
Interest received on current assets	(7)	400	1,059
Interest paid	(7)	-1,247	-4,106
Result of discontinued activities	(5)	14,131	0
Taxes	(8)	-3,856	-2,999
PROFIT FOR THE PERIOD		256,035	107,014
- group share		255,944	106,986
- minority interests		91	28

Consolidated balance sheet as of 31 December

(EUR thousand)	Notes	2005	2004
NONCURRENT ASSETS		1,118,346	886,063
Tangible assets	(9)	1,992	28,965
Land and buildings		4,399	4,399
Financial assets	(2)	1,107,492	850,623
• <i>listed securities</i>		844,706	632,375
• <i>unlisted securities</i>		262,786	218,248
Companies accounted for under the equity method		1,820	0
Deferred taxes	(8)	1,766	1,448
Other fixed assets		877	628
CURRENT ASSETS		23,347	58,044
Stocks	(10)	0	6,268
Short-term receivable	(11)	12,478	27,332
Financial assets	(3)(12)	983	8,554
Cash and cash equivalents	(13)	9,756	15,347
Other current assets		130	543
TOTAL ASSETS		1,141,693	944,107
SHAREHOLDERS' EQUITY		1,077,043	832,293
Called share capital	(14)	216,730	216,730
Share premium account		62,527	62,527
Revaluation reserves		6,426	2,033
Consolidation reserves		791,335	550,475
Consolidation differences		-45	170
Minority interests		70	358
NONCURRENT LIABILITIES		9,144	20,752
Long-term borrowings	(15)	0	12,100
Deferred tax liabilities	(8)	1,213	1,524
Provisions	(16)	7,931	7,128
CURRENT LIABILITIES		55,506	91,062
Short term borrowings	(15)	44,703	62,628
Financial liabilities	(3)	3,541	0
Other current liabilities	(17)	7,262	28,434
TOTAL LIABILITIES		1,141,693	944,107

Cash flow statement

(EUR thousand)	2005	2004
Net earnings for the year	256,035	107,014
• <i>group share</i>	255,944	106,986
• <i>minority interests</i>	91	28
Depreciations	2,248	4,803
Capital gains from the sale of Artilat	-11,692	0
Capital gains on tangible fixed assets	-322	-393
Result of companies accounted under the equity method	-920	0
Deferred taxes	-212	-11
Change in reserves	1,939	1,967
Change in fair value of financial assets	-243,872	-82,442
Change in working capital needs	8,408	-1,344
Cash flow from operations	11,612	29,594
Acquisitions of	-235,722	-195,174
• <i>tangible and intangible assets</i>	-105	-2,470
• <i>financial assets</i>	-235,617	-192,704
Disposals of	242,202	163,759
• <i>tangible and intangible assets</i>	355	541
• <i>financial assets</i>	221,745	163,218
• <i>subsidiaries</i>	20,102	0
Other changes	-4,299	-527
Cash flow from investing	2,181	-31,942
Dividends paid	-15,083	-13,703
Changes in financial debt	-4,301	24,592
• <i>short-term</i>	-4,301	25,145
• <i>long-term</i>	0	-553
Cash flow from financing	-19,384	10,889
Net increase in cash and cash equivalents	-5,591	8,541
Cash and cash equivalents on 1 January	15,347	6,806
Cash and cash equivalents on 31 December	9,756	15,347

Changes in shareholders' equity

(EUR thousand)	Capital	Share premium	Revaluation	Consolidation	Consolidation	Minority	Total
	account	account	reserves	reserves	differences	interests	
Balance on							
1 January 2004	216,730	62,527	2,420	457,568	0	279	739,524
Result for the year				106,986		28	107,014
Dividends				-13,702			-13,702
Other changes			-387	-377	170	51	-543
Balance on							
31 December 2004	216,730	62,527	2,033	550,475	170	358	832,293
Result for the year				255,944		91	256,035
Dividends				-15,084			-15,084
Other changes			4,393		-215	-379	3,799
Balance on							
31 December 2005	216,730	62,527	6,426	791,335	-45	70	1,077,043

Accounting principles and methods

The accounting year is the 12-month period ending on 31 December 2005 and concerns the accounts approved by the Board of Directors at its meeting on 13 February 2006.

General principles and accounting standards

The consolidated accounts are established for the first time in accordance with the International Financial Reporting Standards in force, as published and adopted by the European Union on 31 December 2005

Consolidation scope and methods

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

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

Tangible fixed assets

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

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

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

Investment buildings

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

Non-current financial assets

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



- **Listed securities**

Le groupe gère activement un large portefeuille d'actions ordinaires, cotées principalement sur les places européennes et américaines (EURONEXT, Madrid, Francfort, Milan, LSE et NYSE). Il s'agit de participations minoritaires bénéficiant généralement d'un large marché.

- **Private equity**

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

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

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

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

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

Amounts receivable

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

Current financial assets

Government bonds

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

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

Derivatives

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

• **Options on listed shares**

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

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

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

• **Currency hedging instruments**

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

Inventory

The inventory of the industrial subsidiaries is valued according to the FIFO method. In the event of important variations in the price of raw materials in the course of the year, their impact is entered in inventory valuation.

Finished goods are valued at their production price, which includes raw materials and direct production costs (wages, energy, depreciation, etc.).

Poorer quality goods are valued in terms of their attainable price.

Non-financial assets

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

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

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



Current and deferred taxes

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

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

Cash and cash equivalents

Cash includes sight deposits.

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

Own shares

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

Appropriation of profit

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

Provisions

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

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

Long-term financial debt

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

Short-term financial debt

Commercial paper

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

Advances

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

Short-term financial debt is accounted for at cost.

Interest

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

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

Dividends

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

Financial instruments and related risks

1. Exchange risks

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

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

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

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

2. Interest rate risk

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

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



3. Price risk

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

• Listed securities

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

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

• Unlisted securities

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

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

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

• Stock options

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

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

4. Credit risk

This is defined as the risk that a party to a financial instrument transaction may fail to meet its obligations and consequently cause a financial loss for the other party.

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

For stock options, it is Brederode itself that must demonstrate its quality as a possible debtor, to be able to operate as an issuer in an over-the-counter market reserved to institutions.

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



5. Liquidity risk

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

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

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

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

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

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

6. Cash flow interest rate risk

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



Notes

(1) Dividends and interest received

	2005	2004
Gross dividends	33,506	25,251
• listed securities	29,813	22,708
• unlisted securities	3,693	2,543
Interest	2,676	1,338
Total	36,182	26,589

(2) Financial assets/Change in fair value

	2005	2004
At start of period	850,623	738,609
• listed securities	632,375	510,924
• unlisted securities	218,248	227,685
Movements during the period		
buying	234,742	192,704
• listed securities	173,991	143,417
• unlisted securities	60,751	49,287
selling	221,745	163,121
• listed securities	118,000	89,674
• unlisted securities	103,745	73,447
change in fair value	243,872	82,431
• listed securities	156,340	67,708
• unlisted securities	87,532	14,723
At end of period	1,107,492	850,623
• listed securities	844,706	632,375
• unlisted securities	262,786	218,248

(3) Exchange rate result

	2005	2004
Realised	(26,065)	4,541
- on USD foreign exchange contracts	(23,063)	4,147
- on GBP foreign exchange contracts	(3,002)	394
Unrealised*	(3,515)	1,515
- on USD foreign exchange contracts	(3,380)	1,382
- on GBP foreign exchange contracts	(135)	133
Total	(29,580)	6,056

* Included in current financial assets (25 in 2005 and 1,515 in 2004) and current financial liabilities (3,541 in 2005 and 0 in 2004).

(4) Other portfolio results

	2005	2004
Result on current financial assets	(18)	10
Option premiums	48	1,003
Management fees on unlisted securities	(4,101)	(5,130)
Buying/selling expenses on shares	(344)	(378)
Custody fees	(192)	(82)
Bank fees on unlisted securities	(11)	(103)
Total	(4,618)	(4,680)

(5) Industrial and discontinued activities

Artilat NV and its Czech subsidiary Vyrolat SRO were sold in 2005, giving rise to a consolidated capital gain of EUR 11,692 and a profit of EUR 2,439 accounted for as Result of discontinued activities.

Artilat's 50% share in the Arthemaura/Dumo group which was not part of the sale, was repurchased by Brederode. These activities are not material within the group and are accounted for with the equity method.

These companies' share in the Group's annual accounts breaks down as follows:

Profit and loss account	Artilat / Vyrolat		Arthemaura / Dumo	
	2005 (11 month)	2004	2005	2004
Turnover	32,952	33,527	0	53,660
Other operating income	0	598	0	526
Purchases	(15,513)	(13,873)	0	(29,687)
Salaries	(6,062)	(7,473)	0	(12,311)
Other operating expenses	(6,056)	(6,661)	0	(9,514)
EBITDA	5,321	6,118	0	2,674
Depreciations	(2,171)	(2,950)	0	(1,775)
Industrial EBIT	3,150	3,168	0	899
Other expenses/income	(711)	(2,647)	0	(1,856)
Net result	2,439	521	0	(957)
Result of companies accounted for with the equity method			920	0

Balance sheet	Artilat / Vyrolat		Arthemaura / Dumo	
	2005	2004	2005	2004
Fixed assets	0	17,397	0	9,865
Current assets	0	14,123	0	12,971
Shareholders' equity	0	7,839	0	(2,265)
Long-term debt	0	10,350	0	3,300
Short-term debt	0	13,331	0	21,801
Companies accounted for with the equity method	0	0	1,820	0

The turnover of Arthemaura/Dumo in 2005 totalled EUR 51.8 million EBITDA was EUR 1.4 million and net profit was EUR 0.9 million. Net financial debt totalled EUR 9.2 million



6) Other operating results

	2005	2004
Income	6,193	4,017
• Capital gains on fixed assets	322	393
• Rents received	260	337
• Result from Lloyds insurance	3,508	2,678
• Other income	2,103	609
Expenses	(6,362)	(5,421)
• Directors' emoluments	(1,072)	(930)
• Staff costs	(281)	(274)
Salaries and wages	(231)	(221)
Social security	(50)	(46)
Other	0	(7)
• Fees	(1,644)	(692)
• Depreciation	(77)	(78)
• Costs related to dividend payment	(93)	(115)
• Financial expenses	(569)	(683)
• Other expenses	(674)	(1,238)
• Transfer to provisions	(1,952)	0
• Extraordinary industrial expenses	0	(1,411)
Other operating result	(169)	(1,404)

(7) Net interest expenses

	2005	2004
Interest received	400	1,059
• on short-term investments	400	1,059
Interest paid	(1,247)	(4,106)
• on short-term bank loans	(205)	(2,642)
• on commercial papers	(1,042)	(901)
• on long-term bank loans	0	(563)
Net interest expenses	(847)	(3,047)

(8) Taxes

	2005	2004
Income taxes	3,856	2,999
- Belgian income taxes	20	1,776
- Foreign income taxes	3,836	1,223
Deferred tax assets		
- at start of period	1,448	2,167
- entered in results for the year	318	(719)
- at end of period	1,766	1,448
Deferred tax liabilities		
- at start of period	1,524	1,535
- accounted for in results for the year	(35)	(76)
- change in tax rate	0	(76)
- change for the year	(276)	141
- at end of period	1,213	1,524

The tax rate in Belgium is 33.99%. Taxation in other countries is calculated at the rate applicable in each jurisdiction.



9) Tangible fixed assets

	Land and buildings	Plants, machinery and equipment	Furniture and vehicles	Other fixed assets	Under construction	Total
Acquisition value						
• at end of previous year	25,087	36,609	6,556	5,136	67	73,455
• acquisitions	0	0	105	0	0	105
• disposals	(25,087)	(36,609)	(6,179)	(5,062)	(67)	(73,004)
• transfer to another heading	0	0	(6)	0	0	(6)
• at year end	0	0	476	74	0	550
Capital gains						
• at end of previous year	165	0	0	3,693	0	3,858
• acquisitions	0	0	0	0	0	0
• disposals	(165)	0	0	(1,993)	0	(2,158)
• at year end	0	0	0	1,700	0	1,700
Depreciations						
• at end of previous year	14,167	28,082	2,875	3,224	0	48,348
• recorded	0	2,172	76	0	0	2,248
• cancelled	(14,167)	(30,254)	(2,703)	(3,212)	0	(50,336)
• transfer to other heading	0	0	(2)	0	0	(2)
• at year end	0	0	246	12	0	258
Net book value at year end	0	0	230	1,762	0	1,992

(10) Inventory (*)

	Artilat	Vyrolat	Dumo	Total
31 December 2004				
- raw materials	318	520	1,577	2,415
- partly finished goods	10	0	819	829
- finished goods	1,114	443	1,467	3,024
Total	1,442	963	3,863	6,268

(*) As a result of the disposal of Artilat N.V. and its subsidiary Vyrolat SRO and the consolidation under the equity method of Arthemaura N.V. – Dumo N.V., there is no inventory as of 31 December 2005.

(11) Short-term receivables

	2005	2004
- trade receivables	1	13,331
- taxes to be refunded	4,229	1,701
- calls for funds by Lloyds' syndicates	4,533	4,328
- funds deposited with Lloyds	3,459	3,283
- other industrial receivable	0	4,558
- other receivables	256	131
Total	12,478	27,332

(12) Current financial assets

	2005	2004
- "OLO" State bonds	958	976
- Derivatives		
- valuation of USD hedging instruments	25	7,153
- valuation of GBP hedging instruments	0	376
- other	0	49
Total	983	8,554

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

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

(13) Cash and cash equivalents

	2005	2004
- deposits	8,448	10,809
- other	1,308	4,538
Total	9,756	15,347

(14) Capital

A. Issued share capital

As of 31 December 2005, fully paid-up share capital totalled EUR 216,730,144.16. It was made up of 37,646,882 shares without face value. All shares making up Brederode's share capital entitle their holders to the same rights.

Breakdown of capital	2005	2004
- registered shares	21,269,676	20,671,538
- bearer shares	16,377,206	16,975,344



B. Authorised capital

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

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

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

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

C. Own shares

	2005	2004
Own shares held as of 31 December	3,366,630	3,366,630

(15) Financial debt

A. Long-term financial debt (*)

	2004
Artilat NV	
Five-year loan (2003-2008) repayable in four annual principal and interest repayments of EUR 2.5 million each (February 2005 to February 2008)	7,500
Vyrolat SRO	
Three-year loan (2004-2007) repayable in two annual principal and interest repayments of EUR 1 million each and one payment of EUR 1.1 million (August 2005 to August 2007)	2,100
Dumo NV	
Four-year investment credit repayable in quarterly payments as from 20 January 2005. Other credits repayable after one year and within five years at most	1,939
Autres crédits à plus d'un an mais moins de 5 ans	561

(*) Due to the disposal of Artilat N.V. and its subsidiary Vyrolat SRO, and to the consolidation under the equity method of Arthemaura N.V. - Dumo N.V., there is no long-term financial debt as of 31 December 2005.

B. Short-term financial debt

	2005	2004
- commercial paper	44,100	48,300
- bank loans	603	14,328
Total	44,703	62,628

(16) Provisions

	2005	2004
- for Lloyds' insurance activities	7,918	5,975
- pensions and similar commitments	0	945
- other risks and expenses	13	208
Total	7,931	7,128

(17) Other current liabilities

	2005	2004
- trade payable	3	14,005
- taxation and social security	893	5,524
- dividends and interest payable	1,196	1,074
- deposit of funds received	3,400	2,110
- income receivable on Lloyds' activity	1,199	1,634
- other amounts payable	567	1,144
- other industrial debts	0	1,637
- accruals and deferred income	4	1,306
Total	7,262	28,434

(18) Off-balance sheet commitments and rights

	2005	2004
Credit lines confirmed but not used	85,000	92,000
Acquisition and disposal commitments		122,531
- Private equity un-drawn commitments	173,381	122,476
- commitments on disposal of land	30	55
Call and put options issued	0	974
Rights and commitments resulting from operations relating to interest rates, exchange rates and other similar operations:		
- USD and GBP forward sales	223,883	211,062
Real guarantees		
- funds deposited with Lloyds as guarantee of the insurance commitments	8,529	7,391
- OLO State bonds as guarantee for repair of mining-related damage	953	976
- for the buyer of Artilat under the sale contract (duration of 18 months from the date of sale)	5,074	0
- guarantees on behalf of subsidiaries	386	3,111

(19) Directors' salaries

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



(20) Dividends

	2005	2004
- Amount distributed in the course of the year	15,083	13,702
- Amount proposed as dividend payment for the year ended 31 December 2005, namely 0.467 gross per share (0.44 in 2004)	15,997	15,083

The proposed dividend is subject to approval by the shareholders at the Annual General Meeting on 26 April 2006 and is not recognised as a debt in this financial report.

(21) Earnings per share

	2005	2004
- Number of shares in issue as of 31 December	37,646,882	37,646,882
- Held by the company	3,366,630	3,366,630
- Entitled to dividend	34,280,252	34,280,252
- Earnings per share	7.47	3.12

(22) Subsidiaries

List of fully consolidated subsidiaries as of 31 December 2005

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

This list has not changed from the list for the previous year, except that Artilat and its subsidiary Vyrolat, which were sold during the year under review, are no longer included in the scope of consolidation as of 31 December 2005 and the Group Arthemaurs/Dumo is accounted for with the equity method

The results of Artilat/Vyrolat are entered pro rata temporis in the consolidation in accordance with consolidation mechanisms.

The list of shareholdings in which the group currently has a significant influence and are consolidated under the equity method.

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

Statutory Auditor's Report on the Consolidated Financial Statements for the year ended 31 December 2005 to the General Meeting of Shareholders of Société Anonyme Brederode

To the Shareholders,

In accordance with legal and regulatory requirements, we are reporting to you on the performance of the mandate which you have entrusted to us.

We have audited the consolidated financial statements prepared in accordance with IFRSs as adopted for use in the EU, for the year ended December 31, 2005, with a balance sheet total of (000) EUR 1,141,693 and a consolidated profit for the year of (000) EUR 255,944. We also have performed the additional verifications required by law.

The drawing up of consolidated financial statements and appreciation of the informations to be given in the directors' report are the responsibility of the company's Board of Directors. Our responsibility as statutory auditor consists in examining these documents according to audit standards applicable in Belgium

Unqualified audit opinion on the consolidated financial statements

Our audit was performed in accordance with the standards of the "Institut des Réviseurs d'Entreprises/Institut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, taking into account the Belgian legal and regulatory requirements.

In accordance with these standards, we have considered the administrative and accounting organisation of the Group as well as the system of internal control. The group's management has provided us with all explanations and information which we required for our audit. We have examined on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the accounting policies used, the significant accounting estimates made by the Company and the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of Brederode S.A. for the year ended December 31, 2005 present fairly the financial position of the Group, the results of its operations and statement of cash flows of the Group, in conformity with IFRSs as adopted for use in the EU, and the disclosures made in the notes are adequate.

Additional assertion

We supplement our report with the following assertion which do not impact on our audit opinion on the consolidated financial statements :

- According to available informations, the consolidated directors' report contains the information required by law and is in accordance with the consolidated financial statements.

March 7, 2006
SAINTENOY, COMHAIRE & C°
Statutory Auditor represented by
P. COMHAIRE



9. STATUTORY ACCOUNTS

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

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

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



Balance sheet

ASSETS (EUR thousand)	31 December 2005	31 December 2004
FIXED ASSETS	836,846	792,521
III. Tangible assets	4,786	5,391
A. Land and buildings	3,098	3,350
B. Furniture and vehicles	191	205
C. Other tangible assets	1,497	1,836
IV. Financial assets	832,060	787,130
A. Associated companies		
1. Shareholdings	673,511	677,696
2. Amounts receivable and guarantees	875	0
C. Other financial assets		
1. Shareholdings	157,674	109,434
2. Claims and guarantees		
CURRENT ASSETS	92,083	71,592
V. Amounts receivable after one year	0	93
B. Other amounts receivable	0	93
VII. Amounts receivable within one year	2,994	2,938
A. Trade amounts receivable	1	1
B. Other amounts receivable	2,993	2,937
VIII. Treasury investments	88,805	68,457
A. Own shares	83,005	68,057
B. Other investments	5,800	400
IX. Cash at bank and in hand	192	9
X. Adjustment accounts	92	95
TOTAL ASSETS	928,929	864,113

Balance sheet

LIABILITIES	31 December 2005	31 December 2004
SHAREHOLDERS' EQUITY	840,720	795,949
I. Capital	216,730	216,730
A. Subscribed capital	216,730	216,730
II. Share premium account	62,527	62,527
III. Revaluation surpluses	1,200	1,533
IV. Reserves	158,987	145,578
A. Legal reserve	21,673	21,673
B. Non-distributable reserves		
1. For own shares	82,954	69,487
C. Untaxed reserves	3,277	3,335
D. Available reserves	51,083	51,083
V. Earnings carried forward	401,276	369,581
PROVISIONS AND DEFERRED TAXES	245	276
VII. B. Deferred taxes	245	276
DEBT	87,964	67,888
IX. Amounts falling due within one year	87,964	67,886
B. Financial debt		
1. Credit institutions	0	27
2. Other loans	44,100	48,300
C. Trade amounts payable		
1. Suppliers	2	7
E. Taxation, salaries and social security debt		
1. Taxation	896	966
2. Salaries and social security	16	24
F. Other amounts payable	42,947	18,562
X. Adjustment accounts	3	2
TOTAL LIABILITIES	928,929	864,113

Profit and loss account

EXPENSES (EUR thousand)	31 December 2005	31 December 2004
A. Interest payable and similar charges	1,442	1,156
B. Other financial expenses	231	3,331
C. Miscellaneous goods and services	2,365	1,432
D. Wages, social security and pensions	116	193
E. Other operating charges	21	51
F. Depreciations and write-downs of set-up expenses, intangible and tangible assets	296	299
G. Write-downs	923	3,586
1. of financial assets	923	3,586
I. Capital loss on disposal	3	15,209
1. of tangible assets	3	0
2. of financial assets	0	15,209
J. Extraordinary expenses	0	0
K. Transfer to deferred taxes	0	0
L. Taxes	20	1,770
M. Earnings for the year	61,101	101,551
TOTAL EXPENSES	66,518	128,578
O. Distributable earnings for the year	61,159	101,610

INCOME (EUR thousand)	31 December 2005	31 December 2004
A. Income from financial assets	7,684	13,666
1. Dividends	7,684	13,666
B. Income from current assets	78	810
C. Other financial income	16	2,115
E. Other current income	416	486
G. Write-back of amounts written off	42,892	40,133
1. financial assets	27,944	24,646
2. current assets	14,948	15,487
I. Capital gains on disposal	15,196	71,336
1. of intangible and tangible assets	325	101
2. of financial assets	14,871	71,235
J. Extraordinary income	4	2
K. Deferred tax levies	30	30
L. Tax adjustment	202	0
TOTAL DES PRODUITS	66,518	128,578
N. Prélèvement sur réserves immunisées	58	59



Appropriation and allocations

	31 December 2005	31 December 2004
A. Distributable profit	430,740	401,171
1. distributable profit for the year	61,159	101,610
2. profit brought forward from last year	369,581	299,561
B. Drawdown on shareholders' equity	471	
2. from reserves	471	
C. Appropriation to capital and reserves	-13,938	-16,507
2. to the legal reserve	0	953
3. to other reserves	13,938	15,554
D. Profit carried forward	-401,276	-369,581
1. profit carried forward	401,276	369,581
F. Distributable profit	-15,997	-15,083
1. dividends	15,997	15,083

Extracts from the notes

VIII. Capital statement

	Amounts (000 EUR)	Number of shares
A. Share capital		
1. Called up share capital		
1.1. at the end of the previous year	216,730	37,646,882
1.2. at the end of the year	216,730	37,646,882
2. Composition of capital		
2.1. category of shares		
ordinary shares (of which 18,250,504 with VVPR strips)		37,646,882
2.2. registered or bearer shares		
registered		21,269,676
bearer		16,377,206

As of 31 December 2005, based on the shareholding declaration of 4 July 2005 and on the voting rights attaching to shares representing issued capital:

Shareholders	Number of shares	Percentage
Auximines S.A.	15,237,273	40.5
Brederode S.A.	3,366,630	8.9
	18,603,903	49.4

XX. Valuation rules

Tangible fixed assets

Straight-line depreciation at the following rates:

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

Financial assets

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

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

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

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

Provisions for risks and expenses

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

Derivatives

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

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

Financial calendar

Annual General Meeting 2006	26 April 2006 at 10:00 a.m.
Coupon no. 66 payable	14 June 2006
Publication of 2006 half-year results	7 September 2006
Publication of 2006 annual results	23 February 2007
Ordinary General Meeting 2007	25 April 2007 at 10:00 a.m.





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