Foyer

SOCIÉTÉ ANONYME

Annual report 2006

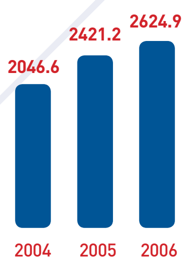


Contents

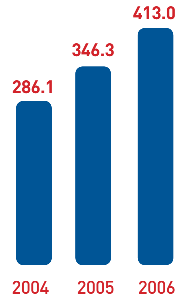
Key figures (consolidated) on 31 December 2006

€ millions

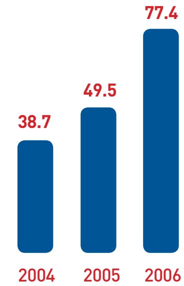
Invested assets



Shareholder equity – Group share



Consolidated net result – Group share

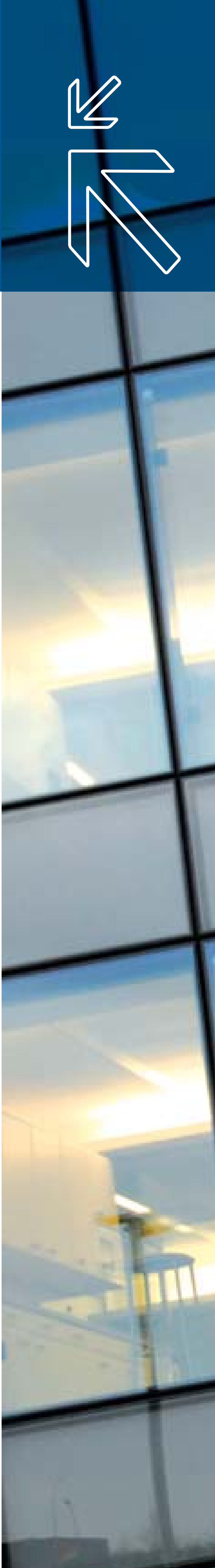


FINANCIAL RATIOS	2006	2005	2004
Recurring earnings per share*	**6.30**	5.50	4.30
P/E (stock market value at 31.12)*	**8.20**	8.10	7.90
Gross dividend per share (in €)	**1.34**	1.20	1.05
Net dividend per share (in €)	**1.14**	0.96	0.84
Shareholders' equity (consolidated) per share	**45.89**	38.48	31.37

* 2006 Realised plus-value on the sale of the building Kirchberg excluded

EMPLOYEES	2006	2005	2004
Headcount at the year-end	**439**	453	442
Average number of employees in FTE (full-time equivalent)	**416.2**	427.77	414.81

SECURITIES PORTFOLIO	2006	2005	2004
€ millions			
Equity securities and fixed income securities	**1 041.2**	947.6	783.9
Cash and cash equivalents	**110.0**	85.8	149.7
Financial assets at fair value through income	**1 442.6**	1 380.9	1 091.1
	2 593.7	**2 414.3**	**2 024.7**



CONSOLIDATED BALANCE SHEET	**2006**	2005	2004
€ millions			
TOTAL ASSETS	**2 841.7**	**2 624.8**	**2 218.0**
Cash and cash equivalents	**141.1**	92.6	171.5
Equity securities and fixed income securities	**1 041.2**	947.6	783.9
Financial assets at fair value through profit or loss	**1 442.6**	1 380.9	1 091.1
TOTAL LIABILITIES	**2 841.7**	2 624.8	2 218.0
Technical provisions	**1 330.8**	1 305.5	1 170.4
Liabilities in respect of investment contracts	**835.1**	757.8	565.1
Shareholders equity – Group Share	**413.0**	346.3	286.1

CONSOLIDATED PROFIT AND LOSS ACCOUNT	**2006**	2005	2004
€ millions			
Net insurance premium revenue	**250.6**	**281.9**	**311.8**
Other technical income and commission	**24.6**	23.9	22.1
Net financial revenue	**103.8**	108.7	52.2
Net operating income	**128.4**	**132.7**	**74.2**
Net insurance benefits and claims	**-192.9**	-270.7	-256.4
Expense	**-77.4**	-74.5	-75.6
Operating profit	**108.7**	**69.3**	**54.0**
Taxes	**-31.2**	-19.6	-15.3
Profit for the year - Group share	**77.4**	**49.5**	**38.7**
Profit of the year on shares of the company	**8.6**	5.5	4.3

CONSOLIDATED CASH FLOW STATEMENT	**2006**	2005	2004
€ millions			
Net cash flow from: - Operating activities	**12.8**	-55.0	-44.7
- Investment activities	**22.2**	-21.4	-13.8
- Financing activities	**-10.8**	-9.5	-8.4
Net variation	**24.2**	**-85.8**	**-66.9**

Foyer

ACTIVITIES OF THE FOYER GROUP

Foyer S.A.

NON-LIFE INSURANCE

- Foyer Assurances (100.0%)
  - Foyer Re (100.0%)
  - FOYER-ARAG (90.0%)
  - Foyer Santé (50.0%)
  - Europ Assistance S.A. (Luxembourg) (49.0%)

LIFE INSURANCE

- Foyer International (100.0%)
- Foyer Vie (100.0%)
  - Raiffeisen Vie (50.0%)

ASSET MANAGEMENT

- Foyer Asset Management (100.0%)
- Foyer Patrimonium & Associates (88.0%)
- Foyer Selection SICAV (100.0%)

Attracted by our assets and values, talented men and women have joined our Group, motivated to generate long-term wealth for the shareholders

François Tesch

The Chairman's view

If I were asked to summarise in three phrases what has been behind the success of our Group ever since its beginnings in 1922, I would say that it has been due to our ability to:

- anticipate trends
- recognise our assets and our limits
- operate with consistency

These notions were clearly a focal point of Foyer's founders who had the perception and boldness to invest in the insurance field, a business sector that was little known about, but that held promise in the Grand Duchy.

These qualities were also passed on through their successors who would eventually take part in the industrial development and major economic growth of the Grand Duchy following the Second World War. Further down the time line, these principles were again taken on board by the Directors as they set out to develop the Group in the "great European adventure" under new game rules.

The feature to remember throughout this period is permanent change. Yet today, there is an important difference: this pace of change is accelerating by the day.

The issue for tomorrow is globalisation driven by new technologies. More than ever before, the clear-minded and courageous pioneering approach of our predecessors will need to be adopted as we face the challenges of tomorrow.

The future of our Group lies in the area of finance and is based on two components, namely insurance and the finance sector. This sector is part of the services field where significant growth potential continues to be offered in Europe, and especially in the Grand Duchy.

Recognising our assets also calls for taking stock of our limits.

In the past, this awareness has resulted in cutting ties with our subsidiaries overseas, with the aim of developing more in the Grand Duchy where we hold a dominant position.

This is where we laid our first foundation stone for developing a new business activity of providing services oriented towards Europe, beginning in the Grand Duchy.

Today, our key assets are our local reputation, our stable and sound shareholding, stemming from Luxembourg's industrial sector, and the ability to attract talented men and women to our Group, motivated to generate long-term wealth.

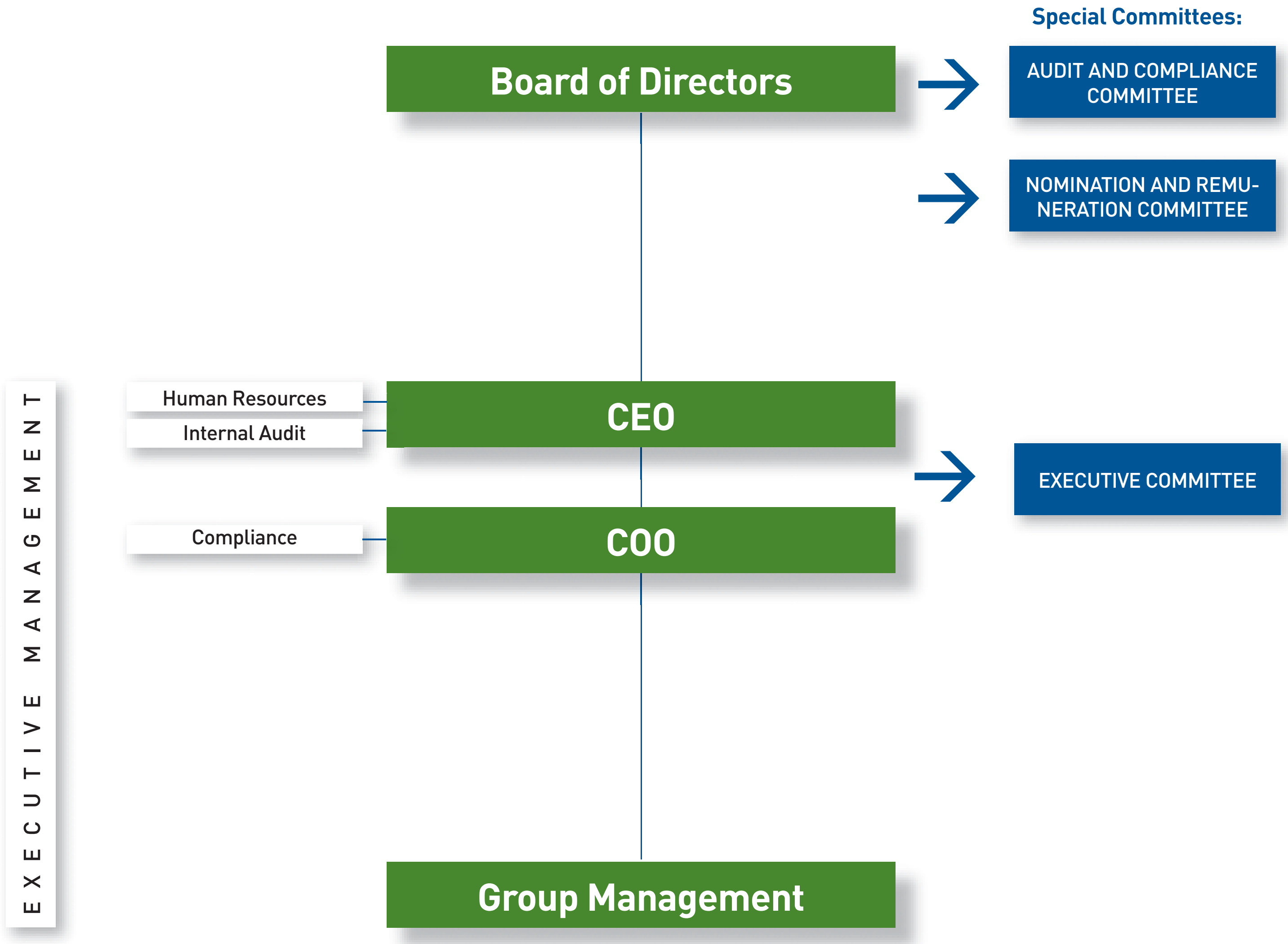
However, anticipating trends and taking stock of our strengths holds little real value if this is not put into action.

The fact that our latest decision centre is the Grand Duchy means that we can keep our finger on the pulse, innovate and take action ahead of our competitors. We have indeed already done this in insurance with the development of new products and services. As an example, we were among the first to market life insurance products under the free provision of services principle while based in the Grand Duchy, to list our Group on the stock market in Luxembourg and Brussels, and more recently, to develop our asset and wealth management business as a financial institute.

The Foyer Group is currently based on three firmly established activities in the Luxembourg market: Non-Life Insurance, Life Insurance and Asset Management. Our goal is to continue the development of these three activities with a targeted focus on Europe, where our assets and resources are such that we can distinguish ourselves from our competitors through the competitiveness in what we offer.

François TESCH

The organisational structure of the Group



Through the decision of 6 March 2007, the Board of Directors of FOYER S.A. decided to adopt the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange by approving a body of rules forming the Governance Charter of the Group FOYER S.A. (refer to document 'Corporate Governance Charter' attached to this brochure).
This Corporate Governance Charter became effective following the FOYER S.A. General Shareholders' Meeting held 3rd April 2007.

The Board of Directors

Subject to approval by the General Meeting of 3 April 2007, the Board of Directors of FOYER S.A. will be constituted as follows:

Mr François TESCH
Chairman of the Board of Directors (1)
Executive Director
CEO of the Group FOYER S.A.

Mr Romain BECKER
Non-Executive and Independent Director

Mr Marcel DELL
Non-Executive Director (as from 2 May 2007)

Mr Dominique LAVAL
Non-Executive Director

Mr Henri MARX
Non-Executive Director

Mr Jacquot SCHWERTZER
Non-Executive and Independent Director

Mr Théo WORRÉ
Non-Executive Director

Mr Patrick ZURSTRASSEN
Non-Executive and Independent Director

The Board of Directors

Mr Marcel MAJERUS, the Group's Director of Legal Affairs, and Secretary of the Board of Directors.

(1) While waiting for the Nomination and Remuneration Committee to begin its work, the Board of Directors decided to temporarily extend the mandate of Mr F. Tesch as Chairman of the Board. The first task of the Nomination and Remuneration Committee will be to examine applications and make a proposal with a view to appointing a Non-Executive Chairperson, in accordance with the Corporate Governance Charter.

The Committees of the Board of Directors

In accordance with Article 18 of the Articles of Association of FOYER S.A, the Board of Directors will be assisted by the following committees:

The Audit and Compliance Committee

Mr Jacquot SCHWERTZER, Chairman of the Committee, Non-Executive and Independent Director,
Mr Dominique LAVAL, Non-Executive Director,
Mr Henri MARX, Non-Executive Director.

Mr Franck TOUSCH, Head of Internal Audit, and Secretary of the Committee.

The Nomination and Remuneration Committee

Mr Patrick ZURSTRASSEN, Chairman of the Committee, Non-Executive and Independent Director,
Mr Romain BECKER, Non-Executive and Independent Director,
Mr André ELVINGER, External Member,
Mr François TESCH, Executive Director, CEO (1).

Mr Benoît DOURTE, Director of Human Resources, and Secretary of the Committee.

(1) Mr F. Tesch is a member of the Nomination and Remuneration Committee only for questions relating to nominating and dismissing Directors or COOs.

Executive Management

Chief Executive Officer (CEO)

François TESCH
Managing Director of FOYER S.A.

Chief Operating Officer (COO)

Marc LAUER
Graduate in Economics and Actuarial Sciences

The Executive Committee

The Executive Committee is not a special committee as per the meaning in Article 18 of the Articles of Association. The Executive Committee is a consultation body composed of the CEO and COO, within which these two people consult with each other, coordinate their respective work and share information. Depending on the subjects discussed, the Executive Committee can at any time call on other Executive Managers or any other person likely to be able to contribute to a given matter.

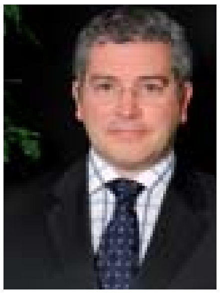
The Group Management

The Group Management is composed of Operational Management and Staff Management.

Operational Management

Non-Life Insurance
Paul FOHL
Permanent member of the
Group Management Committee and the
Local Management Committee

Wealth Management
Fernand EYCKMANS
Permanent member of the
Group Management Committee and the
International Management Committee



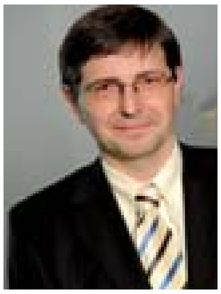
Local Life Insurance
Philippe BONTE
Permanent member of the
Group Management Committee and the
Local Management Committee

Asset Management
André BIRGET
Permanent member of the
Group Management Committee, the
Local Management Committee and the
International Management Committee

International Life Insurance
Jean-Louis COURANGE
Permanent member of the
Group Management Committee and the
International Management Committee

Staff Management

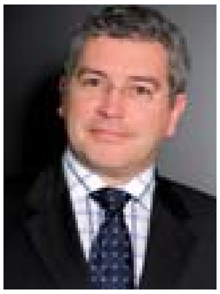
Commercial, Marketing
Gilbert WOLTER
Permanent member of the
Group Management Committee and the
Local Management Committee



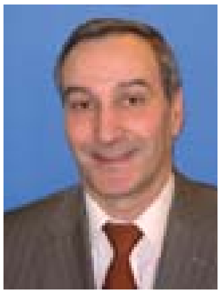
Human Resources Management, Corporate Services
Benoît DOURTE
Permanent member of the
Group Management Committee, the
Local Management Committee and the
International Management Committee

Accounting and reporting
Marc LAUER
Permanent member of the
Group Management Committee, the
Local Management Committee and the
International Management Committee

Legal
Marcel MAJERUS
Permanent member of the
Group Management Committee



Research and Development
Philippe BONTE
Permanent member of the
Group Management Committee and the
Local Management Committee



Information Systems
Daniel ALBERT
Permanent member of the
Group Management Committee and the
Local Management Committee

Finance
André BIRGET
Permanent member of the
Group Management Committee, the
Local Management Committee and the
International Management Committee

Since the beginning, the Foyer Group's reputation has been based on a culture of quality, in line with the demands of citizens in Luxembourg.

The Foyer Group in a snapshot

Following its creation in 1922 at the centre of the business world in the Grand Duchy of Luxembourg, Foyer soon carved out a leading position on the local insurance market.

Marc Lauer
Chief Operating Officer

'Since the beginning, the Foyer Group's reputation has been based on a culture of quality, in line with the demands of citizens in Luxembourg. A desire to do more and do better is the approach taken and adapted by each representative and employee of Foyer every day, whether concluding a contract or managing a claim'.

The Luxembourg aspect of the Foyer Group, its independence and the stability of its shareholders, together contribute to attracting quality management and creating a sense of loyalty among all of its workers. Internal motivation further improves this service-oriented approach offered to clients.

With its decision centre located in the same place as its business activity, free of any external standardisation constraints, the products that Foyer offers today provide specific answers to the continually varying needs in Life and Non-Life insurance, for the benefit of private entities such as Luxembourg businesses.

Since the liberalisation of insurance markets in Europe, Foyer has extended its business beyond borders. The Group was indeed one of the first insurers in the market to offer Life insurance products based on the freedom to provide services principle, a sector in which it now holds a leading position.

The Foyer Group has continued to keep abreast of current trends and has successfully diversified its business by offering expertise in asset management, notably stock market intermediation, portfolio management for institutional bodies, and wealth management consultancy for financially sound European clients.

In July 2000, Foyer was the first Luxembourg insurance group to open its capital to private investors by listing Foyer S.A. on the stock exchange.

The successful results in its 3 areas of insurance business, namely Non-Life, Life and Asset Management, demonstrate the stability and independence of its local and family shareholding as well as the resilience and integrity of a business faced with the demands of financial markets.

Overview of the three business sectors of Foyer

Innovative products for a demanding client base

Non-Life Insurance

In the Non-Life Insurance sector, where Foyer Assurances is present in half of Luxembourg households, its strategy is also its added value: offering complete, variable-geometry cover that meets all client requirements – house, car, health, pension and savings.

Given the fact that income per capita in Luxembourg is among the highest in Europe, clients have high expectations in terms of what Foyer Assurances has to deliver. The quality measures put in place anticipate such requirements for "top of the range" services, by offering numerous advantages:

- Availability of a call centre 7/7 for easy and rapid settlement of claims,
- Proactive handling of financial transactions connected with claims, with no client involvement required,
- Geographical and personal accessibility to the network of representatives providing tailor-made services,
- Access to personalised legal advice via Juris Line.

Individuals fully covered

The high level of service provided by Foyer Assurances and the innovation strategy behind this, has resulted in 3 product ranges for individuals:

- Mobilé: exceptional motor cover

For several years now, Foyer has retained its leading position in the Motor insurance sector. This leadership was further strengthened in 2006 by continuing to provide a high level of services and by introducing a series of innovations, including cover in the event of a vehicle depreciating too rapidly over a period of 3 years.

- Reebou: household insurance reflecting the property market

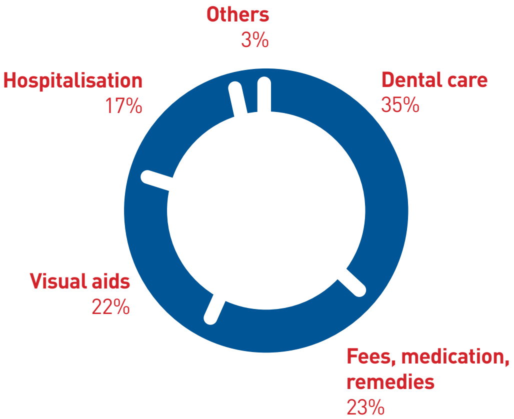
The multi-risk household insurance Reebou is one of the flagship products in the sector, as it is among the only insurance policies to take account of the phenomenon of under-valuation driven by a very aggressive Luxembourg property market in terms of price. The cover offered by Foyer Assurances takes stock of the quality of the property and not simply the area insured. For the client, this represents a guarantee that in the event of fire, the property will be fully covered based on its reconstruction value.

- Medicis: insuring yourself is always the best cover

In 7 years of business in this sector, Foyer Santé has managed to establish itself as one of the top insurance companies in Luxembourg in the supplementary health insurance market via its Medicis product. This growth stems from the quality of the cover provided and the recent trend towards greater individual provision for medical and social services.

Medicis offers family cover ranging from the presence of a parent at the bedside of a sick child through to cover of the medical costs remaining to be paid by the insured as well as the freedom to choose the doctor, care and hospitalisation outside the Grand Duchy. Medicis covers all concerns about supplementary health insurance for the insured.

Reimbursements for medical treatments by type



Professional insurance reflecting business reality

For every insurance option for individuals, there is an equivalent option for professionals (Mobilé Pro, Reebou Pro, Medicis Pro).
With a 50% market share, Foyer is the top insurer for business risk in Luxembourg.

Beyond product performance, the added value of Foyer resides in its technical excellence when it comes to risk assessment and managing professional claims.
As we say, better assessment, better protection.
This expertise in prevention enables any business person wishing to do so, to benefit from tailor-made cover at a reasonable cost.

Paul Fohl
Director
Foyer Assurances

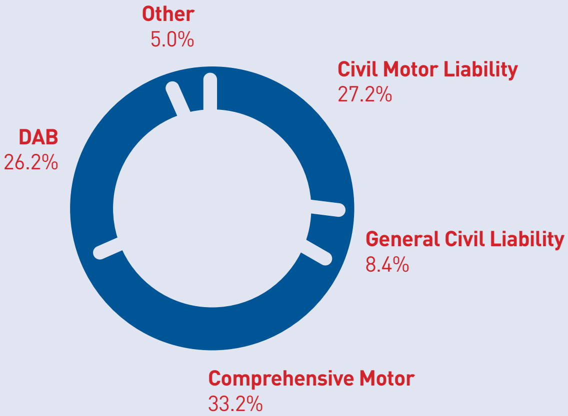
'We want to turn material damage into a non-event by providing a comprehensive and proactive service'

Consolidated Non-Life Insurance

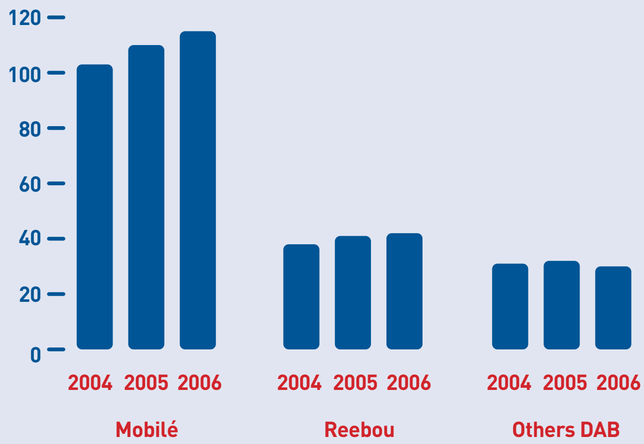
SECTOR INFORMATION

€ millions	Non-Life		
	2006	**2005**	**2004**
Premiums earned net of reinsurance	**183.45**	171.64	163.69
Net operating revenue	**63.21**	30.12	23.89
Insurance claim costs net of reinsurance	**- 98.59**	- 91.48	- 89.98
Expenses	**- 54.24**	- 51.77	- 54.41
Group share in the profit of subsidiaries	**0.09**	0.09	0.08
Income before tax	**93.92**	58.60	43.27
Taxes	**- 27.11**	- 17.91	- 11.98
Net income	**66.81**	40.68	31.29

Distribution of Foyer Assurances turnover at 31.12.2006 (excluding captives)



Trends in turnover
€ millions



When provision and performance harmonise

Life Insurance

Life Insurance is a simple and flexible solution that enables provisions, investments and succession transfers to be included in the same contract. For several years now, this market has experienced major qualitative changes, characterised by the development of savings and investment products, and improvements in the financial content. This trend has led Foyer to enhance its offer of guaranteed rate solutions by providing Life products linked to investment funds. Adding sophistication to the range has gone hand-in-hand with intensive training throughout the network.

There has also been another change, this time more society related: as family and succession situations are becoming increasingly complex, the commercial range of Life products has also become more segmented with flexible solutions being made available:
- Savings and provisions,
- Investments,
- Supplementary pensions,
- Family protection.

In response to this, the Foyer Group's expertise in Life Insurance revolves around four areas of underwriting: designed for individuals and businesses, as free provision of services or as part of wealth management.

Philippe Bonte
Director
Foyer Vie

'The overload of information on insurance products and financial products results in people doing nothing. We should point out that on top of simply selling insurance policies, we first and foremost identify needs, provide explanations and offer advice'.

Accessible Life Insurance for individuals

Individuals who take out Life Insurance with Foyer Vie benefit from a triple guarantee of performance and reliability.

• Priority financial stability
For more than 80 years, the Foyer Group's shareholders have given priority to the financial stability of the company.

• Latest know-how in asset management
The expertise of the Foyer Group in terms of Asset Management, directly benefits the returns on its Life Insurance products.

• Added value of accessibility
Taking out tailor-made Life Insurance calls for a personalised approach. Here again, the accessibility of the representatives approved by the Group makes the difference, with a home-visit service and relevant consultancy providing, for example, consultancy on tax issues.

Group Insurance for companies riding high

Amidst a positive economic climate, Group Insurance represents the perfect incentive for businesses undertaking recruitment or loyalty programmes. Group Insurance in such a growth environment represents a major growth driver for Foyer Vie, where its consultancy expertise is becoming increasingly important. Faced with regulations that are perceived by many business leaders as complex and extremely susceptible to change, Foyer Vie is positioned as an expert facilitator and is making the product accessible to a growing number of businesses, even small-sized enterprises.

While the benefits of this product have traditionally been reserved for management, the tendency today is for a more widespread distribution within companies.

In addition to this change, the Group Insurance products of Foyer Vie have been adapted to the new levels of professional mobility. As such, the pension plans offered today by Foyer take into account moves from one employer to another.

Life insurance under the freedom to provide services: know-how 'à la carte'

Through its subsidiary Foyer International, the Foyer Group has been one of the principle players and promoters of the freedom to provide services on the market in Luxembourg.
As part of sound and long-term asset management, Foyer International provides tailor-made Life Insurance solutions that can be adapted to the particular profile of the entity taking out the policy: from the basic product which is unit-linked to a SICAV (unit trust), through to special funds having the advantage of a limited number of clients wishing to opt for a more personalised investment policy.
In addition to tailor-made services, Foyer International offers an entire range of advantages.

- **A unique structure** built around an international team of qualified professionals, possessing in-depth knowledge about international markets and legislation in numerous countries throughout Europe.

- **Legal expertise covering numerous European countries**
In a little over 10 years and as a result of its independence, Foyer International has become the preferred partner of asset managers and financial institutes specialised in Private Banking services for their European wealth management clients. Its business today covers several countries: Belgium, Germany, France, Spain, Portugal and the Scandinavian countries.

- **Cross-border and tailor-made solutions**
The legal services offered by Foyer International are positioned in a very high-level market and respond to the recent needs of mobility among European citizens. Unlike exclusively national representatives, the managers at Foyer International are today able to provide an optimal solution, taking into account the tax and legal system affecting the client. Every special case, as complex as it may be, can find a tailor-made solution in the best interests of the person taking out the policy. The person is free to choose their financial manager and custodian bank, and throughout the life of the contract remains in their own culture and their own language.

- **True expertise in Family Office**
Succession management is the other business area of Foyer International where steady growth has been seen. Here again, the added value of the company resides in its up-to-date knowledge of Family Office. An international team of legal experts works on successful legal solutions to find optimal results for even the most complex succession cases, with a network of specialist legal and tax firms present in each country.
Every person involved in the contracts developed by Foyer International is bound by the same confidentiality and discretion.

Jean-Louis Courange
Director
Foyer International

'We place the client at the centre of our concerns, offering them only tailor-made solutions. There is no single perfect solution for the different problems we are presented with.'

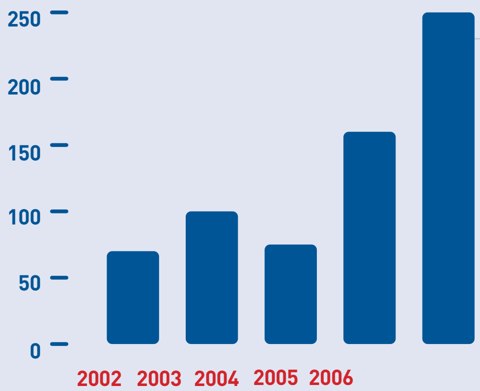
Consolidated Life Insurance

SECTOR INFORMATION

€ millions

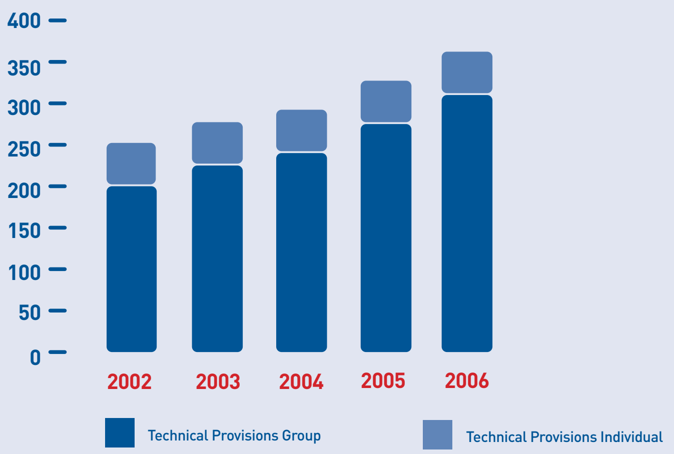
	Life		
	2006	**2005**	**2004**
Premiums earned net of reinsurance	**67.19**	110.21	148.06
Net operating revenue	**57.86**	96.22	44.55
Insurance claim costs net of reinsurance	**- 94.27**	- 179.26	- 166.41
Expenses	**- 19.13**	- 19.56	- 19.37
Group share in the profit of subsidiaries	**-**	-	-
Income before tax	**11.65**	7.61	6.83
Taxes	**- 2.82**	- 0.63	- 2.11
Net income	**8.83**	6.98	4.73

Number of unit-linked contracts



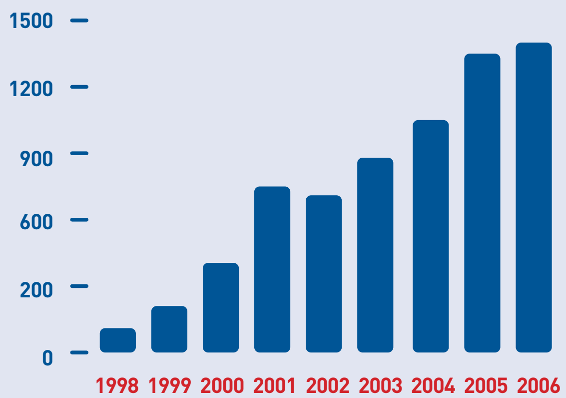
Technical Provisions Life

€ millions



FOYER INTERNATIONAL
Liabilities on investment contracts

€ millions



Accessibility, independence and foresight

Asset Management

The Asset Management know-how of the Foyer Group is designed for both institutional and private clients.

Foyer Asset Management
Market access and management excellence for institutional bodies

Foyer Asset Management provides professional services to institutional bodies. As a member of the Luxembourg and Euronext stock exchanges and other platforms, the company covers institutional intermediation and manages the assets of the Foyer Group, the amount of which is well over one billion euros.

Access to share and bond markets using the successful electronic platforms that Foyer Asset Management possesses is vital. It means that it can provide the best service to professional clients in intermediation who wish to carry out their market transactions under optimal conditions, even with securities offering very low liquidity. This infrastructure also enables the Group's asset management team to react as effectively as possible and to conduct work at minimal cost when handling the strategic management of the Group's assets. The financial management of the Group can therefore be a steady and major contributor to the profit of the companies. The combination of the "market" approach and "management" approach is therefore particularly beneficial.

André Birget
Chief Financial Officer

'It is essential that we continually update the products we offer our clients...and we now have the potential to do this.'

Foyer Patrimonium & Associates
A global and personalised approach to asset management for individuals and SMEs

Within the asset management activities of the Foyer Group, Foyer Patrimonium & Associates provides its individual and SME clients with a full range of services: wealth management, property consultancy and high quality investment products.

The company benefits from an excellent reliability rate: 90.0% of the contracts entrusted to it are pure management contracts, with the remaining 10% being consultancy contracts.
This client confidence in Foyer Patrimonium & Associates is based on specific competitive advantages:

- **A reference in Family Office**
  The managers at Foyer Patrimonium & Associates take the time to personalise the services and products offered to each client by drawing on in-depth knowledge of the client's aspirations, long-term views and any succession issues or succession management problems.
  Foyer Patrimonium & Associates therefore offers SICAV units corresponding to three risk/performance profiles: dynamic, balanced and defensive. These made-to-measure services are provided together with advice on tax structuring where necessary.

- **Independence that makes the difference**
  Another major advantage of the Foyer Group in its asset management business is its independence – enabling it to offer clients an open structure and remain objective when it comes to choosing assets.
  As third party managers, the staff at Foyer Patrimonium & Associates are able to concentrate fully on their professional tasks as well as their commitment to advising and offering the best products.

Foyer

Added to this, clients retain the option of choosing the bank location of their assets. The managers at Foyer Patrimonium & Associates have the authority to manage the assets located at a given bank. This management method frees them from the logistical constraints which are largely subcontracted with the bank possessing the technology required. The strategy of open structure and reporting in close cooperation with the client enables managers to optimise transparency and communication with the client. This feature is valued by clients who are looking for a more tailored and personal approach, something that does not feature in the standard services offered by large banking institutions.

- **A double guarantee of reliability**

  The products offered by Foyer Patrimonium & Associates are primarily Funds of Funds. These are selections of funds of third parties who in the past have proven their ability to anticipate future developments. On top of this diversification - an intrinsic element of these funds - the managers at Foyer work on their own mix in an effort to do better than the market, which in turn improves performance and reduces the risk arising from stock market volatility.

  For larger financial volumes, Foyer Patrimonium & Associates also offers "tailor-made" investments via direct line. For the purposes of optimal reporting, the net inventory value of the SICAVs of Patrimonium & Associates is available every week on the company website.

- **Proven senior managers**

  The wealth managers at Foyer Patrimonium & Associates have been selected based on their minimum 10 to 15 years of experience in the banking sector. Their expertise and ability to maintain sound relationships are coupled with full knowledge of the confidentiality and discretion rules specific to the Private Banking world, further strengthened by the Luxembourg element in the shareholding.

- **Exciting prospects**

  The asset management side of the Foyer Group business has looked to develop even more with the recruitment of new managers focusing on markets in Luxembourg, France, Germany and Belgium. Added to this, the Group know-how when it comes to Private Banking serves to enhance the performance of the Group's other activities and pave the way for the development of new and more sophisticated products that can be offered to clients via the distribution network.

Fernand Eyckmans
Director
Foyer Patrimonium & Associates

'To merit trust, we need to explain exactly what the products are, remain proactive and keep our fingers on the pulse. Our profession demands tact, creativity and a certain sense of psychology.'

Asset Management

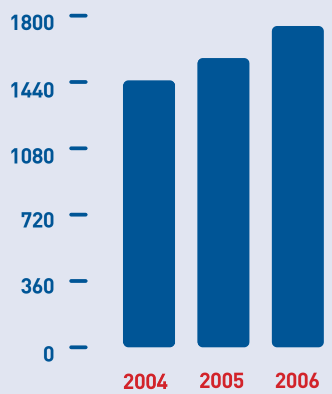
SECTOR INFORMATION

€ millions

	Asset Management		
	2006	2005	2004
Premiums earned net of reinsurance	**-**	-	-
Net operating revenue	**7.33**	6.32	5.80
Insurance claim costs net of reinsurance	**-**	-	-
Expenses	**- 4.07**	- 3.16	- 1.80
Group share in the profit of subsidiaries	**-**	-	-
Operating profit	**3.27**	3.16	4.00
Taxes	**- 1.28**	- 1.09	- 1.23
Net income	**1.98**	2.07	2.77

Changes in the assets under management

€ millions



The advantages of performance

Gilbert Wolter
Sales Director

'As a leader, we don't simply focus on the advantages on offer as a competitor would, we look more at the overall know-how. We tend to say: if you take out Mobilé insurance, for example, you can be sure you have the best cover in the market. Get in touch with your representative and you'll be convinced'.

The representatives, leading ambassadors of the Foyer Group vision

In addition to the commercialisation of its services through brokerages and the banking network of the Raiffeisen Bank, the Foyer Group is backed by a unique network of 400 exclusive representatives, present in virtually every area of the Grand Duchy.

Since 1922, these special ambassadors of the Group have managed to forge close trust-based links with their clients, often beyond what is required of them in their profession of insurer.

Foyer does not sell a service, it sells a service promise. The confidence in the Group combined with the strong image of the Group are both conveyed by the representatives and are evidence of its success, with the representatives taking a long-term approach to conducting their business, often 2 to 3 generations for the same agency.

The strength of a Group and the finish of a craftsperson

The Group provides the representatives with the best in computer tools, enabling them to focus fully on the advisory needs of their clients.

This accessibility and availability go hand-in-hand with continual skill development.

The Foyer Group was the first insurer on the market to invest significantly in instilling professionalism among its network. The Group's training for the insurance profession stands as a reference in Luxembourg.

To ensure they have all the knowledge they need when faced with even the most complex problems, the representatives can also count on the support of internal experts at the Foyer Group.

Research and Development Foyer Group keeps in touch with clients to innovate

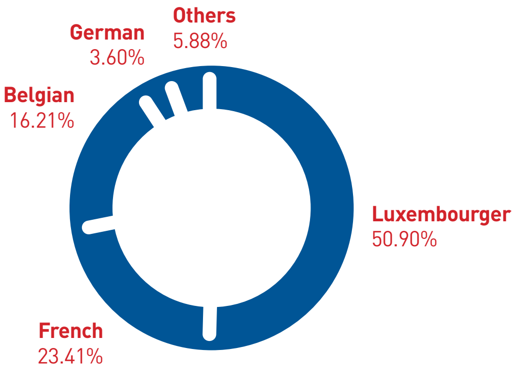
In a constantly changing world, the Foyer Group's creativity and ability to react have always been synonymous with growth and development. This ability to innovate and provide accessibility have always enabled it to rapidly work its way up to the position of leader in its main areas of business.

This innovative spirit has not come about by chance. It is based on the very business of the Group as it continually draws on the feedback that representatives gather from their clients who stem from all backgrounds and socio-professional environments. An internal research department systematically passes on the information that has been fed from the field and combined together. This local "watch" works in with an international view of the market through regular contacts with the Group's reinsurers.

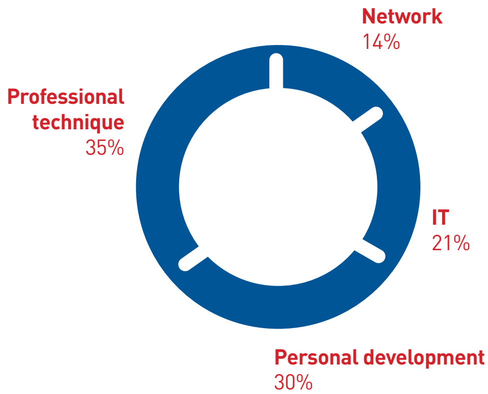
By constantly "keeping in touch" with market needs, new ideas are generated, with the result that the range of products and services offered by the Foyer Group sees added performance every day.

A new corporate dynamic based on ambitious talent management

Staff: multicultural



Spread of the budget envelope for training



Managing talents in order to see beyond

Stimulated by its new corporate dynamic, the Foyer Group has gone further than ever before in equipping itself with the means to forge ahead and firmly establish its position as leader.

- **A training programme with the best in resources**
  Foyer relies on its human capital and gives top priority to the continual skill improvement of its staff and representatives. An ambitious training programme has been developed, together with the possibility of private coaching. The legal requirements in this area have been well and truly exceeded. For example, instead of the 0.5% of salary mass that has to be devoted to training, Foyer spends 4%, i.e. 8 times more. Furthermore, the seminars are given by internal experts or organised with reputable institutions.

- **Dynamic management of diversity**
  The hiring of new staff from both the Grand Duchy and neighbouring European countries means that the Foyer Group is ideally positioned to deal with the multicultural nature of a large part of its Luxembourg client base.

- **A new management philosophy based on instilling a sense of responsibility**
  The reactivity and commercial dynamism of the Foyer Group are driven by an ambitious performance management programme, based on responsibility, delegation and goal-based management.

Benoît Dourte
Director of Human Resources

'What makes the difference are competent and motivated staff. Recruiting them is no easy task. Keeping them is a daily challenge. It is therefore imperative that they be given a pleasant work environment, training... prospects for career advancement and an attractive salary package.'

To support this strategy, the open-space variable geometry office layout offers transparency and mobility, and encourages communication and teamwork.

- **Asserting the 5 Foyer values through work principles**
  Developments in the managerial strategy of the Foyer Group have also taken the form of asserting the 5 company values chosen and shared by everyone following a structured process also involving everyone. These 5 work principles also encompass different behaviour that every worker can measure him/herself against as part of their daily work. The principles are:
  Trust: do what you say and say what you do...
  Excellence: passion to satisfy your client...
  Innovation: question what you're doing...
  Integrity: be an example...
  Independence: take responsibility...

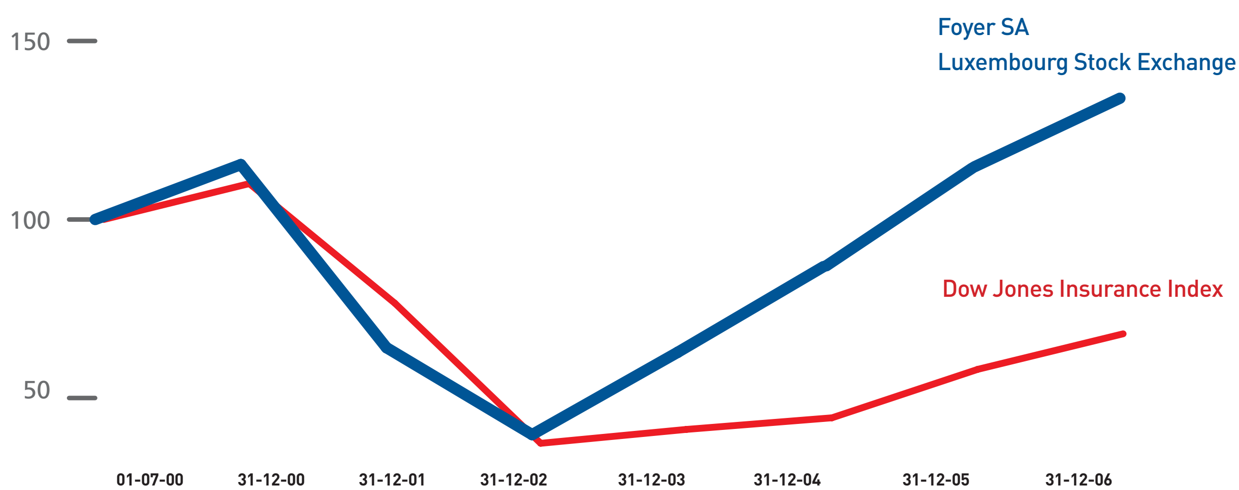
- **New buildings for further expansion**
  The construction of new Foyer Group premises in the surrounding area of Luxembourg City with easy access to the country's main motorways, demonstrates the company's desire to modernise and innovate. The centralising of all business activities into a single location is a decisive factor in promoting synergies between the different entities of the Group. The design of the buildings and the effort put into its finishings are at the leading edge in terms of technology and respect for the environment and serve to reflect the quality services of the Group.

Foyer SA on the stock market

Structure of the shareholding at 31 December 2006	
Foyer Finance S.A.	**78.62%**
Luxempart S.A.	**4.67%**
Free float	**16.71%**

Stock value (at 31 December)	2006	2005	2004
Number of shares in circulation	**8 998 842**	8 998 842	8 998 842
Closing price	**52**	44.5	33.85
Market capitalisation	**467 939 784**	400 448 469	304 610 802
High for the year	**54**	45	34.1
Low for the year	**43.5**	32.5	22.75
Free float	**1 503 842**	1 453 842	1 453 842

Information on changes in the stock market price



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Listing markets: Brussels & Luxembourg
ISIN Code: LU 112960504
We invite you to visit our website at: www.foyer.lu

The publications of the annual and half-yearly results are produced on the day following the Board of Directors meeting approving them.

Production: www.comfi.lu

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Financial calendar

Date Board of directors	Publication date	Subject
Tuesday 6 March 2007	Wednesday 7 March 2007	Publication of the annual results 2006
Tuesday 3 April 2007	Tuesday 3 April 2007	Ordinary general meeting of shareholders 2007
Tuesday 28 August 2007	Wednesday 29 August 2007	Publication of halfyear results 2007

Annual report 2006

Financial information

Foyer

Contents

Foyer S.A.
Message from the Chairman

I am delighted to be able to present excellent results for the 2006 financial year.

In figures, the after-tax consolidated profit amounted to € 77.62 million.

We should of course remember that this profit includes a realised gain on the sale of our previous head office, in the amount of € 20.48 million. Nevertheless, even without the sale of this property, in non-recurrent terms, the profit increase is still 14.9% for 2006.

The three main areas of our business all contributed positively to the profit. The Non-Life insurance sector posted a rise in profits, primarily due to sound risk management during subscription and efficient claims management, and this despite the fact that Industrial Risks experienced noticeably stronger competition.

The excellent results for the financial year also had the advantage of a favourable economic climate.
The slight increase in interest rates combined with the active management of our securities in a buoyant market enabled us to increase the Group's financial income by 14.0%.
However, the International Life insurance side of our business, which commercialises products from the Grand Duchy under the freedom to provide services, saw a marked downturn in business. This can be attributed primarily to Belgium's introduction of a 1.1% tax on premiums.

We have since built up our commercial resources significantly on other European markets in an effort to ensure better diversification of our income sources, and we are confident that in 2007 we can bring this activity back in line with our trend of growing turnover.

Our asset management business has also grown with encouraging results. Our desire is to step up efforts in this area so that, together with International Life insurance, it becomes an important area for development of the Group. Furthermore, all our business activities are now once again grouped together under the same roof. The new spacious offices in our new head office, built on the very edge of the City of Luxembourg and located near the country's main road links, are welcomed by both our clients and our staff and representatives.

I am convinced that this new building will also play a role in the coherent management of our activities and will provide added momentum to the Group.

The excellent results recorded by the Group for 2006 are also reflected in the rise in our stock market price which has gone from € 44.50 at 31 December 2005 to € 52.00 at 31 December 2006, a rise of 16.9%.

Over the last five years, the Foyer S.A. security has seen its market price increase by 108.0%, in contrast to the index for the European insurance sector which has shown a fall of 7.3% over the same period. The payment of a gross dividend of € 1.341176 per share (€ 1.14 net per share), representing a rise of 11.8%, will be proposed at the Annual General Meeting of Shareholders.

I would like to thank all Foyer S.A. shareholders for the confidence shown in us.

My thanks also go to all our staff for their contributions to the excellent results recorded for the 2006 financial year.

François TESCH

Consolidated Management Report

of the Board of Directors of Foyer S.A. presented to the Annual General Meeting of Shareholders on 3 April 2007

1. Group result

Turnover represented by gross premiums written were down from € 344.35 million to € 298.20 million, a decrease of 13.4%.

This lower revenue stems essentially from a fall in the turnover of Foyer International, due to the fact that the weighting of contracts eligible for classification as insurance contracts under IFRS has reduced significantly. The majority of contracts concluded by Foyer International are now viewed as investment contracts, which under IFRS are accounted for directly under liabilities in the Balance Sheet and no longer in the Consolidated Profit and Loss Account.

The consolidated profit for the 2006 financial year totalled € 77.62 million, up 56.1% in comparison with 2005. This profit was influenced by capital gains realised on fixed assets in the amount of € 29.42 million following the sale of two buildings. Without these two sales, the after-tax profit, taking into account the deferred tax on these capital gains, came to € 57.14 million, up 14.9% on the 2005 figure.

2. Sector of business activities

2.1 NON-LIFE INSURANCE

The Non-Life activities of the Group fall under the companies Foyer Assurances, Foyer Re and FOYER–ARAG, consolidated using the full consolidation method, Foyer Santé, consolidated using the proportionate consolidation method (50%), and Europ Assistance S.A., consolidated using the equity method (49.0%).

The gross premiums written for Non-Life insurance were down by 1.2% in comparison with 2005 and amounted to € 227.74 million, primarily due to the fact that the turnover related to captive reinsurance activities fell by 26.1%. Without this factor, the gross premiums written for Non-Life insurance business would have increased 4.2%.

On the Luxembourg market, the movements in turnover were largely a result of the 7.2% growth in turnover of the Auto branch. After adjustments for certain accounting restatements, the growth figure was 6.6%, compared to 3.4% in 2005.

For Non-Auto insurance, the premiums written rose by only 2.0%, against a 6.3% rise in 2005. This reduced growth in turnover resulted primarily from aggressive competition in special and industrial risks which experienced rate reductions, while products designed for individuals and small and medium sized enterprises continued to see very healthy growth.

The “health insurance” and “legal protection” branches continued to post very positive turnover growth rates, with 20.9% and 18.4% respectively. On the Belgian market, the gross premiums written experienced a fall of 2.2% following the implementation of a more restrictive underwriting policy which saw the profitability in this portfolio remain steady.

In 2006, claims expenses for the Non-Life insurance side of the business rose by 25.3% gross of reinsurance, following several major claims received, the majority of which were reinsured, such that the eventual increase in claims expenses came to 7.8% net of reinsurance.

Despite strict controls, expenses incurred by the Non-Life activities saw an increase of 4.8% in 2006, due primarily to the direct and indirect costs connected with the Group’s head office moving and the introduction of a new corporate identity.

After taking into account the financial profit of € 30.81 million influenced by major capital gains on shares as well as the € 29.42 million gain on the sale of buildings, the Non-Life side of the business closed the financial year with an after-tax profit increase of 64.2%. If we remove the extraordinary gain on the building sale, the growth rate would still be 13.9% up on the previous year.

2.2 LIFE INSURANCE

The Life insurance activities fall within the companies Foyer Vie and Foyer International, consolidated using the full consolidation method, and Raiffeisen Vie, consolidated using the proportionate method (50.0%). The gross premiums written for the Life insurance side of the business came to € 70.46 million in 2006, down 38.1% compared to the 2005 financial year. This fall can generally be explained by a drop in the Life insurance premiums underwritten by Foyer International, where the majority of contracts issued are now accounted for under IFRS as financial instruments rather than insurance contracts.

The funds collected from clients by Foyer International for both insurance contracts and investment contracts saw a major fall of 67.2%, due to the introduction of a 1.1% tax in Life insurance premiums in Belgium, a market that still remains the leading commercial development market of Foyer International. In addition to this, the efforts undertaken to diversify commercially on other markets in the European Union have not yet produced results. Nevertheless, the managed assets subscribed by the clients of Foyer International against insurance contracts or investment contracts are up 4.5% compared to the previous financial year.

The total of the funds collected by Foyer Vie was down 3.4%, principally due to a reduction in single premiums relating to Individuals. This fall was essentially due to an end in 2006 of major premium contributions coming from a distribution channel that had had a significant impact on revenues during the previous financial year. In Group insurance, the loss of a large client was compensated for by very positive commercial activities elsewhere. The turnover of Raiffeisen Vie rose in 2006 by 36.1%, taking full advantage of the healthy business relationship with the Raiffeisen Bank which is responsible for distribution of Raiffeisen Vie products through its network of agencies. The service provision expenses of the Life activity amounted to € 94.17 million in 2006, down € 86.22 million compared to 2005, the difference being largely due to Foyer International.

Strict control over costs incurred by the Life insurance activity saw these reduce by 2.2% between 2005 and 2006.

After taking into account financial income of € 20.66 million, the contribution of the Life activities to the after-tax profit amounted to € 8.83 million for 2006, up 26.4%.

2.3 ASSET MANAGEMENT

The asset management side of the business falls under Foyer Asset Management (100%), Foyer
Patrimonium & Associates (88.0%) and Foyer Sélection SICAV (100%), consolidated using the full consolidation method, and also includes the financial results of Foyer S.A. itself.

At the end of 2006, the companies Foyer Asset Management and Foyer Patrimonium & Associates were together managing assets with a counter-value of € 1,678.82 million, 65.6% of which was for the Group's companies.

Foyer Patrimonium & Associates primarily offers management services to private clients and has recorded a 15.1% increase in commissions received.

The contribution of Foyer Asset Management to the consolidated profit stems essentially from its stock market intermediation business activity which was up 10.2% on 2005.

The net operating revenue contributed by asset management to the consolidated profit was up 16.1% in 2006, due to a positive trend in financial revenues and gains realised by Foyer S.A. on its financial assets. The costs incurred by the asset management business activity were up 28.7%, amounting to € 4.07 million, notably due to additional staff and a significant contribution by Foyer S.A. towards the expenses incurred with the move and the introduction of the new corporate identity.
Finally, the contribution to the consolidated after-tax profit of the asset management activity came to € 1.98 million.

3. Financial policy of the Group

In 2006, the financial markets were marked by a very significant divergence in the performances of bond markets and share markets. The bond market experienced heavy pressure in Europe, with 10-year rates rising from 3.30% at the beginning of 2006 to 3.94% by the end of 2006. The ECB tightened its policy as a counter-effect against the strong growth in the money supply and the property market pressures. In the USA, the FED ordered an end to the long series of rises, however it has proven itself slow to introduce reductions, despite the weakening American property market and the fall in the price of oil. The rate curves are therefore inverted in the USA and very flat in Europe.

The share market has seen very buoyant activity due to excellent business results, a high rate of mergers and acquisitions that looks set to continue, and the beneficial effects of globalisation.

The investment policy is based on a reference structure with 20.0% shares, 75.0% bonds and 5.0% liquid assets. The management is conducted in accordance with legal constraints taking into account valuation criteria for current yields and fiscal impacts. The current allocation contains more shares than bonds. Over time, as the interest rates reach higher levels, a reallocation from shares to bonds can take place.

Stock market values in %	2006	2005
Bonds	**65.3**	66.2
Shares	**21.2**	24.4
Funds	**7.7**	3.4
Liquid assets	**5.8**	6.0
TOTAL	**100.0**	**100.0**

The foreign currency risk is minimal, with non-euro foreign currency assets generally being covered.
Credit risk, represented by the risk on bond issuers, is limited through the choice of high-rating issuers as well as wide distribution among the issuers. Of the total securities in the bond portfolio, 1.5% have a BBB- rating.
The interest rate risk is managed throughout the duration of the bond portfolio. At the end of 2006, this parameter stood at 4.78 years.
The stock market risk is managed through wide diversification among the markets and securities as well as constant assessments of the portfolio securities in terms of their prospects and performance.
For a detailed description of these risks and how they are managed, please refer to Note 6 of the appendix to the consolidated accounts.

4. Prospects

On the local market, we expect commercial development for 2007 to fall back in line with the growth rates seen over the course of previous years, despite continually aggressive competition, through a review of our main products, which began at the end of 2006.
By adopting a market diversification strategy and taking on additional commercial resources, the International Life insurance side of our business should see buoyant growth over the course of the 2007 financial year.

In 2007, the after-tax profit should remain at a high and stable level through sound cost management and increased recurrent financial revenue.
The changes in the profit are nevertheless still subject to unknown technical factors, which are typical of the insurance business, as well as financial risks related to market trends.

Leudelange, 6 March 2007

The Board of Directors

Statutory auditor's report

To the Shareholders of
Foyer S.A.
12, rue Léon Laval
L-3372 Leudelange

Report on the consolidated annual accounts

Following our appointment by the General Meeting of the Shareholders dated April 4, 2006, we have audited the accompanying consolidated annual accounts of Foyer S.A., which comprise the consolidated balance sheet as at December 31, 2006, and the consolidated income statement, consolidated statement of recognised income and expense and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes to the consolidated annual accounts.

BOARD OF DIRECTORS' RESPONSIBILITY FOR PREPARATION AND PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The Board of Directors is responsible for the preparation and fair presentation of these consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing; implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITY OF THE "RÉVISEUR D'ENTREPRISES"

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts.
The procedures selected depend on the judgement of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circums-

tances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of, as well as evaluating the overall presentation of the consolidated annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated annual accounts give a true and fair view of the consolidated financial position of Foyer S.A. as of December 31, 2006, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Jean-Michel PACAUD

March 6, 2007

Consolidated balance sheet

as at 31 December 2006

€ thousand

ASSETS	Notes	31.12.2006	31.12.2005
Intangible Fixed Assets	11	**4 532.7**	**4 918.4**
Tangible fixed assets		**53 571.3**	**50 895.6**
Investment property	13	6 354.7	6 734.2
Business premises	12	42 249.8	42 178.8
Other tangible fixed assets	12	4 966.8	1 982.6
Investments in associates	2	**361.2**	**358.8**
Equity instruments		**323 406.2**	**282 270.0**
Available for sale	14	290 666.8	269 209.7
At fair value through income	14	32 739.4	13 060.3
Fixed income securities		**717 754.0**	**665 378.9**
Available for sale	14	707 706.6	633 827.9
At fair value through income	14	10 047.4	31 551.0
Financial assets at fair value through income	20	**1 442 590.0**	**1 380 941.6**
Deferred income tax	19	**2 771.4**	**5 658.8**
Insurance receivables and other receivables	15	**88 880.1**	**73 853.1**
Reinsurers' share of liabilities in respect of insurance contracts	17	**66 681.6**	**67 949.4**
Cash and cash equivalents	16	**141 121.0**	**92 604.6**
TOTAL ASSETS		**2 841 669.5**	**2 624 829.2**

The accompanying notes form an integral part of the consolidated financial statements.

€ thousand

LIABILITIES	Notes	31.12.2006	31.12.2005
Shareholders equity – Group Share			
Capital	8	44 994.2	44 994.2
Share premium account	8	3 106.0	3 106.0
Reserves	9	148 810.8	125 849.4
Retained earnings	10	138 715.0	122 829.6
Financial year result	10	77 370.6	49 511.8
Total shareholders equity – Group Share		***412 996.6***	***346 291.0***
Shareholders equity – Minority interests	10	**750.3**	**8 425.1**
Total equity		**413 746.9**	**354 716.1**
Technical provisions		**1 330 758.1**	**1 305 489.7**
Other technical provisions	17	723 843.3	679 656.0
Provisions relating to unit-linked insurance contracts	17	606 914.8	625 833.7
Provisions		**24 972.7**	**27 199.8**
Retirement benefit obligations	21, 22	23 337.9	25 686.8
Provisions for other liabilities and charges	21	1 634.8	1 513.0
Deferred income tax	19	**67 305.0**	**49 203.5**
Financial liabilities		**866 460.3**	**794 109.8**
Other financial liabilities	18	29.6	-
Liabilities in respect of investment contracts	20	835 073.6	757 755.8
Loans and deposits from reinsures	17	31 357.1	36 354.0
Insurance debts and other debts	18	**138 426.5**	**94 110.3**
TOTAL LIABILITIES		**2 841 669.5**	**2 624 829.2**

The accompanying notes form an integral part of the consolidated financial statements.

Foyer

Consolidated profit and loss account

for the year ended 31 December 2006

€ thousand	Notes	31.12.2006	31.12.2005
Insurance premium revenue	23	298 779.7	338 203.7
Insurance premium ceded to reinsurers	23	- 48 140.3	- 56 353.5
Net insurance premium revenue		**250 639.4**	**281 850.2**
Commission and profit sharing received in respect of reinsurance contracts	26	5 063.8	6 249.4
Acquisition commission on investment contracts	28	565.2	1 471.9
Commission earned by the Asset Management segment	27	6 955.7	6 517.1
Management commission on investment contracts	28	6 569.4	4 127.9
Management commission on insurance contracts		5 366.7	4 425.6
Other technical income, net of reinsurance	25	38.5	1 124.3
Net realised gains on financial assets	30	26 408.7	18 595.5
Variation of the fair value of assets/liabilities at fair value through income	31	25 729.8	64 602.7
Other Investment income	29	34 660.6	29 222.5
Other Investment costs	29	- 12 376.1	- 3 678.5
Capital gains on sale of fixed assets	12	29 416.8	-
Total net operating income		**128 399.1**	**132 658.4**
Life insurance benefits - Gross	24	- 94 165.7	- 180 384.8
Non-life insurance claims and loss adjustment expenses - Gross	24	- 112 894.2	- 90 128.1
Reinsurers' share of benefits and claims and loss adjustment expenses	24	14 196.6	- 225.2
Net insurance benefits and claims		**- 192 863.3**	**- 270 738.1**

The accompanying notes form an integral part of the consolidated financial statements.

€ thousand	Notes	31.12.2006	31.12.2005
Acquisition expenses	32	- 53 633.4	- 50 288.5
Administration costs	32	- 18 359.4	- 19 366.9*
Costs related to investment contracts	32	- 5 425.1	- 4 794.6
Other operating costs	32	- 14.9	- 44.8
Expense		**- 77 432.8**	**- 74 494.8**
Operating profit		**108 742.4**	**69 275.7**
Group's share in the profit of associated companies	2	88.2	86.1
Profit before tax		**108 830.6**	**69 361.8**
Taxes	19	- 31 212.8	- 19 628.7*
Profit for the year		**77 617.8**	**49 733.1***
- o/w Group share		77 370.6	49 511.8
- o/w minority interests		247.2	221.3
Profit of the year on ordinary undiluted shares of the company		8.6	5.5

** Adjusted amounts (Note 4)*

The accompanying notes are an integral part of the consolidated financial statements.

Foyer

Statement of recognised income and expense

for the year ended 31 December 2006

€ thousand	31.12.2006	31.12.2005
Profit for the year	**77 617.8**	**49 733.1**
Capital gains on variation of the fair value of assets (net of deferred income tax)	- 996.5	18 454.5
Actuarial gains or losses on employee retirement benefit scheme (net of deferred income tax)	1 276.3	846.7
Income and expense recognised in shareholders equity	**279.8**	**19 301.2**
Sum of income and expenses recognised	**77 897.6**	**69 034.3**
Group share	77 659.0	68 812.5
Minority share	238.6	221.8

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2006

€ thousand	31.12.2006	31.12.2005
Profit for the year before taxes	**108 830.6**	**69 361.8***
Income taxes paid	- 6 399.2	- 4 528.8
Adjustments for:		
Amortisation	4 583.2	2 731.3
Group's share in the profit of associated companies	- 88.2	- 86.1
Depreciation on receivables	-	- 450.0
Fair value of the financial instruments	7 609.0	1 967.0
Fair value of the financial instruments at fair value through income	- 66 541.8	- 121 038.9
Net increase of reinsurance assets	1 267.8	5 647.4
Net increase in insurance commitments	53 071.4	135 118.1
Increased liabilities in respect of investment contracts	48 423.4	192 657.5
Acquisition of financial instruments at fair value through income	- 196 432.6	- 359 860.4
Proceeds from financial instruments at fair value through income	201 325.9	191 094.2
Proceeds from the sale of tangible fixed assets	- 29 653.8	- 14.7
Net decrease of loans and receivables	- 14 095.0	- 16 666.7
Net decrease of other financials assets	- 952.3	- 1 942.7*
Net increase of current liabilities	9 316.9	- 9 461.9*
Other non cash	-	552.8*
Acquisition of financial assets	- 2 356 383.3	- 10 241 623.0
Sale of financial assets	2 248 961.5	10 101 589.7

** Adjusted amounts (Note 4)*

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement (continued)

for the year ended 31 December 2006

€ thousand	Notes	31.12.2006	31.12.2005
Net cash flows from operating activities		**12 843.5**	**- 54 953.4**
including:			
Interest paid		- 109 415.9	- 109 407.7
Interest received		133 866.8	133 815.0
Acquisition of tangible and intangible assets		- 12 517.7	- 21 570.6
Proceeds from the sale of tangible and intangible assets		35 333.5	122.9
Dividends paid by associate companies		78.4	74.7
Net impact of the acquisition of FOYER-ARAG		- 681.1	-
Net cash flows from investment activities		**22 213.1**	**- 21 373.0**
Dividends paid		- 10 828.4	- 9 450.0
Net cash flows from financing activities		**- 10 828.4**	**- 9 450.0**
Variation of cash flow		**24 228.2**	**- 85 776.4**
Opening cash flow	16	85 757.7	171 534.1
Closing cash flow	16	109 985.9	85 757.7*
Variation of cash flow		**- 24 228.2**	**85 776.4**

**Adjusted amounts (note 4)*

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated accounts

SUMMARY

Note 1. General Information

FOYER S.A. ("the Company") was founded on 13 November 1998 as LE FOYER, Compagnie Luxembourgeoise S.A. taking the form of a public limited company (société anonyme). The Extraordinary General Meeting of 23. November 2005 decided to change the name to Foyer S.A. The Company's registered office is in Leudelange and its principal object are all operations relating to the acquisition of shareholdings and the administration, management, control and development of these shareholdings.

Together with the group of entities under its control, it forms a group which operates principally in the insurance and financial management sectors (the "Group"). The Group's insurance activities include damage, assistance, accident, health and civil liability in the non-life sector and risk, savings, pension and invalidity in the life sector. The Group operates under the freedom of services directive in the life sector of some European Union countries through its subsidiary FOYER INTERNATIONAL S.A.. In the non-life sector, the Group operates under the freedom of services directive in Belgium in the cross-border areas next to the Grand Duchy of Luxembourg through its subsidiary FOYER ASSURANCES S.A.. The units operating in the asset management sector are active in Luxembourg and Belgium where they are involved in asset management for own account, asset management for individuals and financial brokerage.

As of 31 December 2006, the Group had a staff of 434 in Luxembourg and 5 in Belgium.

Of a total of 8,998,842 FOYER S.A. shares issued, 7 074 995 are held by FOYER FINANCE, Compagnie Luxembourgeoise S.A., an unlisted financial holding company which prepares consolidated financial statements in accordance with Luxembourg ("LuxGAAP") accounting standards.

The Company's registered office is located 12, rue Léon Laval in L-3372 Leudelange.

At its meeting of 6 March 2007, the Board of Directors of FOYER S.A. approved the consolidated accounts to be submitted to the General Meeting of Shareholders on 3 April 2007.

Foyer

Note 2. Business combinations and links with subsidiaries, joint ventures and associates

1. TABLE OF PERCENTAGE SHAREHOLDINGS AND METHOD OF CONSOLIDATION

Name and address of fully consolidated companies	% held 31.12.2006	% held 31.12.2005
Foyer Assurances S.A. 12, rue Léon Laval, L-3372 Leudelange	**100.0**	100.0
Foyer Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	**100.0**	100.0
Foyer Re S.A. 12, rue Léon Laval, L-3372 Leudelange	**100.0**	100.0
FOYER-ARAG S.A. 12, rue Léon Laval, L-3372 Leudelange	**90.0**	
Foyer International, S.A. 12, rue Léon Laval, L-3372 Leudelange	**100.0**	100.0
Foyer Asset Management S.A. 12, rue Léon Laval, L-3372 Leudelange	**100.0**	100.0
Foyer Patrimonium & Associates S.A. 12, rue Léon Laval, L-3372 Leudelange	**88.0**	88.0
Foyer Sélection SICAV 19-21, bd. Prince Henri, L-1724 Luxembourg	**100.0**	100.0

Name and address of companies consolidated using the proportionate consolidation method	% held 31.12.2006	% held 31.12.2005
FOYER-ARAG S.A. 12, rue Léon Laval, L-3372 Leudelange		50.0
Foyer Santé S.A. 12, rue Léon Laval, L-3372 Leudelange	**50.0**	50.0
Raiffeisen Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	**50.0**	50.0
Gecalux S.A. 23, avenue Monterey, L-2086 Luxembourg		50.0
Cogere S.A. 23, avenue Monterey, L-2086 Luxembourg		50.0

Name and address of companies consolidated using the equity mehod

The Luxembourg company EUROP ASSISTANCE S.A., located at 12, rue Léon Laval in L-3372 Leudelange, was established in 1976 by "EUROP ASSISTANCE", a French société anonyme [public limited company] and Le FOYER, Compagnie Luxembourgeoise d'Assurance S.A.. As the Group has only a 49% stake in the company, it is not considered to be a joint venture.

2006 € thousand	Capital	% held	Shareholder's equity	Profit for the period
Europ Assistance S.A.	380.0	49.0%	272.9	88.2

2005 € thousand	Capital	% held	Shareholder's equity	Profit for the period
Europ Assistance S.A.	380.0	49.0%	272.7	86.1

Breakdown of the initial purchase price at amortised cost net of impairment and share in the consolidated shareholders' equity:

Name and address of fully consolidated companies € thousand	Share in share-holders' equity 1.12.2006	Book value 31.12.2006	Share in share-holders' equity 1.12.2005
Foyer Assurances S.A. 12, rue Léon Laval, L-3372 Leudelange	129 335.1	23 175.4	120 463.8
Foyer Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	71 481.5	7 784.7	66 560.7
Foyer Re S.A. 12, rue Léon Laval, L-3372 Leudelange	50 332.6	3 100.0	38 464.7
FOYER-ARAG S.A. 12, rue Léon Laval, L-3372 Leudelange	1 035.7	874.0	-
Foyer International S.A. 12, rue Léon Laval, L-3372 Leudelange	14 091.6	9 936.8	12 829.9
Foyer Asset Management S.A. 12, rue Léon Laval, L-3372 Leudelange	7 481.2	1 489.5	7 184.6
Foyer Patrimonium & Associates S.A. 12, rue Léon Laval, L-3372 Leudelange	3 241.3	2 383.7	2 251.6
Foyer Sélection SICAV 19-21, bd. Prince Henri, L-1724 Luxembourg	21 462.0	8 133.0	9 667.6

Name and address of companies consolidated using the proportionate consolidation method € thousand	Share in share-holders' equity 1.12.2006	Book value 31.12.2006	Share in share-holders' equity 1.12.2005
FOYER-ARAG S.A. 12, rue Léon Laval, L-3372 Leudelange	-	-	493.6
Foyer Santé S.A. 12, rue Léon Laval, L-3372 Leudelange	1 110.3	1 450.0	1 182.1
Raiffeisen Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	2 533.2	2 500.0	2 526.1
Gecalux S.A. 23, avenue Monterey, L-2086 Luxembourg	-	-	282.4
Cogere S.A. 23, avenue Monterey, L-2086 Luxembourg	-	-	2 304.0

2. LINE-BY-LINE RECOGNITION OF SHARES IN THE PROFIT OF JOINT VENTURES IN 2006 AND 2005

2006 € thousand	Foyer Santé	Raiffeisen Vie
Premiums earned net of reinsurance	2 099.6	1 943.6
Other operating income	151.5	284.3
Insurance service costs net of reinsurance	- 1 329.1	- 1 667.9
Costs	- 608.8	- 529.6
Consolidation eliminations	- 33.2	- 1.2
Profit before tax	**280.0**	**29.2**
Taxes	- 80.8	- 21.0
Financial year profit	**199.2**	**8.2**
o/w Group share	199.2	8.2

2005 € thousand	**FOYER -ARAG**	**Cogere**	**Gecalux**	**Foyer Santé**	**Raiffeisen Vie**
Premiums earned net of reinsurance	694.1	-	-	1 664.0	1 434.6
Other operating income	60.7	22.4	931.7	102.3	159.9
Insurance service costs net of reinsurance	- 363.0	-	-	- 1 064.8	- 1 145.1
Costs	- 175.6	- 411.2	- 1 872.0	- 551.6	- 380.1
Consolidation eliminations	- 30.6	-	-	- 30.0	-
Profit before tax	**185.6**	**- 388.8**	**- 940.3**	**119.9**	**69.3**
Taxes	- 55.7	- 3.1	9.3	- 41.6	- 33.7
Financial year profit	**129.9**	**- 391.9**	**- 931.0**	**78.3**	**35.6**
o/w Group share	129.9	- 391.9	- 931.0	78.3	35.6

3. LINE BY LINE CONTRIBUTION OF JOINT VENTURES' TO THE MAIN GROUPS OF ASSETS AND LIABILITIES IN 2006 AND 2005

2006 € thousand	**Foyer Santé**	**Raiffeisen Vie**
Assets		
Fixed assets	0.1	-
Variable income securities	533.2	1 224.2
Fixed income securities	2 039.4	5 334.9
Receivables	693.7	349.8
Deferred taxes	11.2	17.3
Cash and cash equivalents	338.6	609.4
Liabilities		
Technical provisions	1 912.8	4 779.0
Financial liabilities	-	254.6
Deferred taxes	38.2	91.5

2005 € thousand	FOYER -ARAG	Cogere	Gecalux	Foyer Santé	Raiffeisen Vie
Assets					
Fixed assets	-	-	36.4	0.6	-
Variable income securities	-	-	150.8	383.2	1 047.2
Fixed income securities	1 633.4	66.5	-	1 924.5	4 359.7
Receivables	146.8	42.6	215.1	629.3	126.3
Cash and cash equivalents	68.9	204.6	412.0	16.8	200.7
Liabilities					
Technical provisions	1 091.3	-	-	1 449.6	3 067.5
Financial debts	-	-	-	-	154.1
Deferred taxes	4.9	-	-	32.0	55.8

4. AMOUNTS OUTSTANDING IN RESPECT OF THE SHARE CAPITAL SUBSCRIBED BUT AS YET NOT FULLY PAID IN OF THE CONSOLIDATED COMPANIES

€ thousand	Capital not paid-in	Group share
FOYER-ARAG	247.9	223.1
Foyer International	7 500.0	7 500.0

Note 3. Summary of significant accounting policies and consolidation policies

1. DECLARATION OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS), as adopted by the European Union.

2. BASIS OF PRESENTATION OF THE ANNUAL CONSOLIDATED ACCOUNTS

The consolidated financial statements are presented in Euro and rounded up to the nearest thousand (Đ thousand) with the exception of Note 8. The Euro has also been selected as the currency of operation for all Group entities. The consolidated accounts are based on the principle of historical cost with the exception of:

- equity securities and fixed income securities at fair value through income, equity securities and fixed income securities available for sale and derivatives which are recorded at fair value;
- the insurance contracts and investment contracts with discretionary participation feature which are valued according to legislation and rules applicable in the Grand-Duchy of Luxembourg (LuxGAAP);

Non-current assets and groups of assets held for sale, classified as held for sale, which are valued at the lowest of either net book value or at fair value less cost to sell.

In preparing the financial statements in compliance with the IFRS, the Group's management is required to make estimates, assumptions and decisions which have an impact on the application of some accounting policies, the value of certain assets and liabilities and the amounts of income and costs initially recognized. These estimates and assumptions are based on historic data and various others factors, which under these circumstances, are considered reasonable. The aggregate of these elements constitutes the basis of valuation of all assets and liabilities. The actual results may differ from these estimates.

Estimates and assumptions are continuously reviewed. The impact of a change of an accounting estimate is recorded in the period during which the change took place, when only that period is affected, or in the period in which the change took place and subsequent periods when the change impacts on the current period and future periods.
In accordance with the IFRS, decisions taken by the Group's management which have a significant impact on the financial statements and estimates which may have a major impact on the accounts, will be explained by special notes to the accounts.

The main accounting rules applied when preparing the consolidated financial statements are described below. These accounting principles have been applied consistently since the date of transition to the IFRS, 1st January 2004, and are in standard application throughout the Group except for items described by Note 4. "*Changes in accounting policies*" and pertaining to IAS 19 "*Employee Benefits*".

The adoption of the following standards and interpretation of standards did not impact the Group's consolidated accounts:

- IAS 21 Amendments – "*The effects of changes in Foreign Exchange Rates*"
- IAS 39 Amendments- "*Financial Instruments:*

Recognition and measurement"
- IFRIC 4 Determining whether an arrangements contains a lease
- IFRIC 5 Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a Specific Market - Waste Electric and Electronic Equipment

Different standards and interpretations of standards which have been adapted by the IASB were not applicable at the time when the present consolidated accounts were prepared. As a consequence the Group has elected not early adopt the following standards and interpretation of standards.
- IFRS 7 "*Financial instruments: Disclosures*". This standard was published in August 2005 and is applicable as of 01 January 2007;
- IAS 1: (amended) "*Presentation of Financial Statements*" which is applicable as of 01 January 2007;
- IFRS 8 "*Segment Reporting*" which is applicable as of 01 January 2009;
- IFRIC 8: Scope of IFRS 2 which is applicable as of January 2007;
- IFRIC 10: Interim Financial Reporting and Depreciation which is applicable as of January 2007.

Effects from the adoption of the standards and interpretation of standards mentioned above, will be limited to the Notes to the consolidated accounts.

3. CONSOLIDATION

3.1 Basis of preparation

The Group has adopted the IFRS in January 2004 and applied the rules of IFRS 1 to the transition from LuxGAAP to IFRS. The Group made use of first adoption exemptions in the case of Business Combinations according to IFRS 3. As a consequence Business Combinations recognised prior to the adoption of the IFRS have not been subject to a new estimate so that Bad Will calculated by applying the accounting standards in effect prior to transition date were maintained as such in the balance sheet.

The consolidated annual accounts include the financial statements of Foyer S.A. and the companies belonging to the Group as at 31 December each year. The financial statements of these companies are prepared for the same reporting period as the parent company and using the same accounting methods.

All the intra-group balances and transactions as well as the revenue, expenses and unrealised gains that are included in the book value of the assets, resulting from internal transactions, are either eliminated completely or eliminated proportionately, in accordance with the consolidation method used.

3.2 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. This control is essentially the consequence of a direct or indirect shareholding of more than 50% of the voting rights.

The existence as well as the effect of potential voting rights and, if applicable, conversion options that are currently exercisable are considered when assessing whether the Group controls another entity over the period under review.
Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date on which the Group ceases to have control.

Minority interests represent the share of profit or loss as well as the share of nets assets which are not held by the Group. Minority interests are recognised in the consolidated balance sheet under shareholders' equity but separate from the "shareholders' equity –Group share". The contribution of minority interests to the Group's profit is also recorded separately.

3.3 Joint ventures

Joint ventures are defined as the Group's interests in entities governed by an agreement between joint- venturers by which it is agreed that economic activity of the entity will by subject to joint control. Joint ventures are proportionally consolidated from the date on which joint control takes effect until the date on which it ceases.

The Group records its contribution to the income statement, the balance sheet and the cash flow statement on a line-by-line basis.

3.4 Associates

An associate is a company in which the Group has considerable influence on the financial and operating policies but does not exert control. This is generally the case when the Group holds between 20% and 50% of the voting rights. Associates are consolidated by using the equity method from the date on which this notable influence is transferred to the Group until the date on which it ceases.

Profits or losses arising from transactions between the Group and its subsidiaries are eliminated to the extent of the Group's interest in the associates, unless in the transaction provides evidence of an impairment of the asset transferred.

Investments in associates are initially recognised at cost. The Group's share of its associates post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The Group recognises reserves and results of the associate company up to its share in the capital of this company.

3.5 Business combinations

Business combinations are initially recognised using the purchase method of accounting for subsidiaries, joint ventures and associated undertakings. The resulting acquisition cost is considered to be equivalent to the fair value. The excess cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. This goodwill will not be amortised. However an impairment test is carried out each year or more frequently if, as a result of events or changes which have taken place, there is an indication it may be depreciated under IAS 36 "Depreciation of Assets". If, on the other hand, the Group's interest in the net fair value of the assets, liabilities and any identifiable contingent liabilities exceeds the acquisition cost (negative goodwill), the assets, liabilities, any identifiable contingent liabilities and the acquisition cost are reassessed. Following this revaluation, any difference resulting from this reassessment is immediately recognised in the income statement.

4. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency (currencies other than the operating currency) are converted to the operating currency at the exchange rate in force on the date of the transaction. At each year-end, the following procedure is used to convert foreign currency items to the operating currency:

- Monetary elements are converted at the year-end date and resulting gains or losses are recognised in the income statement;
- Non-monetary elements recorded at fair value, such as equity investments, are converted at the exchange rate applicable on the date of fair value assessment;
- The other non-monetary elements are held at their historic exchange rate.

When a gain or loss from a non-monetary element, such as shares held for sale for instance, is recognised in equity, the resulting exchange rate differential is also recorded directly in equity. When the gain or loss on such an item is recognised in the income statement, the exchange rate differential is also recorded in the income statements.

5. INSURANCE CONTRACTS AND INVESTMENT CONTRACTS

5.1 General: Definitions

An insurance contract is a contract whereby the Group accepts significant insurance risk from a third party (the policyholder) and agrees to compensate the latter if the occurrence of a given uncertain event (the insured event) should have unfavourable consequences for the policyholder. The policyholder is defined as the party with entitlement to compensation under the insurance contract should the insured event materialise.

A financial risk is the risk of potential variation of one or more of the following: a specified interest rate, the price of a financial instrument, an exchange rate or other similar variable provided that, where the variable is non-financial, it does not pertain to one of the contracting parties.
An insurance risk is a non-financial risk transferred by the policyholder to the policy issuer.

An insurance risk is significant if, should an insured event materialise, the issuer has to pay significant additional benefits (amounts in excess to 5% of the amount due to the policyholder in case the insured event does not materialise) in at least one of the scenarios, excluding those without commercial substance.
An investment contract is a contract which does not fit the IFRS 4 definition of "insurance contract" and which is viewed by the IFRS as a "financial instrument". It does however fall within the scope of IFRS 4 if it contains a discretionary participation feature and within the scope of IAS 39 if no such feature exists.

A discretionary participation feature is defined as the contractual right of a policyholder to receive as a supplement to guaranteed benefits, additional benefits:

- that are likely to account for a significant portion of the total contract benefit;
- whose amount or timing are by virtue of a contract at the discretion of the issuer;
- which are contractually based on the performance of a specified pool of contracts or a specified type of contract, realised and/or unrealised return on investments in a specified group of assets held by the issuer or the profit or loss of the issuer, a fund or another entity issuing the contract.

The discretionary participation feature is governed by both the discretionary participation clauses of the contract as well as applicable local regulations.

The timing is at the discretion of the issuer:
- when the latter determines the timing of incorporation of the discretionary participation into the individual commitments towards policyholders by use of a profit sharing provision;
- when the discretionary participation clause is based on the issuers investment income and the issuer has discretionary control over its timing.

The discretionary participation feature, as defined by IFRS 4, is recorded as a liability and not a separate component of equity.

5.2 Insurance contracts falling within the scope of IFRS 4

5.2.1 Main contracts classified as IFRS 4 insurance contracts

Non-life insurance contracts governed by LuxGAAP standards all contain a significant insurance risk and, as such, are classified as insurance contracts falling within the scope of IFRS 4.

Contracts covering individual life risk such as temporary death protection, combined contracts and annuity contracts with a significant insurance risk are classified as insurance contracts.

Unit-linked investment contracts are classified on a case-by-case basis, depending on whether or not a significant supplementary insurance guarantee was underwritten at the outset (or subsequently). Consequently, only those which include a significant insurance risk are considered to be insurance contracts falling within the scope of IFRS 4.

Contracts covering Group life risk are all considered on a contract-by-contract basis. Those with significant cover for death or invalidity risk are classified as insurance contracts under IFRS 4.

5.2.2 Accounting procedures for IFRS 4 insurance contracts

IFRS 4 insurance contracts continue to be recorded under LuxGAAP standards except in instances such as the claims equalization provision, which captive reinsurance companies are bound to carry in their balance sheet, but which do not satisfy IFRS 4 rules.

Premiums

Premiums for non-life insurance risks are recognised on the effective date of the guarantee, this date being the operative event for accounting purposes. Premiums are issued before tax, gross of reinsurance, net of cancellations, reductions and rebates.

Life insurance premiums are accounted for on their date of issuance net of tax and gross of reinsurance.

Other amounts charged to policyholders (contractual loading and charges), are recorded as technical income in the non-life branches. In the life sector, these form an integral part of the premiums.

Technical provisions

The provisions for unearned premiums record the portion of premiums issued accruing to the next financial year, calculated on a pro-rata temporis basis.

The provisions for claims cover the total estimated cost of settlement of all claims arising by the end of a given period. With the exception of provisions for invalidity annuities, these are not discounted.
These provisions cover claims reported, claims incurred but not reported, claims reported but not enough reported, and all costs linked to the processing of these claims. They are estimated on the basis of historic data and trends, and are taking into account the frequency of indemnity payments in all branches of insurance.

Subrogation and recoveries are claims for which the third party's insurer is responsible but for which the Group has paid the indemnity by virtue of legal assistance of fully comprehensive cover. The amount recorded in subrogation and recoveries thus equates to the sums the Group is entitled to claim from third party insurers.

The provision for aging in the health insurance branch takes into account the future tariff benefits of the current portfolio. This is calculated on a contract-by-contract basis and is the difference between the present value of future claims and the present value of future premiums.

Mathematical provisions are the difference between the current value of commitments made by the insurer and the policyholder respectively.

From the insurer's point of view, the commitment equates to the sum of the present value of future benefits and the present value of management costs, taking into account the probability of the occurrence of the insured event.

The policyholder's commitment equates to the present value of net premiums still outstanding plus any management costs applicable, adjusted for the probability of payment of said premiums.
The mathematical provisions are not zillmerised.
The mortality tables used are those deemed appropriate for the local market.

In non-life, a provision for management costs is set aside to cover the cost of all future management expenses inherent to the settlement of claims (grouped by category) which are not covered by premium loading or collected from the Group's investment income if this is provided for in the insurance contract.

The mathematical annuity provisions represent the present value of annuity commitments and annuity policy fees. These are calculated on the basis of mortality tables deemed appropriate for the local market.

The equalisation reserve recorded in accordance with local regulations in order to compensate fluctuations in the claims rate or to cover special risks, is not recognised in the consolidated accounts under IFRS.

The provisions for unit-linked insurance contracts are re-assessed at the fair value of the units at the end of each period. Contractually, these liabilities are linked to the performance of the underlying assets which are recorded at fair value.

Subscription costs and costs refunded to brokers
These costs are recognised in accordance with the same accounting rules as those applied to investment contracts. See point 5.4.3 below for details.

Deferred acquisition cost
Acquisition commission paid on health insurance contracts is recorded on the asset side of the balance sheet. These acquisition expenses are written off over the average life of the contracts.

In the event that all or some of the deferred acquisition expenses cannot be recovered within an accounting period, these are immediately recorded as an expense.

5.3 Investment contracts with DPF falling within the scope of IFRS 4

5.3.1 The main types of investment contracts with DPF

Individual life contracts with financial risk only, which include a DPF clause are classified as investment contracts with DPF under IFRS.
Group life contracts, other than those mentioned in 5.2.1 above, with pension benefit either in the form of a guaranteed savings rate or with DPF or unit-linked with the option

to convert to a sub-fund with a discretionary participation feature as a complement to a contract with guaranteed rate (with commercial substance) are also classified as investment contracts with discretionary participation feature.

As the DPF is not set at a fixed rate but agreed periodically by the Board of Directors of the issuing company on the basis of economic factors, the risk is not quantifiable. Consequently, all these contracts are governed by the same LuxGAAP standards as the insurance contracts falling within the scope of IFRS 4.

5.3.2 Accounting procedures for investment contracts with DPF

Investment contracts with DPF falling within the scope of IFRS 4 are valued and recognised in accordance with the same rules as those applicable to insurance contracts (see 5.2.2).

5.4 Investments contracts falling within the scope of IAS 39

Contracts holding no significant insurance risk and without DPF fall within the scope of IAS 39.

5.4.1 Main types of investment contracts coming under IAS 39

Unit-linked retirement savings contracts without a significant insurance risk are classified as investment contracts.

Unit-linked contracts where the policyholder did not take cover for significant insurance risk at the outset or has not as yet taken out cover for significant insurance risk are classed as investment contracts.

5.4.2 Accounting procedures for investment contracts coming under IAS 39

Nets premiums received are not recognised as premium income but as a financial liability as "Liabilities in respect of investment contracts".

Unit-linked contracts are financial liabilities whose cash flows are dependent on the performance of assets recognised at fair value through income. From inception, these unit-linked contracts are recognised at fair value through income.

The fair value of unit-linked contracts is calculated by multiplying the fair value of each unit by the number of units owed to the beneficiary at the end of the period under review. The fair value of the units is calculated at the beginning and at the end of the period on the basis of valuation techniques used in case of absence of an active market and which provide that the Group includes all factors which market players would take into account and which are based on the observation of market data.

Since the fair value of these unit-linked contracts is calculated on the basis of the value of the units, the contractual clause according to which payments to be made by virtue of the contract and will be defined in units, is therefore considered to be closely linked to the host contract.
This payment clause expressed in units does not give rise to the separation of the contract and the evaluation at fair value through income. The entire contract is therefore valued according to the rules applicable to the host contract.

5.4.3 Accounting procedure for subscription costs and costs refunded to brokers

Expense charged on the subscription of investment contracts are treated as contract originating costs. Similarly, expense repaid to brokers are management costs they have incurred in providing advice and the cost incurred in the transfer of the assets underlying these investment contracts. All these costs repaid/collected are recorded under expense/income in the contract subscription period. The Group also charges for managing the investments underlying the investment contracts. This revenue is collected for services rendered regularly throughout the life of the contract and not when it is issued. It is recorded as and when the services are rendered.

5.5 Separate accounting of embedded derivatives

The derivatives embedded in a host contract falling into the insurance contract or investment contract category are unbundled and valued separately at fair value if the criteria for such a separation are met.

5.6 Liability adequacy test

At the end of each period, the Group checks that the liabilities recorded in respect of insurance contracts or investment contracts with DPF are sufficient to cover the future cash flows arising from these contracts. Any shortfalls will be immediately recorded in full as an additional charge in the income statement.

5.7 Reinsurance

Reinsurance contracts which transfer significant insurance risk are classified as reinsurance contracts held under IFRS 4 and the LuxGAAP accounting rules apply. Other reinsurance contracts are classified as financial reinsurance contracts and IAS 39 applies. Currently the Group takes out reinsurance contracts in life and non-life business only in order to limit insurance risk in case of accumulation of risk.

Cessions are recognised in accordance with the terms of the various contracts. The assets held under these contracts are shown independently of the corresponding insurance liabilities. Likewise, the income and expense from reinsurance contracts are not offset against the income and costs from the corresponding insurance contracts.

The reinsurers' share of technical provisions is valued in the same way as the gross technical provisions recorded under liabilities. Assets held under reinsurance contracts are recognised as financial liabilities.

The reinsurance assets are subject to regular impairment tests and losses in value are recorded when necessary. The Group gathers objective evidence of impairment and records the reduced values according to the same procedures as those used for the financial assets and liabilities recognised at amortised cost (see in particular note 6.9 below).

6. FINANCIAL INSTRUMENTS AND DERIVATIVES

6.1 Recognition and derecognition of financial assets and liabilities

The Group recognises financial assets and liabilities in its balance sheet when they become a party to the contractual provisions of the instrument. Normal purchases and disposals of the financial assets and liabilities are recorded on the transaction date. On initial recognition, financial assets and liabilities are recorded at fair value (with the exception of the financial assets and liabilities recorded at fair value through income) plus any transaction costs directly attributable to the acquisition or issue of the financial instrument.

A financial asset is derecognised on expiry of the contractual rights to the cash flows linked to the asset in question, when the financial asset is transferred by the Group together with a substantial portion of the risks and benefits inherent to the asset or when the Group ceases to have control of the asset.

A financial liability is derecognised when extinguished, in other words when the contractual obligation inherent to the contract is extinguished, is cancelled or has expired.

6.2 Amortised cost

Following initial recognition, financial assets held until expiry, loans and receivables and financial liabilities (other than those recorded at fair value through profit or loss) are valued at amortised cost using the effective interest rate method. Commission paid or received, directly attributable transaction costs and all other positive or negative premiums are written off over the expected lifetime of the financial instrument.

6.3 Fair value

For a financial instrument quoted on an active market, the fair value is the bid price on the valuation date for an asset held or a liability to be issued and the ask price for an asset intended for purchase or a liability held. If the market for the financial instrument is not active, the Group estimates the fair value using a valuation technique. Valuation techniques include using recent transactions carried out under normal conditions of competition, where these exist, reference to the fair value of another instrument of identical substance, analysing the current value of future cash flows and using option valuation models

6.4 Classification and accounting of financial assets and liabilities

Financial assets are split between the following categories:
- Financial assets available for sale;
- Financial assets at fair value through income;
- Loans and receivables.

Financial liabilities are split into two categories:
- Financial liabilities at fair value through income;
- Other financial liabilities.

6.5 Impairment

On each balance sheet date, the Group decides whether there are any objective indications of impairment of an individual financial asset or a group of assets as a result of events occurring subsequent to their initial recognition in the accounts. In the affirmative, the Group assesses the amount of the loss suffered by the financial asset or group of financial assets and this amount is immediately recorded in income. Expected losses as a consequence of events occurring after the close of the period are not being considered. Amongst criteria considered as indications of depreciation are:
- Important financial difficulties of the issuer;
- Default on interest or reimbursement of principal;
- Increased risk of bankruptcy or debt restructuring;
- Retreat from an active market as a consequence of financial difficulties.

6.6 Derivatives
These financial instruments are recognised initially at fair value from the starting date of the corresponding contract and valuation at fair value during subsequent periods. Variations in fair value are posted to income. The Group does not apply hedge accounting set forth in IAS 39.

6.7 Financial assets available for sale
Financial assets available for sale are non-derivative financial instruments classified as available for sale or financial instruments which do not fall into any of the other categories of financial instruments.

Financial instruments available for sale are recognised on the date of acquisition at fair value plus any transaction costs directly attributable to the acquisition. Fixed income securities are depreciated using the effective interest rate method. The difference between acquisition price and redemption value of fixed income securities is thus recorded through income by using an actuarial method over the residual lifetime of the securities.

The difference between the fair value of the securities on balance sheet date and their acquisition price, plus or minus depreciation due to the effective interest rate method, where applicable, is recognised in assets under the "available for sale" heading and a corresponding entry in line "revaluation reserve" of shareholders' equity.

Where there is an objective indication of impairment of a financial instrument available for sale, the accumulated loss, previously recorded under shareholders' equity, is transferred to income as follows:

• Equity investments:
For these instruments, the Group takes into account amongst others significant technological, market, economic or legal changes having a detrimental effect on the issuer and a significant or prolonged drop in the fair value of the instrument below its acquisition cost. An objective indication of depreciation would be the fact that the value of a share held would show a market value of 20% below its net accounting value during an uninterrupted period of nine months. The amount of accumulated impairment transferred from shareholders' equity to income is the difference between the acquisition cost and the fair value, less any impairment of this asset previously recorded in income.

Any subsequent loss on a depreciated equity is immediately recognised through income whether or not it is significant or lasting. If the equity investment in question should subsequently appreciate in value, impairment recorded is not written back through income but is recognised in the "revaluation reserve" until the asset in question is sold.

• Debt instruments:
A drop in value, which equals the difference between fair value and amortised cost, is recorded in the income statement. If during a subsequent financial year, the fair value of an impaired debt instrument increases, the amount of the impairment previously recorded is written back to income.

6.8 Financial assets at fair value through income

6.8.1 Financial assets held for trading purposes

A financial asset is classified as held for trading purposes if it is:

- purchased or generated principally to be sold in the short term;
- part of an identified portfolio of financial instruments which are managed together showing actual signs of recent short-term profit taking;
- a financial derivative.

The variation of fair value of financial assets held for trading purposes over the period is recorded in the income statement.

6.8.2 Financial assets at fair value through income

The Group classifies financial assets held in unit-linked contracts, where the corresponding liabilities are valued on the basis of the fair value of the investments units underlying these contracts, as being at fair value through income. The evaluation method used for financial assets at fair value through income is identical to that used for securities held for trading purposes.

6.9 Loans, receivables and financial liabilities

a) Insurance receivables

Client, broker and agent, co-insurer and reinsurer's accounts receivable are initially recorded at fair value and then valued at amortised cost.

b) Loans secured by life insurance contracts

Loans secured by life insurance contracts are initially recorded at fair value and then valued at amortised cost.

c) Mortgages and other loans

Mortgages and other loans are initially recorded at fair value and then valued at amortised cost.

d) Depreciation of these financial assets

Impairment is calculated as soon as there is objective evidence of depreciation of all or some of these insurance receivables, down payments or loans.

The amount of the impairment is the difference between the book value and the recoverable value (if the latter is lower than the book value), where the recoverable value is defined as being the present value of estimated future cash-flows. This depreciation is recorded in the income statement.

e) Financial liabilities

Financial liabilities other than investment contracts falling within the scope of IAS 39 (see point 5.4.2) are initially recognised at fair value and then valued at amortised cost.

6.10 Cash and cash equivalents

Cash at bank and in hand is recognised at initial book entry value. This item includes cash, short-term deposits and other short-term investments with very high liquidity, provided initial maturity and periodic maturity do not exceed three months. Credit balances on current accounts are viewed as cash management instruments.

6.11 Valuation and accounting of income and expense in respect of financial assets and liabilities

Income and expense in respect of financial assets and liabilities received, paid, to be received or payable are recorded at fair value. In the majority of cases, there is a counter-entry in cash or cash equivalents. Income is only recognised if the financial profit from the transaction is likely to accrue to the Group. Expenses are recorded as soon as they are incurred.

7. TANGIBLE FIXED ASSETS

7.1 Land, property, plant, equipment, machinery and furniture

7.1.1 Plant, equipment, machinery and furniture

These tangible assets are initially recognised at their acquisition cost. The acquisition cost is defined as the acquisition price plus any accessory costs related to the acquisition. The acquisition cost includes:

- the purchase price, inclusive of non-refundable taxes and customs duty, less any commercial discounts and rebates;
- all costs directly attributable to the transfer of the asset to its place of operation and its preparation for operation as per Management specifications.

These assets are valued after initial recognition, on the basis of the cost model less accumulated amortisation and any accumulated impairment.

7.1.2 Land and property

The Group recognises land and property separately depending on whether the buildings are used by the Group (business premises), as defined by IAS 16, or are held for investment purposes (investment property), as defined by IAS 40. The latter items are recognised separately as part of the Group's consolidated assets. After initial recognition, these assets are valued on the basis of the cost model less accumulated amortisation and any eventual impairment.

a) Investment property

Acquisition cost initially recognised for investment property includes all transaction costs. The cost is the cash or cash equivalent amount paid to purchase or build the property plus accessory construction cost and/or acquisition costs directly attributable thereto or indeed the equivalent cash value given to the asset on initial recognition.

b) Business premises

- Business premises are recognised at acquisition cost less amortisation and impairment. Land is an exception to this rule as only impairment can be deducted.
- The acquisition cost of business premises is defined as the acquisition price plus any accessory costs related to the acquisition. The cost includes:
- the acquisition price, inclusive of non-refundable taxes and customs duty, less any commercial discounts and rebates;
- all costs directly attributable to the transfer of the asset to its place of operation and its preparation for operation per Management specifications.

Costs subsequently incurred are recognised as separate assets only if it is probable that future economic benefits associated with this item will flow to the Group and the cost of the item can be reliably measured. The current cost of servicing tangible fixed assets such as repairs, maintenance and other similar costs are charged to the income statement.

7.1.3 Amortisation and impairment

The Group breaks down initial recognition into significant elements and amortises each of these separately.

Amortisation is calculated using the linear method on the basis of the estimated life of the assets, i.e.:

- 25 to 50 years for the structure of the building. Investment property is written off over a 50-year period.
- 10 years for the technical elements of the buildings.

- 3 to 10 years for equipment, machinery and furniture

The amount subject to amortisation of these assets is calculated after deduction of their residual value. The amortisation method applied is examined at the end of each annual period.

Land is deemed to be a non-amortisable asset. An impairment loss is recognised to take into account any losses in value thereon.

Business premises and investment property are periodically valued by well known experts. Valuations obtained are recorded in the respective notes to the financial statements. Any loss in value highlighted by the valuations is recognised as impairment.

The residual value and remaining life of the tangible assets are revised at the end of each annual period. Impairment is recognised immediately under IAS 36 for an amount equal between the net accounting value and the estimated recoverable value, in case net accounting value is higher than the recoverable value.

7.2 Intangible fixed assets

7.2.1 General

An intangible fixed asset is recognised when:
- it is probable that the future economic benefit generated by the asset will flow to the company;
- the cost of the asset can be reliably measured;

To assess the likelihood of future economic benefit, the Group uses reasonable, documented assumptions which constitute the Management's best estimate of all financial conditions throughout the useful life of the asset.
Intangible fixed assets are initially recognised at cost which includes all costs directly attributable to the preparation of the assets for their intended use. After initial recognition, an intangible fixed asset is recognised at cost less accumulated amortisation and accumulated impairment if any.

Where intangible assets have a finite life, the Group amortises these over their useful life. The amortisation period for an intangible fixed asset depends on the activity and financial performance of the Group's entities. Amortisation begins as soon as the intangible asset is ready to be commissioned, i.e. when it is in the intended place of operation and ready for operation per Management's specifications. Amortisation shall cease as soon as the asset is classified as being held for sale as defined by IFRS 5 or at the time it is derecognised. The amortisation expense for each period is recognised in the income statement. The useful life of the intangible fixed asset and the method of amortisation used are reviewed at each financial year-end.

Intangible fixed assets undergo impairment tests if there is an indication of loss in value. If there is any significant change to parameters such as intrinsic value, future profitability or market share, the value will be reduced in accordance with the provisions of IAS 36.

Intangible fixed assets with an infinite useful life will not be amortised but will undergo impairment tests in accordance with IAS 36 each year or whenever there is an indication that the asset may be impaired.

7.2.2 Categories of intangible fixed assets

a) Goodwill

Goodwill is defined as the portion of the acquisition cost exceeding the fair value of the assets, liabilities and any identifiable contingent liabilities accruing to the Group on the date of acquisition. This goodwill is recognised as an intangible fixed asset. Goodwill on investments in associates is included in the carrying value of these investments.

Goodwill is tested for impairment periodically and at least once a year. The remaining net value, less any impairment, is recognised in the balance sheet. The impairment is recognised in the income statement. Impairment of goodwill is not written back.

b) Other intangible fixed assets

• Intangible fixed assets purchased

The cost of software licences purchased is recognised in intangible assets on the basis of their acquisition price plus the direct cost necessary for the use of the software. These costs are amortised according to the linear method over an estimated expected life of 3 to 5 years.
The residual value is deemed to be zero.

• Intangible fixed assets generated within the company

These are IT projects developed internally. Expenditure during the research phase of the internal projects is not capitalised and is recognised in the income statement when incurred.

Only expenditure during the development phase is capitalised, provided the rules for capitalisation of such elements, as defined by IAS 38, have been applied.

After initial recognition, the capitalised development costs are valued using the depreciated cost model. The cost of an internally generated intangible fixed asset includes all directly attributable costs required to create, produce and prepare the fixed asset for operation per Management specifications.

As a general rule, the estimated useful life of the software generated internally is currently between 3 and 5 years. This period is the result of the Group's experience in this respect.
The residual value is deemed to be zero.
Amortisation is calculated by the linear method over the useful life of the assets.

8. CAPITAL

Ordinary shares are recognised under "Capital". Expenses directly linked to the issue of new shares and the issue of options are recognised in shareholders' equity, net of tax, are deducted from the value of the shares issued. When a Group company purchases shares in the parent company, the price paid, inclusive of the direct costs thus incurred, is deducted from the shareholders' equity until such time as these shares are cancelled or sold. When the shares are sold, the selling price, net of tax and any direct costs incurred in the transaction, is added to the Group's shareholders' equity.

Following a decision taken by the Annual General Meeting of Shareholders, shares issued entitle the holder to a dividend upon presentation of the detached coupon.

9. TAX ON PROFIT AND DEFERRED TAXES

Tax on income is calculated according to the tax rules in force in the countries in which the entities are located. Payments for the account for a specific financial year may be offset against tax liabilities in respect of the estimated profit for the same financial year.

Deferred taxes arise where there is a temporary difference between the tax base of an asset or a liability and the carrying value of the asset or liability in the consolidated balance sheet. The tax rate is applied and the deferred tax is calculated in accordance with the legal provisions adopted at of the year-end.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

a. where the deferred tax liability arises out of the initial recognition of the Goodwill of a business combination or the initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit and loss, and
b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the temporary tax asset originates from the initial recognition of an asset or a liability which involved a transaction which,

a. is not a business combination, and
b. at the time of the transaction affects neither the accounting profit nor taxable profit and loss.

However, deferred tax assets are recognized for all deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised differed income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future tax profits will allow the deferred tax asset to be recovered.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The tax rate to be applied to temporary differences will be the maximum tax rate in the various tax categories, presently 30.38% in Luxembourg and 33.99% in Belgium.

10. STAFF BENEFITS

10.1 Long-term benefits

The Group manages two types of defined pension benefit plans it has entered into with its staff.

Pension benefit plan

A defined contribution pension benefit plan was introduced for employees on 1st January 2003. The Group's employer's pension benefit contributions are used to build an employers' supplementary pension benefit fund, an employers' supplementary pension benefit fund for early retirement and capital for death and invalidity indemnities.

The employee chooses where the employers' contributions to the supplementary pension fund, net of expenses, are paid on his or her behalf each year. This can be a unit-linked savings instrument, stipulating the various funds into which these payments are made, and/or into a guaranteed rate savings instrument. Should the employee die before retirement, his or her beneficiaries receive the accumulated savings plus a death benefit. Any dependent children receive an orphan's pension. In the event of full or partial invalidity prior to the retirement date, a supplementary invalidity benefit is paid by the employer in accordance with the rules of the plan. The Group has no obligations other than to pay the aforementioned employers' contributions.

A feature of the defined contribution plans is that payments are made to institutions which release the employer from any subsequent obligation. Consequently, once the contributions have been paid, no liability or commitment is recognised in the accounts of the various entities. FOYER VIE S.A .acts as the insurer for the other Group entities operating defined contribution pension plans for their respective employees. This means that both unit-linked and non-unit-linked life insurance and pension benefit commitments, covering the assets which represent the retirement capital accumulated by the individual employees, are recognised in the Group's consolidated accounts.

The old pension plan

The Group has obligations linked to a previous defined pension benefit plan. This plan was closed in 2003 and now only relates to those employees who retired prior to that date. A provision is set aside for current pension benefit commitments which include retirement, invalidity, survivor and orphan's pensions.

Other commitment

The Group has long-term obligations towards some agents. Contributions are paid annually proportionally to the agent's commission. A benefit is paid to the agent on retirement.

Accounting methods

The projected credit unit method is used to calculate the discounted value of the defined benefits, the cost of the services rendered over the period and, where applicable, of past services. Present value of the commitments is calculated by discounting future flows at a market rate based on category 1 corporate bond issues.

The Group does not use the corridor method to recognise the actuarial variations of the commitments under these plans. As a result, any variations (actuarial gains or losses) are recognised in full in equity under the item "Reserves" for the period in which they occur.

10.2 Short-term benefits in respect of employees' personal insurance contracts

The Group offers a discount on the premiums of personal insurance contracts taken out by its employees. This discount varies between 12% and 27%, depending on the branch.

11. PROVISIONS AND OTHER LIABILITIES

The Group sets aside a provision whenever there is uncertainty as to the maturity of an obligation or the amount of a future expense required to meet the obligation. These provisions are recorded when the following conditions are met:

- the Group has a current (legal or implicit) obligation in respect of a past event;
- it is likely that resources representative of economic benefits will be used in order to meet the obligation;
- the amount of the obligation can be reliably estimated.

The provisions are discounted if the "time value" of the money is considered to be significant.

12. SEGMENT INFORMATION

The Group's primary segment figures are reported by economic segment in which it operates.

The Group defines a segment as a pool of operational infrastructures or assets providing services in which the risks incurred and the results obtained differ from those in other segments. In the Group these are:
• Non-life insurance;
• Life insurance (insurance and savings services);
• Asset management.

The Group delivers secondary segment information according to the geographical location of the assets.

Miscellaneous expenses such as accounts administration, financial management and legal management services are assumed by the various segments through their constituent entities. These expenses are identified and allocated to the Group's entities using an internal cost allocation system and a common accounting system.

13. INCOME FROM ORDINARY ACTIVITIES

Income from ordinary activities is defined as revenues from insurance premiums in the life and non-life branches, from services rendered and the use of assets of the Group entities generating interest, royalties and dividends.

• Insurance premiums are collected either for non-renewable periods agreed on a case-by-case basis with clients or for fixed, tacitly renewable periods.
• As a general rule, services rendered are tasks performed under contract by a Group entity within a given deadline. Services may be rendered in the course of a single accounting period or over several accounting periods.

Income generated by investment contracts in the asset management segment is represented by commission paid in return for the management of the securities portfolio and underlying deposits. This commission is fixed at the time of the signature of the investment contract and is discounted periodically. Portfolio management costs charged on signature of the financing contracts cover the expenses invoiced by third parties as well as payment of marketing expenses incurred.

• Use by third parties of assets belonging to the Group entities generate income from ordinary activities in the form of:
  a) Interest – payment for the use of cash or cash equivalents or amounts due to the entities;
  b) Dividends - distribution of profits to holders of equity investments pro rata to their holdings of a particular class of security.

14. LEASE AGREEMENTS

Some tangible fixed assets used by the Group, such as offices, are used by means of a lease contract. The linear method is used to record the lease payments in the income statement throughout the full duration of the lease. These are simple operating leases and do not involve the transfer of significant risks or benefits to the Group.

Note 4. Changes in accounting policy

1. CHANGES IN ACCOUNTING POLICY CONCERNING IAS 19 *"EMPLOYEE BENEFITS"*

In connection with the amendment of IAS 19 which could be applied as of 01 January 2006, the Group decided to make use of the option allowing for the recognition in equity rather than in the income statement of actuarial gains and losses determined by the evaluation of pension benefit schemes in the period during which they arise.

The change in accounting policy has been applied retroactively in accordance with the transitory rules set out by the revised IAS 19 as follows:

• Income Statement

	31.12.2005	31.12.2004
Administrative Cost		
Total account "*Administrative Cost*" before the change	-18 150.7	-20 966.2
Impact of recognition of actuarial differences in equity	-1 216.2	1 550.0
Total account "*Administrative Cost*" after the change	**-19 366.9**	**-19 416.2**
Taxes (1)		
Total account "*Taxes*" before the change	-19 998.2	-15 312.7
Impact of recognition of actuarial differences in equity	369.5	-470.9
Total account "*Taxes*" after the change	**-19 628.7**	**-15 783.6**
Profit for the year		
Total account "*Profit for the year*" before the change	50 579.8	38 788.6
Impact of recognition of actuarial differences in equity	-846.7	1 079.1
Total account "*Profit for the year*" after the change	**49 733.1**	**39 867.7**

(1) Deferred taxes

- Balance sheet: Liabilities recognised under "*Retirement benefit obligations*" remain unchanged.
- Adoption of the amended IAS 19 has had as a result to transfer the "*Consolidated statement of equity*" to Note 10 as annex of the consolidated accounts. This table is being replaced in the annual accounts by a table entitled "*Statement of recognised income and expense*".

2. ADJUSTMENT OF THE CONSOLIDATED CASH-FLOW STATEMENT

The presentation of the consolidated Cash-flow statement was adapted to show bank overdrafts deducted from Cash and cash equivalents and to allow for a presentation showing the Profit before tax.

Note 5. Critical accounting estimates and judgments in applying accounting policies

When preparing the financial statements, Management has, on the date these statements are made, to make estimates and assumptions and set certain hypothesis which affect the amounts recognised under the assets and liabilities and, where necessary, provide information on asset and liability items and the income and expense recognised over the period. The actual results may differ from these estimations.

The estimates and assumptions are reviewed on a regular basis. The impact of changes to accounting estimates is recorded for the period in which the change took place, if it relates only to the current period, or for the period in which the change is applied and subsequent periods, if the change applies to the current period and subsequent periods.

Implementation of these decisions and estimates, which are explained in the notes to the financial statements, involves amongst others the evaluation of the technical provisions and the methods used to calculate depreciation amounts.

1. ESTIMATING CLAIMS EXPENSES

The effective cost of claims covered by the insurance contracts constitutes a critical accounting estimate. Various uncertainties must be taken into account when estimating claims, especially claims in the branch of civil responsibility (both general and motor), which are sometimes settled several years after their occurrence. With no established precedents and changes in the law and in the economic environment in general, it is difficult to accurately estimate what the final expense will be. These estimates are made with caution by management and skilled employees.

The estimated amounts of future payments of individual claims are recorded in the provisions for claims. With the exception of provisions for invalidity annuities, these are not discounted. Additional provisions are set aside for claims incurred but not reported, for claims incurred but not enough reported, and for all future administration expenses related to these claims. They are estimated on the basis of historic data and current claim settlement trends, taking into account the frequency of occurrence of claims in the individual branches of insurance.

2. LIFE INSURANCE CONTRACTS AND LONG TERM SUPPLEMENTARY PENSION BENEFIT

2.1 Estimates in respect of long term supplementary pension benefit and life insurance contracts.

The Group estimates the liabilities arising from long-term life insurance contracts. These estimates are based on the number of deaths over the total number of years of the Group's risk exposure. They also take into account the standards within the sector and mortality tables approved by supervisory bodies. For contracts where the risk is the survival of the policyholder, reasonable adjustments are made to take into account the increase in life expectancy.

The major source of uncertainty in death cover is the development of epidemics or pandemics such as AIDS or avian flu and lifestyle changes relating to eating, drinking and smoking habits. In contrast, progress in medical treatment and improvements in social conditions may have a positive effect on life expectancy.

Reinsurance cover is taken out for all contracts with the exception of savings-investment contracts with no insurance risk factor. When contracts offer a guaranteed minimum rate, a provision is set aside to cover shortfalls in future returns.

2.2 Mathematical provisions

Mathematical provisions for life insurance contracts with high mortality risk are calculated according to current principles approved by the supervisory authorities in line with prospective principles on the basis of assumptions relating to rates of return, mortality/morbidity and administration expenses.

If the mortality table changes, an additional provision is set aside to cover the variance between the provisions calculated on the basis of the old table and those calculated in line with the new table. When contracts offer a guaranteed minimum rate, a provision is set aside to cover shortfalls in future returns.

The mathematical provisions for savings contracts are calculated retrospectively. These equate to total contributions paid plus returns calculated on the basis of technical rates. Where DPF is offered in the contracts, these are also included in the mathematical provisions.

3. ESTIMATING FINANCIAL INCOME

The Group also estimates future financial income from assets invested in securities and real estate. These estimates are based on current market returns and assumed changes in rental and dividend income.

4. (UNIT-LINKED) INVESTMENT CONTRACTS

The Group writes a large number of contracts which are linked to financial instruments recognised at fair value through income. Not all of these instruments are listed on an active market and their market value is calculated using various techniques in case no active market is available.

These techniques are validated prior to use and, where appropriate, adapted to guarantee a result which reflects a market value comparable with that of similar assets.

Changes to the basic assumptions employed by these techniques (volatility, credit risk, etc.) may impact on the estimated fair market value of these financial instruments. However, since the Group's commitment to policyholders under these contracts equates to the fair value of the corresponding financial instruments, there is in fact no real financial risk for the Group. These contracts pass the financial risk on to the policyholders but, in return, guarantee them the benefits and revenues from these instruments.

Note 6. Management of insurance risks and financial risks

The Group writes contracts whereby an insurance risk or a financial risk, or both, are transferred between two parties. This note lists these risks and explains how the Group manages them.

1. INSURANCE RISK

The risk inherent in each insurance contract is the possibility of the insured event materialising and the uncertainty surrounding the amount which will have to be paid out upon settlement of the event. By the very nature of the insurance contract, the risk is uncertain and therefore cannot be predicted.

For an insurance portfolio where the premium is calculated on the basis of the theoretical frequency and average cost of the claims, the main risk is the actual claims expense being higher than the anticipated premium income. This may occur, for instance, when the frequency and average cost assumptions are lower than actual figures. Furthermore, occurrence of the insured event is in essence uncertain in the same way as frequency and average cost will from year to year differ from the statistics on which the estimates were built.

Experience shows that the bigger the portfolio, the lower the deviation from the base statistics. Also, portfolios with greater diversification are less exposed to the consequences of actual results deviating from the base assumptions.

1.1. Non-life insurance

1.1.1 General

The Group faces three types of non-life insurance risk. The first two types relate to current and future activities which carry a tariff risk and a risk of extreme claims. The third risk relates to past activities which carry a provisioning risk. For current activities, the main course of action for managing the selection of risks is acceptance of the risks proposed in line with the selection criteria set forth in the Group's commercial policy.

1.1.2 Tariff risk

Definition of tariff risk

For each insurance contract, the Group undertakes to indemnify the client should the insured event materialise in return for the insurance premium paid by the client. In other words, for every insurance product or insurance risk, the tariff risk is the risk that the total amount of premiums received, less administration and distribution costs, are insufficient to cover the total amount of claims incurred.

Managing tariff risk

The Group has three methods of managing this risk.

a) Technical methods

As a major player on the domestic market, the Group has a large statistical database which enables it to reduce volatility when calculating the probability of occurrence of the insured event and average anticipated costs. The Group's actuaries use this statistical database to calculate tariffs.

When designing the products, the Group carries out tests related to technical, commercial and management assumptions in order to test the sensitivity of the anticipated level of profitability. Each year, these assumptions are adjusted in line with management reporting or supplementary analyses and tariffs are changed if necessary.

b) Legal framework

The majority of contracts are taken out for a one-year period and are tacitly renewable. Thanks to the management tools described in paragraph a), if the Group observes that tariffs are too low, it can take action and change the tariffs not only of new contracts but also of existing contracts, notifying the policyholder three months prior to expiry of the contract.

In the health insurance sector, contracts are taken out for an indefinite period and only the policyholder is entitled to cancel. The contracts do however contain a tariff adjustment clause which is based on a comparison between the claims rate statistics for all contracts in the portfolio at a given moment in time and the estimated claims ratio at the time the contract was written. These adjustment are made under the supervision of an external expert.

c) External expertise

For major technical risks (large building sites, industrial risks, etc.), the Group can avail itself of the global underwriting and pricing experience of its reinsurance partners.

1.1.3. Extreme claims risk

Definition of extreme claims risk

When actuaries calculate the premium of an insurance cover, they remove extreme claims from their statistical database. Extreme claims are events where the likelihood of occurrence is low (less than 0.5%), but the cost is high in comparison with the annual volume of premiums written in that particular insurance branch. To compensate for the exclusion of "extreme" claims, the cost of funding this risk is added to the calculated premium. This cost is financed by a reinsurance programme, the main characteristics of which are described in the following paragraph.

For instance, the Group would currently define the following claims as "extreme":

1. A storm where the total accumulated cost per event exceeds € 3.0 million.
2. A civil liability claim costing in excess of € 1.5 million.
3. A fire or explosion claim exceeding € 1.0 million.

Managing the extreme claims risk

Each year, the Group buys a reinsurance program containing various reinsurance contracts with different reinsurers to protect itself from the risk of extreme claims. The global cost of this reinsurance programme is included in the insurance contract tariffs.
The main reinsurance contracts are:

Reinsurance contracts	Type of reinsurance
Civil motor liability	Excess of loss
General Civil Liability	Excess of loss
Fire	Excess of amount
Fire	Excess of loss
Natural disasters	Excess of loss
Accident	Excess of loss

1.1.4. Provisioning risk

b) The provision for claims incurred but not reported (IBNR) or incurred but not enough reported (IBNER)

The provision for incurred but not reported claims (IBNR) is calculated on the basis of the average number of late-reported claims in previous years, then adjusted using a portfolio development factor. The amount can also be adjusted if the Group observes a change in the frequency rate of claims. Finally, an adjustment is also made to take account of the highly volatile reporting risk in respect of professional liability claims (medical in particular).

Any provision set aside for incurred but not enough reported (IBNER) losses is calculated using a two-stage actuarial method.

The first stage involves estimating the final claims expense for each year of insurance and each insurance branch on the basis of historical data. The classic chain ladder actuarial method is applied to obtain an estimate for each branch of insurance.

In the second stage, the Group takes account of the volatility of the result obtained by applying a confidence interval to the development factors used in the chain ladder calculations. Once the confidence interval has been calculated, the Group compares the balance sheet provision described in point a) with this interval of estimation. If it is close to the lower end of the interval of estimation or even outside the interval, the Group sets aside an IBNER provision. As the Group's confidence interval is currently very good, no IBNER provision has been set aside.

c) The provision for internal claims administration

This provision is calculated on the basis of a model which takes the following parameters into account:
- Claim type (major bodily injury claims, motor claims, etc.);
- Probable lifespan of the file;
- The average cost of a claims administration process;
- The number of files,
- An actualisation rate.

1.1.5 Groups in the non-life sector

a) Civil liability branches

The risks inherent in non-life insurance contracts are complex and vary from one branch to another. The risks in Civil liability are the most difficult to quantify.

The highest frequency is observed in civil motor liability. Generally a distinction is made between material damage and bodily injury. Whilst material damage estimates can be satisfactorily calculated on the basis of average historical costs and frequency of occurrence, bodily injury claims require different estimation techniques depending on the type of injury. The managers avail themselves of these indications when estimating the individual cost of each bodily injury claim.

It is a matter of assessing the financial loss, aesthetic damage, moral prejudice and the cost of current and future medical treatment, etc. The loss estimate also takes account of the anticipated period needed for settlement as well as an increase of the legal interest rate. Outstanding claim files are reviewed periodically to ascertain whether sufficient amounts have been set aside. The provision for claims is also analysed periodically to ensure that the global provision is adequate. Different methods of calculation, such as the chain ladder method, are used. (cf. point 1.1.5 f)

The adequacy of the provisions for claims in the non-life sector is checked using a triangular representation of the claims expense for each year of occurrence. (cf. point 1.1.5 f)

b) Damage to property insurance

(Fire, Accident and sundry risks)

These contracts cover property against all sorts of damage such as fire, theft, water damage etc.

c) Frequency and cost of claims

Property damage insurance contracts are based on replacement value and subject to contractual limits. Policyholders are compensated for the cost of recovery of the property and, in the case of insurance cover for loss of business turnover, the losses incurred between the occurrence of the loss and restarting of commercial operations. These losses occur for a wide variety of reasons, from a minor incident experienced by an individual to storm damage, damage caused by burst of water mains and short circuits, etc.

The Group reserves the right not to renew an insurance contract on expiry. It also reserves the right to refuse to pay compensation in the event of established or presumed fraud. The Group underwrites these risks in the Grand Duchy of Luxembourg and in Belgium under the freedom of services directive.

d) Sources of uncertainty in estimating claims

As a general rule, these claims can be estimated relatively accurately as the basis of estimation is either the sum insured or the cost of repairing estimate provided by experts or from craftsmen. In addition, these claims are settled within a short period of time, allowing for an accurate estimation of the administration and settlement costs involved.

The only time where this period is extended is when a dispute arises between the expert and the victim. This applies mainly to the calculation of business turnover losses suffered from discontinuing operations. At the 2006 financial year-end, the Group felt that the provision for outstanding claims was sufficient.

e) Concentration of risks

In the non-life segment, the Group is active in Luxembourg and to a small extent in the Belgian regions bordering the Grand Duchy.

As the Group has a large market share, it has taken additional reinsurance cover for risk concentration.

• Civil liability risks

Claims expense Payments + provision as of 31.12.2006 € million	Year of occurence		
	2006	2005	2004
Before reinsurance	48.9	49.3	40.3
After reinsurance	40.2	40.2	35.4

The concentration risk relates to both civil liability insurance in the motor vehicle branch (tunnel, pile-ups) and non-motor branches (defective products). To arm itself against the various civil liability risks, the Group has a per event non-proportional reinsurance agreement with unlimited cover for civil motor liability. However, the statistics below show that the Group has not recorded major claims of this type over the last few years.

• Damage to property risk excluding captives

Claims expense Payments + provision as of 31.12.2006 € million	Year of occurence		
	2006	2005	2004
Before reinsurance	58.9	50.2	42.8
After reinsurance	42.3	37.1	33.0

The concentration risk relates mainly to buildings and their contents (explosion of an industrial site, plane crash, storm). In view of the Group's market share, the risk of hail on an open air parking lot or fire in an underground parking lot is lesser but not negligible. To arm itself against the various property risks damages, the Group has two non-proportional reinsurance treaties for each of these two events. The first is for storm and hail risk with cover for the maximum possible claim once every hundred years. The second is for fire and explosion with reinsurance cover appropriate for our portfolio. To limit the number of major commitments in respect of industrial sites and large buildings, the Group also has a proportional reinsurance treaty and has access to optional reinsurance on a case-by-case basis, where required. Over the last three years nos such event has occurred.

Foyer

• **Accident risks**

Claims expense **Payments + provision as of 31.12.2006** **€ million**	**Year of occurence** **2006**	 **2005**	 **2004**
Before reinsurance	2.1	2.5	1.7
After reinsurance	1.8	2.5	1.7

The concentration risk relates to accidents which fall into the catastrophe category (plane crashes, terrorism, bus or train accidents, fire or explosion at a company insured under a Group policy). To arm itself against these various death or invalidity risks, the Group has a per event non-proportional reinsurance treaty with cover appropriate for our portfolio. However, the Group has not recorded any major claims of this type over the last few years as shown by the figures above.

The adequacy of the provisions for claims in the non-life sector is checked using a triangular representation of the claims expense for each year of occurrence.

f) Triangular representation of the claims expense

The adequacy of the provisions for claims in the non-life sector is checked using a triangular representation of the claims expense for each year of occurrence

• Triangle table showing the evolution of gross claims expense per year of occurrence

€ thousands		**Year of occurrence**					
Year of occurrence		**0**	**1**	**2**	**3**	**4**	**5**
	2001	85 641.2	88 735.4	83 922.5	80 975.6	76 131.9	74 158.9
	2002	90 628.2	89 336.2	85 849.3	83 635.5	82 531.8	
	2003	103 127.4	99 874.4	95 041.3	90 698.1		
	2004	94 276.5	88 930.9	84 302.4			
	2005	102 269.0	100 396.8				
	2006	107 164.9					

• Triangle table showing the evolution of claims expense net of reinsurance per year of occurrence

€ thousands		Year of occurrence					
		0	1	2	3	4	5
Year of occurrence	2001	79 634.6	80 142.3	75 452.2	73 382.7	71 173.7	69 444.0
	2002	82 549.0	79 379.5	76 419.6	73 476.0	72 522.5	
	2003	91 742.8	88 564.8	83 192.4	81 327.2		
	2004	88 152.5	83 392.7	79 204.7			
	2005	94 690.2	90 378.3				
	2006	98 178.6					

In order to provide the most objective view of the evolution of claims expense per year of occurrence, it was necessary to remove all claims reported in connection with the fronting activities carried out by the entities on behalf of captive reinsurance companies (balance of provisions net of payments as at 31 December 2006: € 18 861.3 thousand). In addition, the claims expense as at 31 December 2006 does not include claims where the Group is not responsible for administration of the claim but where it is involved through national agreements, such as claims managed by the "Bureau Luxembourgeois" and the "Fonds commun de garantie automobile" (provision gross of reinsurance and net of payments € 1 514.6 thousand). Finally, with respect to the small size of Luxembourg and the impact a major claim could have on the claims expense in a year of occurrence, all events where cost exceeds the first risk limit set in the reinsurance treaty have been eliminated (provision gross of reinsurance and net of payments € 11 354.2 thousand). The claims expense gross of reinsurance for the years of occurrence prior to 2001 is € 121 028.3 thousand, net of payments and the payments for the years of occurrence 2001 to 2006 is € 396 816.6 thousand. Taking into account all these factors, the gross claims provision was € 295 194.7 thousand as at 31 December 2006.

• Sensitivity analysis

As mentioned in point 1.1.3, the result is highly sensitive to the risk of extreme claims. This sensitivity is measured by the various stress tests defined below:

Definition of the stress tests

1	A civil motor liability claim in respect of a tunnel accident or pile-up of € 50.0 million
2	Five civil motor liability claims each of € 1.5 million
3	A storm claim where the total accumulated cost exceeds 25.0 million.
4	A fire claim of € 25.0 million in a factory with an insured value of € 70.0 million
5	An explosion claim of € 50.0 million in a factory with an insured value of € 70.0 million. The explosion cover pays out for around 50 buildings and their contents not individually reinsured for a total average cost per risk of € 250.0 thousand, giving a total claim expense of € 62.5 million

Impact on profit before tax in € thousand	Stress Test 1	Stress Test 2	Stress Test 3	Stress Test 4	Stress Test 5
Impact before reinsurance	- 50 000	- 7 500	-25 000	-25 000	-62 500
Reinsurers part of claim fac.	-	-	-	13 215	26 430
Reinsurers part of claim proportional treaties	-	-	-	10 178	20 355
Reinsurers part of claim non-proportional treaties	48 500	-	22 000	607	6 000
Impact on reinsurance	**- 1 500**	**- 7 500**	**- 3 000**	**- 1 000**	**- 9 715**

As shown by the "stress test" results, the most catastrophic scenario would have a maximum negative impact of € 9.7 million (before tax) on the profit after reinsurance, i.e. less than 3.0% of consolidated shareholders' equity.

1.2. Life insurance

1.2.1. General

In life insurance an essential distinction is made between contracts intended to provide death and invalidity cover only, such as "temporary outstanding loan annuities" contracts, and combined contracts which cover the risk and include a savings element.

a) Frequency and accumulation risk

For contracts providing death and invalidity cover, the biggest factor likely to impact frequency of occurrence are disasters or significant lifestyle changes in eating, drinking and smoking habits and physical exercise. For contracts covering survival risk, the most important factor is progress in medical and social science improving life expectancy. As regards long-term mortality and longevity trends, we regularly review the assumptions on which our pricing policy is based.

b) Concentration of risks

The reinsurance policy which provides cover for catastrophe risks also covers any risk concentration. This agreement covers all single disaster claims affecting at least three people.

c) Sources of uncertainty in estimating payments on maturity and future premiums

The sources of uncertainty are unforeseeable events which influence estimates, such as a shift in long-term longevity and changes in the social behaviour of the insured parties. The Group uses mortality tables which are recognised as appropriate for the local market. The performance of the portfolio and the general mortality statistics are systematically checked. If these checks highlight any significant deviations, the mathematical provisions for these contracts and the price of the products in question are adjusted accordingly.

1.2.2 Long-term and short-term life insurance, assumptions, changes in assumptions and sensitivity

For life insurance contracts with guaranteed return and DPF, estimates are made, taking into account the probability of death, cancellation, interest rates and general expenses, at the time these contracts are written.

Using these assumptions, the Group calculates the insurance commitment for the duration of the contract. Subsequent to this, further estimates are made on a regular basis to ascertain whether the initial estimates are still adequate. If current estimates are inadequate, additional provisions are set aside.

For contracts with a DPF, the Group cannot accurately estimate the fair value of this clause in the contracts. In fact, although this clause entitles to additional benefit, the interest rate used to determine the discretionary participation is decided by the Board of Directors of the concerned entities on the basis of recommendations from Group actuaries.

The decision as to the amount of the DPF to be awarded depends on the performance of the assets invested. The rates applicable to the contracts are based on this amount.

1.2.3 Sensitivity assumptions

Stress tests are run on the life insurance portfolios on a regular basis, and at least once a year. These highlight the surplus – or possible shortfall – of cover for the Group's commitments. For both long-term and short-term contracts, these tests determine the impact of a 25.0% increase or fall in the reference bond yields.

As of 31 December 2006, the surplus of hedging assets in excess of the technical provisions calculated according to current regulations, has the rate of cover vary as follows:

- At the 3.95% reference rate (2005: 3.30%), the excess cover was up 42.0% (2005: 3.3%);
- At the rate of 4.95% (2005: 4.1%), representing an increase of 25.0% (2005: 25.0%), the excess cover increased by 30.3% (2004: 58.4%);
- Calculated at a rate of 2.5% (2004: 2.7%), representing a drop of 25.0%, the excess cover increases by 11.0% (2005: 12.2%);

The Group is using an economic model to monitor any eventual shortfalls in future returns required to meet contractual commitments.

In an economic environment favourable for an increase of interest rates, the shortfall established in 2005 in the face of a interest rate scenario of 2.8% to 2.9% is maintained. The shortfall can be estimated at between 15.4% (2005: 15.4%) and 11.9% (2005: 11.9%) of the excess cover, in other words a current maximum fluctuation of Ð 2,679.0 thousand, impacting directly on the shareholders' equity of the Group at the rate of Ð 1,867.0 thousand after tax.

At the 2006 year-end, the shortfall was entirely covered by additional provisions.
The reinsurance agreements only cover the insurance risks as such and do not concern the asset cover of insurance commitments.

These scenarios are based on the assumption that there is no reinsurer credit risk and that all other variables remain constant. In the event of default by the reinsurers, the Group would incur higher costs.

1.2.4 Short-term life insurance contracts

The Group sells individual short-term life insurance contracts in connection with the death cover it provides. These contracts back loans taken out by the policyholder to purchase consumer goods.

In Group insurance, these short-term contracts are subscribed by companies in connection with their pension benefit funds for their employees. In the majority of cases these contracts cover death and invalidity risk in addition to the savings facility they offer. Life risk is not exposed to any uncertainties other than the disaster and lifestyle uncertainties already mentioned.

1.2.5. Long-term life insurance contracts sold under the freedom of services act

In addition to the above contracts, the Group sells life contracts outside Luxembourg under the freedom of services act. These are classified as either investment contracts or insurance contracts, depending on whether or not there is significant insurance risk as defined by IFRS 4. In the majority of cases, the policyholder pays a single premium in the form of a savings capital which is invested according to a pre-defined investment policy. Consequently, the financial risk is borne by the policyholder, except of course for the portion of insurance risk covered by the contract.

2. FINANCIAL RISK

The Group carries a financial risk through its financial assets, reinsurance receivables and insurance liabilities. In life insurance, there is the risk that revenue from financial assets will not be sufficient to meet the savings commitments provided for in the insurance contracts. The financial margin is exposed to the risk made up of a combination of variation possibilities of the rates of return of the technical provisions and the technical rate in the life sector and the legal interest rate to be applied to provisions for claims in the non-life sector.

On the basis of the profile of its insurance liabilities and cash flows, the Group seeks a balanced return from its asset management activities in order to meet the risks incurred.

It complies with the legal framework which sets restrictions on the investment of technical provisions by asset type and issuer in order to avoid a concentration risk. Beyond the legal limits, investments in financial assets are highly diversified. These are generally not hedged by derivatives. Any portfolio adjustments considered necessary are applied directly to the assets managed. The most important risk factors are rate risks, the risk of fluctuations of stock market prices, credit risk and foreign exchange risk.

The Group has identified credit risk inherent to the management of clients, brokers and reinsurers. The first two are handled by the litigation department and the reinsurance committee is responsible for reinsurance risk. The other risks arise from unhedged positions from interest rates, exchange rates, equities and Investment funds which are exposed to market movements. Taking into account the structure of the securities portfolio, the most important risk is the interest rate risk.

Interest rate risk is especially high for long-term contracts because it is very likely that the medium and long-term rates will fluctuate significantly. Hence, a drop in return from assets due to a long-term drop in the bond rates and/or the equities markets could reduce the financial margin if the return from assets invested is not sufficient to cover the technical rates and accumulated profit sharing. A rise in the bond rates, on the other hand, reduces the value of the bond portfolios and may lead to significant depreciation.

The stock market risk applies to the loss of capital invested in equities. A long-term fall in the equity markets and the property market may not only result in amortisation or depreciation, but will also reduce the unrealised capital gains and available surpluses.

Foreign exchange risk is marginal as the majority of the Group's assets and liabilities are in Euro.

2.1 The interest rate risk

The interest rate risk is the main risk likely to affect the value of the hedging assets of the technical provisions under Luxembourg legislation and the technical provisions. The interest rate risk involves variations in the medium and long-term market rates compared to the technical interest rate set for savings contracts and the legal interest rate for non-life insurance claims.

In non-life insurance, claims are valued in accordance with the legal interest rate or the annuity actualisation rate.

Long-term contracts known as unit-linked contracts, under which capital saved is represented by investment fund units do not bear any such risk, since the risk is borne by the policy-holder himself.

Long-term life insurance contracts with a savings and pension benefit element guarantee a fixed rate of return when they are written. This rate is linked to the technical rate in force at the time of subscription plus a supplementary interest rate called DPF (Deferred Participation Feature) which is decided on a discretionary basis by the Board of Directors of the issuing company. The technical rate is set periodically by the Commissariat aux Assurances [Insurance Commission] on the basis of certain criteria, particularly the long-term market interest rate.

The rate of the DPF is reviewed from time to time following analysis and a proposal from the actuary and taking into account the Group's financial revenue and the technical rate set for the contract at the time the contracts were written.

The risk for the Group is the possibility that revenue from the hedging assets will not be sufficient to cover the savings accumulated under these life contracts which are paid out at the technical rate. The table below shows the portfolio of insurance contracts with a savings element and the average rate of return from the hedging assets.

Life insurance provisions in thousand € as at 31.12.2005	281 818.6
Average rate of return on maturity of the hedging bonds	3.6%

The next table shows the composition of the various fixed rate and variable rate hedging assets of the technical provisions:

On 31.12.2006	Fair value in € thousand	Actual interest rate
Bonds	717 754.0	3.7%
Time deposits	100 361.7	3.6%

The fixed rate bonds are exposed to a risk of fair value variation. As the interest rate on bank deposits is variable, these are exposed to a cash flow risk.

To manage the interest rate risk, the Group estimates the returns in relation to the average weighted lifetime of the bonds portfolio. The average lifetime is taken into account when determining the sensitivity of the portfolio to changes in long-term market interest rates.
For the purposes of asset/liability management (ALM), the Group ensures that the recurrent returns from assets embedded in contracts with a guaranteed rate linked to the technical rate is in line with or is higher than the average guaranteed rate and that the average bond lifetime discrepancy is justified. This discrepancy between assets and liabilities will generally not exceed three years. ALM does not require strict synchronisation of the amounts payable and the amounts receivable. For contracts with no guaranteed rate of return, the manager targets the term of the bonds on the market.

The table in note 14. Equity securities and fixed income securities shows the nominal value of the bonds portfolio grouped by term and the average coupon rate.
The risk of fair value variation affects the bond portfolios, loans to agents and mortgage loans. As the bonds portfolio does not include variable rate bonds, the cash flow risk is zero.

2.2 Credit risk and liquidity risk

The Group is exposed to some credit risks such as the risk that commercial or financial counterparts will be unable to honour their commitments.

The following are exposed to credit risk:

- The reinsurers' share of technical provisions,
- The sums payable by the reinsurers in respect of claims paid out,
- The sums payable by policyholders,
- The sums payable by insurance intermediaries,
- Sums deposited with banks,
- The sums payable by co-insurers,
- Bonds held in the portfolio,
- Equities held in the portfolio.

The Board of Directors sets limits to the sums deposited with banks, thus capping the associated risks. These limits are reviewed periodically, at least once a year, when a rating check is carried out or, in the absence of a rating, the balance sheet of the counter party in question is examined. The reinsurance and co-insurance credit risk is managed by the reinsurance committee.

Client risks are followed up on a continuous basis through reminder letters and, where necessary, termination of the contract allowing the Group to exit the risk. The risks linked to bond issuers are described by means of the ratings assigned to bond issuers in the portfolio as at 31 December 2006. (cf. Note 14).

The Group regularly monitors the rating of the various debtors in the portfolio to ensure a high quality portfolio at all times and to assess whether the return on these assets is in line with the credit risk. A policy of issuer diversification is applied. This is based on regulatory criteria and management factors applicable to each rating category. The credit risk borne in respect of an issuer will also take into account bank deposit facilities in place and in use.

The liquidity risk reflects the potential inability to dispose of financial assets at a given time under normal circumstances. To deal with this risk, the vast majority of shares in the portfolios are listed on active markets and traded daily in large volumes compared to the line held by the Group.

2.3 Organisation of the asset management activity

The day-to-day management of the financial assets of the Group companies has been contracted out to FOYER ASSET MANAGEMENT, a wholly-owned subsidiary of the Group specialising in asset management. This means that the necessary skills are pooled within a central function for the benefit of all Group entities.

Note 7. Segment information

1. INFORMATION BY SEGMENT OF ACTIVITY

The Group is organised around three business activities:

- Non-life insurance covering all civil liability, damage to property, health and accident, legal protection and reinsurance risks.
- Life insurance covering all death risks, savings contracts with death cover guarantee and pension benefit contracts. Cover for all these risks is available in individual contracts and Group insurance. The life insurance sector also offers investment contracts
- Asset management services for individuals and the Group companies as well as trading for own account and brokerage business.

Consolidated Income statement as of 31. December 2006 € thousands	**Non-Life**	**Life**	**Asset Management**	**Consolidated**
Earned premium net of reinsurance	183 451.0	67 188.4	-	250 639.4
Net operating income	63 209.1	57 857.4	7 332.6	128 399.1
Insurance benefits and claims net of reinsurance	- 98 591.8	- 94 271.5	-	- 192 863.3
Expenses	- 54 241.0	- 19 125.3	- 4 066.5	- 77 432.8
Group share in the profit of subsidiaries	88.2	-	-	88.2
Income before tax	**93 915.5**	**11 649.0**	**3 266.1**	**108 830.6**
Tax	- 27 106.6	- 2 822.3	- 1 283.9	- 31 212.8
Net Income	**66 808.9**	**8 826.7**	**1 982.2**	**77 617.8**

Segment amortisation and depreciation expense € thousands	Non-Life	Life	Asset Management	Consolidated
Amortisation of IT software purchased	- 820.2	- 103.4	- 361.0	- 1 284.6
Amortisation of internally generated IT software	- 417.0	-	-	- 417.0
Amortisation of business premises, land and constructions	- 1 363.2	-	-0.4	-1 363.6
Amortisation on equipment , furniture and machinery	-1 127.4	-89.8	-64.4	-1 281.6
Amortisation on investment property	-16.2	-220.1	-	-236.3

Addition of fixed tangible& intangible assets of the year € thousands	Non-Life	Life	Asset Management	Consolidated
Intangible fixed assets	1 139.3	73.8	102.8	1 315.9
Tangible fixed assets	10 889.0	115.2	193.3	11 197.5

Consolidated Balance sheet on 31 December 2006

Assets and liabilities per segment on 31 December 2006 € thousands	Non-Life	Life	Asset Management	Consolidated
ASSETS				
Intangible fixed assets	3 843.6	275.6	413.5	4 532.7
Tangible fixed assets	47 066.2	6 272.5	232.6	53 571.3
Investments in associates	361.2	-	-	361.2
Variable income securities	171 379.9	136 290.9	15 735.4	323 406.2
Fixed income securities	372 011.9	293 533.9	52 208.2	717 754.0
Financial securities at fair value through income	-	1 442 590.0	-	1 442 590.1
Insurance receivables and other receivables	52 140.8	18 664.1	18 075.2	88 880.1
Deferred tax assets	2 190.6	542.2	38.6	2 771.4
Reinsurers' share of liabilities in respect of insurance and financial contracts	63 037.5	3 644.1	-	66 681.6
Cash and cash equivalents	64 291.9	47 105.6	29 723.5	141 121.0
LIABILITIES				
Technical provisions	358 219.0	972 539.1	-	1 330 758.1
Provisions	16 164.2	8 682.1	126.4	24 972.7
Financial liabilities	30 010.9	836 419.8	29.6	866 460.3
Insurance debts and other debts	84 617.1	24 003.5	29 805.9	138 426.5
Deferred tax credit	45 382.5	21 491.2	431.3	67 305.0

Consolidated Income statement as of 31. December 2005 € thousands	Non-Life	Life	Asset Management	Consolidated
Earned premium net of reinsurance	171 644.9	110 205.3	-	281 850.2
Net operating income	30 120.8	96 221.2	6 316.5	132 658.5
Insurance benefits and claims net of reinsurance	- 91 483.1	- 179 255.0	-	- 270 738.1
Expenses	- 51 772.7	- 19 562.0	- 3 160.2	- 74 494.9
Group share in the profit of subsidiaries	86.1	-	-	86.1
Income before tax	**58 596.0**	**7 609.5**	**3 156.3**	**69 361.8**
Tax	- 17 913.7	- 628.7	- 1 086.3	- 19 628.7
Net Income	**40 682.3**	**6 980.8**	**2 070.0**	**49 733.1**

Segment amortisation and depreciation expense on 31 December 2005 € thousands	Non-Life	Life	Asset Management	Consolidated
Amortisation of IT software purchased	- 842.8	- 86.4	- 348.1	- 1 277.3
Amortisation of business premises, land and constructions	- 4.9	-	- 0.8	- 5.7
Amortisation on equipment , furniture and machinery	- 1 124.9	- 108.1	- 56.7	- 1 289.7
Amortisation on investment property	- 13.6	- 220.2	-	- 233.8

Addition of fixed tangible& intangible assets of the year € thousands	Non-Life	Life	Asset Management	Consolidated
Intangible Assets	2 975.2	351.5	518.4	3 845.1
Tangible Assets	17 725.6	-	-	17 725.6

In order to allow for comparison with 2006 figures, amounts in relation with inter-segment expenses of 2005 have been adjusted.

Consolidated Balance Sheet as of 31 December 2005

Assets and liabilities per segment on 31 December 2006 € thousands	Non-Life	Life	Asset Management	Consolidated
ASSETS				
Intangible fixed assets	3 941.4	305.4	671.6	4 918.4
Tangible fixed assets	44 126.7	6 662.4	106.5	50 895.6
Investments in associates	358.8	-	-	358.8
Variable income securities	162 638.5	109 297.6	10 333.9	282 270.0
Fixed income securities	334 981.4	278 808.2	51 589.3	665 378.9
Financial securities at fair value through income	-	1 380 941.6	-	1 380 941.6
Insurance receivables and other receivables	51 482.3	16 751.1	5 619.7	73 853.1
Deferred tax assets	3 455.4	2 163.5	39.9	5 658.8
Reinsurers' share of liabilities in respect of insurance and financial contracts	62 803.5	5 145.9	-	67 949.4
Cash and cash equivalents	38 672.5	35 674.0	18 258.1	92 604.6
LIABILITIES				
Technical provisions	348 562.7	956 927.0	-	1 305 489.7
Provisions	17 646.0	9 427.3	126.5	27 199.8
Financial liabilities	33 906.8	760 203.0	-	794 109.8
Insurance debts and other debts	72 944.3	12 474.3	8 691.7	94 110.3
Deferred tax credit	30 303.3	18 777.4	122.8	49 203.5

In order to allow for comparison with 2006 figures, amounts in relation with inter-segment expenses of 2005 have been adjusted.

2. INFORMATION BY GEOGRAPHICAL SECTOR

The three sectors of activity operate in different geographical areas. The table below shows the geographical distribution of gross premiums written.

€ thousands	2006	2005
Luxembourg	286 810.2	282 983.8
European Union	11 969.5	55 166.5
Others	-	53.4
Total	**298 779.7**	**338 203.7**

Note 8. Share capital, share premium account, profit per share

Subscribed capital amounts to at € 44,994,210.0 represented by 8,998,842 fully paid up ordinary shares without nominal value. There are no other share classes, and there are no options or preference rights in existence that would allow issue of different classes of shares leading to a dilution effect on the number of shares issued.

Shares issued all enjoy the same voting rights at ordinary and extraordinary general meetings and entitle to the dividend voted by shareholders at Annual General Meeting. Authorised capital is at € 74,350,000.0.

The Group has neither issued new shares nor has it repurchased own shares such as the number of shares outstanding corresponds to the number of shares issued.

The following table shows the breakdown share premium account:

Issue premiums	€
2000	2 251 684.0
2001	466 617.7
2002	387 700.7
Total	**3 106 002.4**

A dividend to be paid in 2007 with reference to the financial year 2006 of € 1.341176 gross per share, will be proposed to the Annual General Meeting of the shareholders , against € 1.20 per share a year earlier. The 2006 financial year accounts do not include the dividend to be proposed at the general meeting of shareholders of 3 April 2007.

Base result per share is calculated by dividing the net result attributable to the ordinary shareholders of the parent company, by the average weighted number of shares outstanding in the course of the financial year.

	2006	2005
Profit of the year attributable to Ordinary shareholders (€ thousand)	77 370.6	49 511.8
Average number of shares outstanding	8 998 842	8 998 842
Profit per base share (€)	8.6	5.5

Note 9. Reserves

The table below shows a breakdown of reserves:

€ thousand	**2006**	**2005**
Other reserves	148 810.8	125 849.4
Of which: Revaluation reserve	*38 021.4*	*39 012.7*

The "Reserves" item contains the following components:

Statutory reserve

This is the statutory reserve of the parent company FOYER S.A. to which at least 5% of the year's net profit has been allocated in accordance with LuxGAAP, until the reserve reached the equivalent of 10% of share capital. This reserve may not be disposed of (€ 4 499.4 thousand).

Special reserves

The Group companies reduced their wealth tax liability as permitted under tax law. Accordingly Group companies allocate an amount corresponding to five times the reduced wealth tax liability to a blocked reserve. This reserve may not be disposed of for five years starting the year following the one in which the wealth tax liability was reduced (€ 16 026.4 thousand).

Other reserves

The "other reserves", include the Group's share in the reserves of the different group entities as well as the "revaluation reserve". The latter gives the fair value adjustments of the securities portfolios in accordance with IAS 39.

During 2006 this reserve has evolved as follows:

€ Thousand	
Reserve as of 01 January 2006	39 012.7
Variation of the consolidation perimeter	5.2
Transfer to income	- 5 452.9
Impairment via Income Statement	2 256.4
Increase of the year	2 200.0
Reserve as of 31 December 2006	38 021.4

The transfer to income item mainly represents profits on sales of components of the available for sale portfolio.

The impairment via Income Statement shows long term losses previously accounted for in the revaluation reserve and which are now to be transferred to the income statement.

Actuarial differences

Actuarial differences shows the sum of all actuarial gains or losses resulting from the pension benefit or similar provisions. The result occurs through the application of the current actualisation rate.

€ thousand	**2006**	**2005**
Provision for actuarial differences	1 043.9	- 232.4

Note 10. Consolidated statement of changes in equity

en € thousand	Subscribed capital
Shareholder equity as of 31.12.2004 published	**44 994.2**
Adjustment IAS 19 (Note 4)	
Shareholders equity as of 31.12.2004 adjusted	**44 994.2**
Distribution result 2004	
- Dividends paid by parent company	
Income and losses directly recognised in equity*	
Variation of consolidation perimeter and other variations	
Net income 2005 *	
Shareholder equity as of 31.12.2005	**44 994.2**
Distribution net income 2005	
- Dividends paid by parent company	
-Disposal of net result	
Income and losses directly recognised in equity	
Variation of consolidation perimeter and other variations	
Net income 2006	
Shareholder equity as of 31.12.2006	**44 994.2**

** Adjusted amounts*

The variation of the shareholders equity- part of minority shareholders - is due to the transfer of part of their share to financial liabilities. This adjustment is considered insignificant and, accordingly, does not require a retrospective adjustment. Adjustments to shareholders equity as of 31 December 2004 and adjustments to the net income of 2005 are related to the change in accounting policy such as outlined in Note 4.

Issue premiums	Reserves	Profits brought forward and profit of the year	Shareholders equity-Group part	Shareholder equity-Minority part
3 106.0	**104 123.7**	**133 829.0**	**286 053.0**	**2 132.0**
	-1 079.1	1 079.1		
3 106.0	**103 044.6**	**134 908.1**	**286 053.0**	**2 132.0**
		-9 450.0	-9 450.0	
	19 301.2		19 301.2	0.6
	3 503.6	-2 628.6	875.0	6 071.4
		49 511.8	49 511.8	221.2
3 106.0	**125 849.4**	**172 341.3**	**346 291.0**	**8 425.1**
		-10 798.6	-10 798.6	-29.8
	23 316.2	-23 316.2		
	279.8		279.8	-8.6
	-634.6	488.5	-146.2	-7 883.6
		77 370.6	77 370.6	247.2
3 106.0	**148 810.8**	**216 085.6**	**412 996.6**	**750.3**

Note 11. Intangible fixed assets

Movements of intangible fixed assets over the 2006 financial year can be summarised as follows:

2006 € thousand	Software purchased	Software generated internally	Goodwill	Total
Gross amount as of 01.01.2006	**9 534.0**	**2 781.4**	**4 764.7**	**17 080.1**
Entries in 2006	401.9	662.8	251.2	1 315.9
Variations of consolidation perimeter	- 140.8	- 246.4	- 4 764.7	- 5 151.9
Gross amount as of 31.12.2006	**9 795.0**	**3 197.8**	**251.2**	**13 244.1**
Accumulated amortisation as of 01.01.2006	- 7 150.6	- 246.4	-	- 7 397.0
Amortisation in 2006	- 1 284.6	- 417.0	-	- 1 701.6
Accumulated depreciation as of 01.01.2006	-	-	- 4 764.7	- 4 764.7
Variations of consolidation perimeter	140.8	246.4	4 764.7	5 151.9
Accumulated Amortisation as of 31.12.2006	**- 8 294.4**	**- 417.0**	**-**	**- 8 711.4**
Carrying value on 31.12.2006	**1 500.7**	**2 780.8**	**251.2**	**4 532.7**

In the course of 2005 the Group developed internally a software package called ARTIS which became operational in may of the year. Development cost invested € 662.8 thousand and have been recognised as "Entries of the year".

In the course of the year the Group acquired certain software packages and licences for an aggregate amount of € 401.9 thousand. These software were recognised as "Entries of te year" and are amortised according to the straight line method over a 3 year period. Residual value at the end of this period is considered to be nil.

Foyer Assurances bought value 01 january 2006, 40% of the share capital of FOYER-ARAG which were previously held by a ARAG A.G.. The aggregate purchase consideration of these shares was determined as being the difference between the value of 50% of the companies insurance portfolio before the its CAS portfolio by Foyer Assurance to the company and the value of a 10% shareholding in the company after the transfer of said CAS portfolio. Calculations included a 10 year profit estimate of the company as well as excess shareholders funds over and above shareholder funds needed to cover solvency requirement before and after the transfer of the CAS portfolio by Foyer Assurances.

The purchase consideration of € 750 thousand exceeds the part of € 498.8 thousand of shareholder funds which 40% represent. Consequently an amount of € 251.2 thousand was recognised as Goodwill and figures as entry in the Goodwill column. This Goodwill will not be amortised.

Amortisation of the year with respect to other intangible assets was recognised in the line "Administrative expense" of the income statement.

The fair value and accounting value of assets and liabilities acquired in the company FOYER – ARAG were as follows:

€ thousand	
ASSETS	
Fixed income securities	3 266.9
Insurance receivables and other receivables	423.0
Deferred tax assets	6.0
Cash and cash equivalents	137.8
	3 833.7
PASSIF	
Technical provisions	2 182.5
Other provisions	357.7
Deferred tax liabilities	9.8
Insurance debts and other debts	36.7
	2 586.7
Net Assets	*1 247.0*
Net Assets (40,0%)	*498.8*
GOODWILL	*- 251.2*
Cash Flow generated by the acquisition Cash as acquired	68.9
Amounts transferred to Cash accounts	- 750.0
	- 681.1

Foyer

Mouvements of intangible assets in 2005 were as follows:

2005 € thousand	Software purchased	Software generated internally	Goodwill	Total
Gross amount as of 01.01.2005	**8 223.9**	**246.4**	**4 764.7**	**13 235.0**
Entries in 2006	1 310.1	2 535.0	-	3 845.1
Gross amount as of 31.12.2005	**9 534.0**	**2 781.4**	**4 764.7**	**17 080.1**
Accumulated amortisation as of 01.01.2005	- 5 873.3	- 246.4	-	- 6 119.7
Amortisation in 2005	- 1 277.3	-	-	- 1 277.3
Accumulated amortisation as of 31.12.2005	**- 7 150.6**	**- 246.4**	**-**	**- 7 397.0**
Accumulated depreciation as of 01.01.2005	-	-	- 4 764.7	- 4 764.7
Dépréciations de l'exercice	-	-	-	-
Accumulated depreciation as of 31.12.2005	**-**	**-**	**- 4 764.7**	**- 4 764.7**
Carrying value on 31.12.2005	**2 383.4**	**2 535.0**	**-**	**4 918.4**

Major purchased and generated software package recognised in the Group accounts are as follows:

€ thousand

Software	Entity	Carrying value as of 31.12.2006	Residual life time
Asset Management System	Foyer Asset Management	147.91	1 year
Systems software	Foyer Assurances	72.44	between 3 et 5 years
Technical software	Foyer Assurances	397.94	2 years
Process software	Foyer Assurances	3 045.72	1,5 years

Note 12. Business premises, plant and equipment

1. BUSINESS PREMESIS, MATERIAL, FURNITURE AND EQUIPMENT

Movements registered in the line "Business premises, material, furniture and equipment " were as follows :

2006 € thousand	Land and buildings	Buildings under construction	Materials, furniture and equipment	Total
Gross amount as of 01.01.2006	**20 005.0**	**29 837.3**	**11 083.1**	**60 925.4**
Entries in 2006	7 120.6	-	4 076.9	11 197.5
Transfers in 2006	29 076.6	- 29 837.3	420.1	- 340.6
Variation of the consolidation perimeter	-	-	- 169.6	- 169.6
Exits in 2006	- 12 526.9	-	- 2 394.7	- 14 921.7
Gross amount as of 31.12.2006	**43 675.3**	**-**	**13 015.7**	**56 691.0**
Accumulated amortisation as of 01.01.2006	- 7 663.5	-	- 9 100.4	- 16 763.9
Amortisation of the year	- 1 363.6	-	- 1 281.6	- 2 645.3
Transfers in 2006	119.5	-	81.3	200.8
Variation of the consolidation perimeter	-	-	133.2	133.2
Exits in 2006	7 482.1	-	2 118.6	9 600.7
Accumulated amortisation as of 31.12.2006	**- 1 425.5**	**-**	**- 8 048.9**	**- 9 474.4**
Net carrying value as of 31.12.2006	**42 249.8**	**-**	**4 966.8**	**47 216.6**

Group's new head offices located in Leudelange, 12, rue Léon Laval, were finished during the financial year and were transferred from the column "Building under construction" to the column "Land and buildings". This building, with the exception of the land it is built on will be amortised over a period of 25 years. The residual value is estimated to be nil.
The fair value on 31 December 2006 of the "Business premises" as shown in column "Land and buildings", was estimated by independent experts recognised by the market. Fair value estimated by these experts amounts to € 48 431.2 thousand (2005: € 44 277,2 thousand), net of any transaction costs.
On 14 December 2006 the building in Leudelange was pledged to the Luxembourg government as guaranty for the technical commitments of FOYER ASSURANCES in accordance with legal regulations in this respect.
Amortisation of the year has been reconised in the income statement on line "Administrative expense"

Movements registered in the line "Business premises, material, furniture and equipment " were as follows :

2005 **€ thousand**	**Land and buildings**	**Buildings under construction**	**Materials, furniture and equipment**	**Total**
Gross amount as of 01.01.2005	**19 978.1**	**12 837.8**	**10 465.1**	**43 281.0**
Entries in 2005	-	17 021.6	704.0	17 725.6
Transfers in 2005	26.9	-	-	26.9
Exit of the year	-	- 22.1	- 86.0	- 108.1
Gross amount as of 31.12.2005	**20 005.0**	**29 837.3**	**11 083.1**	**60 925.4**
Accumulated amortisation as of 01.01.2005	- 7 657.8	-	- 7 885.9	- 15 543.7
Amortisation of the year	- 5.7	-	- 1 289.7	- 1 295.4
Exits in 2005	-	-	75.1	75.1
Accumulated amortisation as of 31.12.2005	**- 7 663.5**	**-**	**- 9 100.5**	**- 16 764.0**
Net carrying value as of 31.12.2005	**12 341.5**	**29 837.3**	**1 982.6**	**44 161.4**

2. ASSETS HELD FOR SALE

On 31 May 2006, the Group signed a sales contract for the building located in Kirchberg, 6, rue Albert Borschette, for an amount of € 34.0 million. This building, for which a sales plan existed in 2005, had been transferred to "Assets held for sale during the same year.

The profit on this sale was recognised at the time of the signing of the deed before notary public in the course of the first half year 2006 (€ 29.3 million). The building was part of the Non-Life insurance segment.

Note 13. Investment property

Movements registered in the line "Investment property " in 2006 and 2005 were as follows :

€ thousand	2006 Land and Buildings	2005 Land and Buildings
Gross amount on 01.01.	**9 811.2**	**9 838.1**
Exits of the year	- 580.2	-
Transfers	330.7	- 26.9
Gross amount on 31.12.	**9 561.7**	**9 811.2**
Accumulated amortisation on 01.01.	- 3 077.0	- 2 843.2
Amortisation of the year	- 236.3	- 233.8
Exits of the year	225.7	-
Transfers	- 119.5	-
Accumulated amortisation on 31.12	**- 3 207.0**	**- 3 077.0**
Carrying value on 31.12.	**6 354.7**	**6 734.2**

The fair value of the "Investment properties" of the Group at 31 December 2006, established by evaluations carried out by an office of independent experts recognised on the market and based on estimations of sales values, amounts to € 12 256 500 (2005: € 12 494 600), net of all expenses. The rental income from investment properties amounted to € 872 400 (2005: € 850 400). The expenses incurred on these properties came to € 281 300 (2005: € 259 600).
At the end of the depreciation period used, the residual value of the Group's "Investment Properties" excluding land is estimated at zero. The depreciation for the financial year is recognised in the income statement under "Administration costs".

Note 14. Equity securities and fixed income securities

The above financial assets are shown by category in the table below. These do not include assets at fair value through income (assets representing unit-linked contracts) which are detailed in note 20.

The financial assets representing the technical commitments of the insurance and investment contracts issued by the Group constitute a separate set of assets fund used first and foremost as guaranty for the payment of these commitments.

Broken down by type and value category € Thousand	2006		2005	
	Available for sale	Trading portfolio	Available for sale	Trading portfolio
Variable income securities				
Equities				
- listed	287 974.0	32 739.4	267 719.1	13 060.3
- unlisted	2 692.8	-	1 490.6	-
Fixed income securities				
Bonds				
- listed	707 706.6	10 047.4	633 827.9	31 551.0
- unlisted	-	-	-	-
Total	**998 373.4**	**42 786.8**	**903 037.6**	**44 611.3**
Total at year end	**1 041 160.2**		**947 648.9**	

Price change over the financial year by portfolio category € Thousand	Available for sale	Held for trading	Available for sale	Held for trading
	2006		2005	
Carrying value as of 01.01.	**903 037.6**	**44 611.3**	**691 722.5**	**92 164.7**
Acquisitions	502 231.2	1 854 152.0	987 741.4	9 253 881.7
Sales comprising reimbursements	- 400 217.5	- 1 848 744.0	- 799 365.7	- 9 302 224.0
Fair value through income	- 2 593.2	1 701.6	- 2 755.9	788.9
Fair value through equity	- 5 500.8	-	25 695.3	-
Variation of the consolidation perimeter	1 416.1	- 8 934.1		
Carrying value as of 31.12.	**998 373.4**	**42 786.8**	**903 037.6**	**44 611.3**

Rate of return delivered by the bond portfolio:

At 31 December 2006, the yield maturity of the portfolio was calculated on the basis of the coupon rate of bonds in the portfolio and their purchase price and weighted per line: rate: 3.7%

Bond portfolio broken down by year of maturity:

The table below shows the bond portfolio as of 31 December 2006 broken down by redemption date.

Year of maturity	Face value € thousand	Coupon rate %
2007	45 250.0	5.4
2008	60 675.0	5.2
2009	48 850.0	3.8
2010	70 930.0	3.3
2011	144 942.5	3.7
2012 and later	350 426.1	4.1
Total	**721 073.6**	**4.1**

Management of the foreign exchange risk:

The table below shows the securities by currency as at 31 December 2006:

€ thousand	Currency	Converted to €
Swiss Francs	5 907.3	3 676.2
Pounds Sterling	698.7	1 040.6
US Dollars	40 161.3	30 494.6
Total		**35 211.4**

The Group does not view these positions as significant given that they represent a mere 3.4% of the total portfolio.

Managing credit risk:

As of 31 December 2006 credit risk exposure was as follows:

Sovereign risk (including supranational issuers)	Corporate risk
67.0%	33.0%

The bonds in the table below are all valued in accordance with the prices on active markets.

Credit rating as of 31 December 2006 was as follows:

	Face value € thousand	% of bonds
AAA to AA-	630 898.6	87.5
A+ to BBB-	79 425.0	11.0
Lower than BBB-	10 750.0	1.5
Total	**721 073.6**	

Financial assets and liabilities at fair value through income are covered in note 20.

The fixed income and variable income securities portfolio include securities received as guaranty from certain reinsurance companies in an amount of € 8 266.9 thousand (2005: € 21 065.4 thousand).

Note 15. Insurance receivables and other receivables, accruals

The table below shows a breakdown of insurance and reinsurance receivables and other accounts receivable:

€ thousand	2006	2005
Gross receivables from policyholders	10 880.6	20 619.9
Impairment of receivables from policyholders	- 300.0	- 300.0
Receivables from intermediaries	12 715.4	5 901.6
Receivables from reinsurers	652.7	646.2
Other accounts receivable	39 101.7	22 078.0
Accrued income and deferred expenses	17 048.6	15 732.3
Subrogation and recoveries	3 126.1	2 887.7
Loans	5 655.0	6 287.4
Total	**88 880.1**	**73 853.1**

The Group has recognised impairment of receivables from policyholders. The amount was estimated on the basis of historic data in respect of the percentage of unpaid premiums to premiums currently in a legal collection procedure, which was then applied to the amount of premiums recorded as unpaid at the financial year-end. Since the amount premiums in a legal collection procedure is similar to the one of the previous year the impairment amount was kept unchanged.

Loans

The table below shows the loans the Group has granted to third parties, brokers or related parties. The latter loans are also covered in note 34 "*Related party transactions*".

	Depre-ciated cost € thousand	Average life in years	Average rate
Advances on policies	1 319.2	9.9	6.3%
Loans to agents	3 502.4	7.8	4.3%
Loans to related parties	833.4	9.8	3.0%
Total	**5 655.0**	**-**	**-**

The credit risk on these loans is negligible sice they are all backed by adequate surety, either through underlying savings in combined life insurance contracts, the compensation indemnity of insurance portfolios in the case of loans to agents or mortgages in the case of loans to senior management. As the actual repayment rates are essentially the same as the market rates for this type of loan, their original value is maintained.

Accrued income and deferred expenses

€ thousand	2006	2005
Interest and rent accrued but not collected	16 429.1	14 855.7
Deferred acquisition expenses	578.2	497.7
Other accrued income and deferred expenses	41.3	378.9
Total	**17 048.6**	**15 732.3**

Other accounts receivable

€ thousand	2006	2005
Tax advances	17 458.7	18 995.9
Sundry receivables	21 103.5	2 939.7
Receivables from related parties	539.5	142.4
Total	**39 101.7**	**22 078.0**

The current and non-current portion of the financial assets shown in the above tables can be estimated as follows:

	2006		2005	
€ thousand	Current	non-current	Current	non-current
Insurance receivables	23 948.7	-	26 867.7	-
Other accounts receivable	21 643.0	17 458.7	3 082.1	18 995.9
Accrued income and deferred expenses	16 470.4	578.2	15 234.6	497.7
Subrogation and recoveries	3 126.1	-	2 887.7	-
Loans	-	5 655.0	-	6 287.4
Total	**65 188.2**	**23 691.9**	**48 072.1**	**25 781.0**

The current part of financial assets is based on maturity of the insurance contract which in all cases is less than one year. When the maturity of a financial asset is not fixed and depends on factors outside the Group's control, the Group classifies the receivables as non-current. The non-current element of these assets falls due within a period of between 1 and 5 years of the balance sheet date. This applies specifically to tax advances which are recognised under "Other accounts receivable".

After initial recognition, the above loans and receivables are valued at amortised cost using the effective interest rate method. The fair value of these assets is equivalent to the discounted value of future cash flows, which is calculated at market rate. The fair value of these assets is not shown as the effect of discount of the original amounts is negligible.

Note 16. Cash and cash equivalents

The Group's financial management procedures require, as part of the interbank credit risk monitoring process, that cash transactions processed do not exceed the internal placing limits agreed for each of the financial institutions with whom the Group operates. These facilities take into account the rating of these organisations and vary between € 2 million and € 75 million. The facilities are reviewed at least once a year to check that they are in line with the ratings. When there is no official published rating, the Group bases the amount of the facility on balance sheet criteria. No credit agreements have been entered into with these financial institutions.

€ thousand	2006	2005
Time deposits	100 361.7	72 535.7
Cash in hand, current and short term call accounts	40 759.3	20 068.9
Total	*141 121.0*	*92 604.6*
Short term bank debt (Note 18)	- 31 135.1	- 6 846.9
Total	**109 985.9**	**85 757.7**

The maturity of time deposits varies between 4 and 23 days and the interest rates are based on the short-term financial market, averaging 3.6 % as of 31 December 2006. The fair value of these assets has not been recognised because discounting has a negligible effect on the original amounts.

Short term bank debts are overdraft facilities on current accounts with those banks the Group currently operates with. These overdraft facilities are not contractually defined and remain unconfirmed.

Note 17. Insurance provisions and reinsurers part of insurance contract liabilities

1. TECHNICAL PROVISIONS NET OF REINSURANCE

€ thousand	2006	2005
Gross amounts		
- Claims provision	296 344.7	286 374.6
- Provision for unearned premiums	80 066.6	80 340.0
- Provision for life insurance	953 021.3	937 799.5
o/w investment contracts with DPF	*42 308.2*	*32 593.9*
- Provision for contract aging	1 325.5	975.6
Total gross technical provisions	**1 330 758.1**	**1 305 489.7**
Reinsurers share		
- Claims provision	- 57 849.8	- 55 901.2
- Provision for unearned premiums	- 8 155.0	- 11 182.6
- Provision for life insurance	- 676.8	- 865.6
Total technical provisions – reinsurers share	**- 66 681.6**	**- 67 949.4**
Net amounts		
- Claims provision	238 494.9	230 473.4
- Provision for unearned premiums	71 911.6	69 157.4
- Provision for life insurance	952 344.5	936 933.9
- Provision for contract aging	1 325.5	975.6
Total net technical provisions	**1 264 076.5**	**1 237 540.3**

The provision for non-life claims includes an estimated amount of € 11 250.8 thousand (2005: € 10 763.0 thousand) for late-reported claims. This provision has been calculated on the basis of historic frequency and average cost data. The claims provision also contains a provision for administration expense in the amount of € 19 303.6 thousand (2005: € 19 301.5 thousand) aimed at providing the Group with the necessary funding to meet run-off costs of outstanding claims should the Group cease to write insurance contracts.

In the life sector, the life insurance provision comprises additional provisions to accommodate rate risk.

It should be noted that investment contracts with DPF written by FOYER VIE are significant neither by amount nor by number. They are managed according to the rules set by Luxembourg legislation in this matter.

2. VARIATION OF GROSS LIFE AND NON-LIFE INSURANCE LIABILITIES AND RELATED REINSURANCE ASSETS

2.1 Variation of the claims provision (excluding subrogation and recoveries)

	2006			2005		
€ thousand	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01	286 374.6	55 901.2	230 473.4	290 414.7	63 510.9	226 903.8
Variation of the consolidation perimeter	787.1	-	787.1	-	-	-
Current year variation	9 183.0	1 948.7	7 234.4	- 4 040.1	- 7 609.7	3 569.6
Provision 31.12	296 344.7	57 849.9	238 494.9	286 374.6	55 901.2	230 473.4

2.2 Variation of the provision for unearned premiums

	2006			2005		
€ thousand	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01	80 340.0	11 182.6	69 157.4	74 193.1	9 379.0	64 814.1
Variation of the consolidation perimeter	304.2	-	304.2	-	-	-
Current year variation	- 577.6	- 3 027.6	2 450.0	6 146.9	1 803.6	4 343.3
Provision 31.12	80 066.6	8 155.0	71 911.6	80 340.0	11 182.6	69 157.4

2.3 Variation of the provision for life insurance

2.3.1 Variation of the provision for life insurance

	2006			2005		
€ Thousand	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01	307 406.3	865.6	306 540.7	276 561.9	706.9	275 855.0
Variation for the financial year	29 410.0	- 188.8	29 598.8	30 844.4	158.7	30 685.7
Provision 31.12	336 816.3	676.8	336 139.5	307 406.3	865.6	306 540.7

2.3.2 Variation de la provision relative à des contrats d'assurance en UC

	2006			2005		
€ Thousand	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01	625 833.7	-	625 833.7	527 818.1	-	527 818.1
Transfer to liabilities for Investment contracts	- 28 894.4	-	- 28 894.4	-	-	-
Variation for the financial year	9 975.5	-	9 975.5	98 015.6	-	98 015.6
Provision 31.12	606 914.8	-	606 914.8	625 833.7	-	625 833.7

The adjustment of investment contract selection criteria such as outlined in Note 3. "Summary of significant accounting and consolidation policies" led to the reclassifying of certain life-insurance contracts. These contracts represent an amount of € 28 894.4 thousand which, in 2005, were included under the "provision for unit-linked insurance contracts", and which, following the reclassifying, are now transferred to "Liabilities for investment contracts". This adjustment has had no impact on the 2005 consolidated profit and loss account.

2.3.3 Variation of the provision for DPF

	2006			2005		
€ Thousand	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01	4 559.5	-	4 559.5	695.9	-	695.9
Variation for the financial year	4 730.6	-	4 730.6	3 863.6	-	3 863.6
Provision 31.12.	9 290.1	-	9 290.1	4 559.5	-	4 559.5

3. VARIATION OF THE PROVISION FOR CONTRACT AGING

€ milliers	2006			2005		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01	975.6	-	975.6	687.9	-	687.9
Variation for the financial year	349.9	-	349.9	287.7	-	287.7
Provision 31.12	1 325.5	-	1 325.5	975.6	-	975.6

4. LOANS AND DEPOSIT RECEIVED FROM REINSURERS

Under the reinsurance contracts held, reinsurers are obliged to provide cash deposits to cover all or part of their reinsurance commitments, as the ceding company sees fit. Depending on the contract, interest is paid on these deposits at between 75% and 90% of the 6-month Euribor rate or in line with the rate of return of OLO bonds issued by the Belgian government.
These rates are fixed on 1st January of the year following the year for which the cash deposits are made. The Group has not required the reinsurers to deposit the full amount of deposits to which it is entitled.

The table below shows the value of the deposits as at 31 December of each year.

€ thousand	2006	2005
Non-life contracts	30 010.9	33 906.7
Life contracts	1 346.2	2 447.3
Total	**31 357.1**	**36 354.0**

The fair value of these assets has not been recognised because the effect of discounting the effective interest rate of these amounts is negligible.

Note 18. Insurance debts and other debts

The table below shows a breakdown of these debts:

€ thousand	2006	2005
Debts arising from direct insurance transactions	16 174.1	12 971.4
Debts arising from reinsurance transactions	12 807.4	15 456.7
Debts with credit institutions	31 135.1	6 846.9
Tax and social security liabilities	45 752.1	42 399.1
Debts with group companies	256.5	117.1
Other debts	32 301.3	16 319.2
Total	**138 426.5**	**94 110.4**

Most of the debts from direct insurance transactions arise from premiums for non-life co-insurance contracts written for own account and on behalf of other insurance companies in which the Group acts as leading insurer.

Debts arising from reinsurance transactions account for the balances on reinsurance accounts at the end of the period under review.

Debts with credit institutions are occasional overdrafts on the Group's current accounts maintained with these institutions. These overdraft facilities are non-contractual, unconfirmed current account credit facilities granted by these institutions.

The tax and social security liabilities are sums due to these authorities by virtue of income tax returns received, tax and social security contributions deducted at source and provisions for income tax and wealth tax calculated each year in line with the tax laws of the countries in which the entities are established. In certain cases, quarterly payments on account are paid to the tax authorities against the income tax returns. These are recognised in the assets at amortised cost but are not specifically intended as hedging instruments.

Debts with group companies essentially represent the balance on the current accounts held with proportionally-consolidated joint ventures.

The other debts come from securities transactions which are pending settlement at the end of the period.

After initial recognition, the above insurance debts and other debts (excluding tax liabilities) are valued at amortised cost using the effective interest rate method. The fair value of these insurance debts and other debts is the discounted value of future cash flows, which is calculated at market rate. As all these debts are either payable in the very short term or can be offset against a receivable from the same debtor, the fair value of these assets has not been recorded because discounting has a negligible effect on the original amounts.

Other financial liabilities

At the 2006 financial year-end, FOYER ASSET MANAGEMENT held a short bond position in € 29.6 thousand which is recognised under "Other financial liabilities".

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Note 19. Income tax and deferred income tax

1. TAX CHARGE DUE

The tax charge on profit and wealth tax for all Group companies has been recognised as follows:

€ thousand	2006	2005
IRC	- 9 823.7	- 10 939.1
ICC	- 3 398.0	- 3 651.8
Wealth Tax	- 301.6	- 321.3
Total allocation to the tax provision	**- 13 523.3**	**- 14 912.2**

2. DEFERRED TAX INCOME AND EXPENSE FOR THE YEAR

Deferred taxes arise where there is a temporary difference between the taxable base of an asset or a liability and the carrying value of that asset or liability in the consolidated balance sheet. The table below shows a breakdown of these taxes:

€ thousand	2006	2005
Deferred tax asset at 01.01	**5 658.8**	**5 192.7**
- Deferred tax recoverable within 12 months	- 2 257.3	- 80.4
- Deferred tax recoverable after 12 months	- 630.1	546.5
Total deferred tax asset at 31.12	**2 771.4**	**5 658.8**
Deferred tax liability at 01.01	**49 203.5**	**36 349.4**
- Deferred tax recoverable within 12 months	4 937.9	8 101.0
- Deferred tax recoverable after 12 months	13 163.6	4 753.1
Total deferred tax liability at 31.12.	**67 305.0**	**49 203.5**
Deferred tax charged to the income statement	**- 17 689.5**	**- 4 716.5**
Deferred tax charge	- 18 068.1	- 6 670.9
Deferred tax revenue	- 378.6	1 954.4

Deferred tax related to items debited or credited directly in equity amounts to € 3 296.7 thousand (IAS 19: € 556.9 thousand; IAS 39: € 2 739.8 thousand).

3. DEFERRED TAX ASSET

The following table shows deferred tax debits according to their source:

€ thousand	IAS 38	IAS 37	IAS 27	IAS 19	IAS 12	Total
Year starting 2005	**2.7**	**436.8**	**4.0**	**2 793.9**	**1 955.4**	**5 192.7**
Variation of consolidation perimeter and other variations	4.0	- 0.4	- 4.0	0.4	-	-
Debit/ Credit to profit and loss	- 5.2	22.9	-	- 98.1	546.5	466.1
Débit/crédit réserve de réévaluation	-	-	-	-	-	-
End of year 2005	**1.5**	**459.3**	**-**	**2 696.2**	**2 501.8**	**5 658.8**
Year starting 2006	**1.5**	**459.3**	**-**	**2 696.2**	**2 501.8**	**5 658.8**
Variation of consolidation perimeter and other variations	- 0.8	3.0	-	-	-	2.2
Debit/ Credit to profit and loss	- 0.5	0.4	-	- 75.3	- 2 257.2	- 2 332.6
Debit / credit of the revaluation reserve	-	-	-	- 557.0	-	- 557.0
End of year 2006	**0.2**	**462.7**	**-**	**2 063.9**	**244.6**	**2 771.4**

IAS 38: The in the deferred tax amount under IAS 38 relates to the set-up costs. The depreciation recognised under LuxGAAP is cancelled under IFRS.

IAS 37: The variation in the deferred tax amount results from an increase in the provision for paid holiday leave. The variation registered in 2006 is due to the change in the consolidation perimeter.

IAS 12: Changes in the amount of deferred tax in relation with IAS 12 of € 2 257.2 thousand is in essence due to losses carried forward, which were incurred by the various Group companies under LuxGAAP. They have been determined in accordance with the Grand-Duchy of Luxembourg's tax laws.

IAS 19: The increase in provisions for pension benefits calculated in the consolidated accounts using methods prescribed by this norm but not provided for under LuxGAAP explain the change of the deferred tax asset.

4. DEFERRED TAX CREDIT

The following table shows deferred tax credits according to their source:

€ thousand	IAS 39	IAS 37	IAS 36	IAS 28	IAS 19	IAS 12	IFRS 5	Total
Beginning of the year 2005	**10 005.0**	**14 985.4**	**- 91.1**	**- 5.1**	**-**	**11 455.2**	**-**	**36 349.4**
Adjustments	- 5.1	- 498.2	498.2	5.1	-	-	-	-
Debit/credit to profit and loss	377.4	5 528.4	- 407.1	-	326.1	- 338.7	66.0	5 552.1
Debit/Credit to the revaluation reserve	7 738.5	- 436.5	-	-	-	-	-	7 302.0
End of year 2005	**18 115.8**	**19 579.1**	**-**	**-**	**326.1**	**11 116.5**	**66.0**	**49 203.5**
Beginning of year 2006	**18 115.9**	**19 579.2**	**-**	**-**	**326.1**	**11 116.5**	**66.0**	**49 203.5**
Variation of the consolidation perimeter and other variations	4.9	-	-	-	-	-	-	4.9
Debit/credit to profit and loss	2 193.2	4 020.5	-	-	-	9 209.1	- 66.0	15 356.8
Debit/Credit to the revaluation reserve	2 739.8	-	-	-	-	-	-	2 739.8
End of Year 2006	**23 053.7**	**23 599.6**	**-**	**-**	**326.1**	**20 325.6**	**-**	**67 305.0**

IAS 39: The movement of deferred tax credits under IAS 39 represents the deferred tax generated by the increase in the fair value of financial assets.

IAS 37: The movement as at 31 December is the result of the cancellation of the variation in the equalisation provision recorded as a liability under LuxGAAP but which is not recognised by IFRS.

IAS 36: The change arises from the impairment of customer accounts receivable recognised in 2004 under IFRS but not recognised by LuxGAAP. As this impairment was also recognised under LuxGAAP in 2005, the deferred tax amount related to it has to be cancelled .

IAS 28: The movement in 2005 was generated by the change of the consolidation method of EUROP ASSISTANCE S.A.

IAS 12: The movement recorded at 31 December is the result of cancellation of the variation in the "special items with a share in reserves" entry recorded under LuxGAAP.

IFRS 5: As the "Kirchberg" building was reclassified as a non-current asset held for sale, the amortisation expense recognised under LuxGAAP for 2005 and 2006 had to be cancelled since amortisation expense for assets reclassified in this category is not allowed under IFRS.

5. RECONCILIATION OF TAX EXPENSE AND TAX INCOME

€ thousand	2006	2005
Profit before taxs	108 830.6	69 361.7
Tax expense according to (1) above	13 523.3	14 912.2
Tax expense according to (2) above	17 689.5	4 716.5
Total tax expense	**31 212.8**	**19 628.7**
Theoretical tax expense	33 062.7	20 048.3
Impactr of losses carried forward	-	- 546.5
Impact of tax credits	-	- 182.7
Impact legal adjustment	-	- 13.3
Impact of fixed tax allowance	- 7.9	- 7.2
Impact of tax rate (ICC)	-	7.6
Wealth tax	303.6	321.3
Final taxation of previous years received	- 149.5	- 3.7
Non taxable income	- 2 001.1	-
Unrecoverable tax expenses	- 48.8	-
Other impacts	53.8	4.9
Total tax expense	**31 212.8**	**19 628.7**

Tax expense for both IRC and ICC was calculated at an aggregate rate of 30.38% on the profit before tax, minority share included. Wealth tax was calculated at the rate of 0.5% separately on the wealth of each individual entity. The amount of “Other Impacts” is mostly due to tax credits that have not been accounted for under LuxGAAP and are linked to fiscal measures in respect of Investment grants and to changes in the consolidation perimeter.

Note 20. Investment contract liabilities and financial assets at fair value through income

Financial liabilities for which the cash flows are contractually dependent on the performance of assets at fair value through income (unit-linked investment contracts) are listed in the table below according to the origin of the contract holders.

1. INVESTMENT CONTRACT LIABILITIES BROKEN DOWN BY LOCATION OF INVESTMENT CONTRACT HOLDERS

2006 FINANCIAL YEAR

€ thousand	Luxembourg	EU	Non- EU	Total
Liabilities in respect of investment contracts	10 708.8	823 531.0	833.8	835 073.6

2005 FINANCIAL YEAR

€ thousand	Luxembourg	EU	Non- EU	Total
Liabilities in respect of investment contracts	6 700.3	744 400.6	6 654.9	757 755.8

All these amounts are financial liabilities which the Group classifies as financial liabilities at fair value through income (Note 3 paragraph 5.4.2). The value on maturity of these financial liabilities equals the fair value of the underlying investment units of these contracts on maturity. The book value will be the same as the amount which the Group shall be contractually bound to pay on maturity.

2. FINANCIAL ASSETS CLASSIFIED AS ASSETS AT FAIR VALUE THROUGH INCOME

€ thousand	2006	2005
Value of the investment units at fair value through income	1 442 590.0	1 380 941.6

Note 21. Employee benefits

1. LONG TERM BENEFITS: POST EMPLOYMENT BENEFITS

The Group offers pot employment benefits as well to active employees as to retired employees. Calculations required under IAS 19 for liabilities in this respect were made on 31 December 2006. These liabilities have not outsourced and correspond therefore to a net liability.

1.1 Employee retirement scheme

External scheme to be treated as an internal scheme

Employees benefit from a provident and pension plan financed through FOYER VIE. This is an external defined contribution plan, under which the various Group companies pay an annual premium to FOYER VIE.

The contributions are invested in investment funds with no guaranteed rate of return. Employees do however have the option of choosing a classic savings insurance scheme with a guaranteed interest rate of 2.5% and DPF. The Group's commitments, being supported through its subsidiary, thus remain within the Group which means that the scheme is to be operated like an internal defined benefit scheme.

Internal scheme

Pensioners' benefits comprise retirement annuities, invalidity annuities, survivor annuities and orphan annuities. These benefits are payable in respect of previous commitments. These annuities are indexed. The plan is an internal scheme which is closed and financed through provisions recognised in the balance sheet.

1.1.1 Assumptions

The discounting rate is based on bond market data.

	31.12.2005	31.12.2006
Discounting rate	3.6%	4.1%
Inflation rate	2%	2%
Rate of salary increases	2.5%	2.5%
Mortality tables for active employees	GBM 90-95	GBM 90-95
Rate of increase of current pensions	2%	2%
Mortality tables for pensioners	ERF (1990) Suisse	ERF (1990) Suisse

The following factors have also been taken into account:

- Personnel turnover rate
- The investments selected by affiliated companies are considered to be constant in the projection.
- Tax under Article 142 LIR is paid by the employer and added to the cost of the plan. This tax has been included in the calculations at a discounted rate of 20%. These costs are recognised by means of the projected credit unit method.
- Actuarial losses and gains are immediately recorded in full.

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1.1.2 Method of recognition

Actuarial gains or losses of the financial year are entirely recognised in equity during the same period.

1.1.3 Data

a) External scheme comparable to an internal scheme

	2006	2005
Number of active employees	458	427
Average age	39	39
Annual payroll for pension calculations	€ 26 648.5 thousand	€ 24 025.0 thousand
Average residual period	21	22

b) Internal pension scheme

	2006	2005
Number of beneficiaries	67	67
Average age	67	67
Annual benefits	€ 848.5 thousand	€ 862.7 thousand

1.1.4 Calculation of commitments

2006

Reconciliation of the present value of commitments in connection with defined benefits

€ thousand	Total	Employees	Retired
Present value of the obligation at 01.01.2006	23 480.1	8 413.7	15 066.4
Current service cost	1 361.8	1 361.8	-
Interest cost	790.5	269.3	521.2
Employer contribution actually paid	-	-	-
Actuariel (Gain) / Loss	- 1 833.7	- 726.3	- 1 107.4
Current service cost	- 2 549.3	- 1 700.9	- 848.4
Present value of the obligation at 31. 12.2006	**21 249.4**	**7 617.6**	**13 631.8**

Amounts recognised in the Balance sheet

€ thousand	Total	Employees	Retired
Liabilities	21 249.4	7 617.6	13 631.8
Assets	-	-	-
Liabilities net (assets)	**21 249.4**	**7 617.6**	**13 631.8**
Provisions for employees having left the Group	108.3		
Total	**21 357.7**		
Amounts in Recognised Income and Expense Statement			
Actuarial Gain/(Loss)immediately recognised	1 833.7	726.3	1 107.4
Incidence of IAS 19 §58(b)	-	-	-
Accumulated Actuarial Gain (Loss) beginning of period	- 333.8	- 36.9	- 296.9
Accumulated Actuarial Gain (Loss) end of period	**1 499.9**	**689.4**	**810.5**

Total expense recognised in Profit & Loss

€ thousand	Total	Employees	Retired
Current service cost	1 361.8	1 361.8	-
Interest cost	790.5	269.3	521.2
Expected yields on assets	-	-	-
Recognised Actuarial losses	-	-	-
Past service cost	-	-	-
Impact of IAS 19 §58(b)	-	-	-
Total cost	**2 152.3**	**1 631.1**	**521.2**

Reconciliation of Deficit

€ thousand	Total	Employees	Retired
Deficit on 01.01.2006	23 480.1	8 413.7	15 066.4
Total Expense	2 152.3	1 631.1	521.2
Employer contribution actually paid	-	-	-
Benefits paid	- 2 549.3	- 1 700.9	- 848.4
(Gain) Loss	- 1 833.7	- 726.3	- 1 107.4
Deficit on 31.12.2006	**21 249.4**	**7 617.6**	**13 631.8**

Evolution

a) Deficit of the plan in € thousand	2006	21 249.4
	2005	23 480.1
	2004	23 894.1
b) Adjustments linked to liability experience in %	2006	-9%
	2005	-5%
	2004	6%

2005

Reconciliation of the current value of the accrued benefit obligations € thousand	Total	Employees	Retired
Present value of the obligation at 01.01.2005	23 894.1	7 478.0	16 416.1
Current service cost	1 249.5	1 249.5	-
Interest cost	858.2	272.6	585.6
Employer contribution actually paid	-	-	-
Actuariel (Gain) / Loss	- 1 216.2	- 187.8	- 1 028.4
Current service cost	- 1 305.5	- 398.6	- 906.9
Present value of the obligation at 31. 12.2005	**23 480.1**	**8 413.7**	**15 066.4**

Amounts recognised in the Balance Sheet € thousand	Total	Employees	Retired
Assets	23 480.1	8 413.7	15 066.4
Liabilities	-	-	-
Net Liabilities (Assets)	**23 480.1**	**8 413.7**	**15 066.4**
Provisions for employees having left the Group	273.1		
Total	**23 753.2**		
Amounts in Recognised Income and Expense Statement			
Actuarial Gain/(Loss)immediately recognised	1 216.2	187.8	1 028.4
Incidence of IAS 19 §58(b)	-	-	-
Accumulated Actuarial Gain (Loss) beginning of period	- 1 550.0	- 224.6	- 1 325.4
Accumulated Actuarial Gain (Loss) end of period	**- 333.8**	**-36.8**	**- 297.0**

2. SHORT-TERM BENEFITS

Provisions for paid leave
The provision amount has been estimated by multiplying the number of paid days of leave not taken as of 31 December each year by the average hourly rate and adding the impact of social security costs to the result.

This provision has shown the following changes:

€ thousand	2006	2005
Provision at 01.01	1 513.0	1 437.7
Movements during the year	-	75.3
Provision at 31.12.	1 513.0	1 513.0

Note 22. Agents' pension benefit commitment

A lump sum benefit is promised to insurance agents managing a non-life portfolio on behalf of the Group who have the status of general agent or main agent and to whom the special agency agreement clause "Partner agent – extensive clause for General/Main Agent" applies.

Sums allocated annually are based on an actuarial calculation which takes account of:

- a fixed charge of 1.5% of total commission granted to the agent during the calendar year or the portion thereof paid by the group;
- a technical interest rate of 5%;
- a mortality table.

The annual fixed charge is capped at 8% of his limit per agent. The upper limit set by the Index 100 is € 12.2 thousand

At 31 December, the provisions stood at:

€ Thousand	2006	2005
Provision at 31.12	1 980.2	1 933.6

Note 23. Net insurance premium revenue

€ thousand	2006	2005
Gross Non-Life premiums written		
Fire and other damage to property	55 105.7	56 329.0
Motor, civil liability	48 609.2	47 264.5
Motor, other branches	62 847.3	57 486.3
Civil liability	19 307.5	20 927.1
Health, accident	9 048.0	8 517.3
Business turnover losses	18 980.0	20 213.6
Other branches	13 843.3	19 711.0
Total gross Non-Life premiums written	**227 741.0**	**230 448.8**
Variation unearned premium provision		
Fire and other damage to property	1 086.9	- 2 096.6
Motor, civil liability	22.7	- 50.6
Motor, other branches	- 1 186.8	- 1 395.1
Civil liability	63.3	- 668.4
Health, accident	1.7	- 368.6
Business turnover losses	25.8	- 183.7
Other branches	1 026.2	- 730.3
Total variation unearned premium provision	**1 039.8**	**- 5 493.3**
Gross earned premiums Non-Life		
Fire and other damage to property	56 192.6	54 232.4
Motor, civil liability	48 631.9	47 213.9
Motor, other branches	61 660.5	56 091.2
Civil liability	19 370.8	20 258.7
Health, accident	9 049.7	8 148.7
Business turnover losses	19 005.8	20 029.8
Other branches	14 869.5	18 980.7
Total gross earned premiums Non-Life	**228 780.8**	**224 955.5**

€ thousand	2006	2005
Gross premiums written Life (contracts IFRS 4)		
Life (without unit-linked)	61 956.1	62 089.7
- o/w contracts with DPF	*11 194.2*	*13 863.6*
Life - unit linked	8 504.8	51 811.9
Total gross Life premiums written	**70 460.9**	**113 901.6**
Variation gross unearned premium provision		
Life without unit-linked	- 462.2	- 653.5
Life unit-linked	-	0.1
Total variation gross unearned premium provision	**- 462.2**	**- 653.4**
Gross earned premium Life		
Life without unit-linked	61 494.0	61 436.1
Life unit-linked	8 504.8	51 812.1
Total gross earned premium Life	**69 998.8**	**113 248.2**
Gross premium earned	**298 779.7**	**338 203.7**
Ceded Non-Life premiums		
Fire and other damage to property	- 11 232.0	- 13 790.8
Motor, civil liability	- 1 292.6	- 1 289.5
Motor, other branches	- 28.2	- 24.7
Civil liability	- 5 640.8	- 7 577.6
Health, accident	- 416.7	- 435.1
Business turnover losses	- 17 358.8	- 18 683.1
Other branches	- 6 333.2	- 13 313.6
Total ceded Non-Life premiums	**- 42 302.3**	**- 55 114.4**

€ thousand	2006	2005
Variation unearned premium provision reinsures part		
Fire and other damage to property	- 1 823.4	759.6
Motor, civil liability	-	-
Motor, other branches	376.7	- 3.6
Civil liability	- 44.2	250.7
Health, accident	1.0	- 0.3
Business turnover losses	- 30.1	162.1
Other branches	- 1 507.7	635.2
Total variation unearned premium provision reinsures part	**- 3 027.7**	**1 803.7**
Ceded earned Non-Life premiums		
Fire and other damage to property	- 13 055.4	- 13 031.2
Motor, civil liability	- 1 292.6	- 1 289.5
Motor, other branches	348.5	- 28.3
Civil liability	- 5 685.0	- 7 326.9
Health, accident	- 415.6	- 435.4
Business turnover losses	- 17 388.9	- 18 520.9
Other branches	- 7 840.9	- 12 678.4
Total ceded earned Non-Life premiums	**- 45 329.9**	**- 53 310.6**
Cede Life premiums (contracts IFRS 4)		
Life without unit-linked	- 2 779.0	- 2 989.8
Life unit-linked	- 31.3	- 53.0
Total ceded Life premiums	**- 2 810.3**	**- 3 042.8**
Ceded earned premiums	**- 48 140.3**	**- 56 353.5**
Net earned premiums	**250 639.4**	**281 850.2**

Note 24. Insurance benefits and claims

€ thousand	2006	2005
Life insurance claims - Gross		
Claims paid	- 50 121.5	- 48 051.0
Variation claims provision	53.1	371.0
Variation in the provision for life insurance	- 29 410.0	- 30 844.4
Variation in the provision for contracts with DPF	- 4 711.9	- 3 844.8
Variation in the provision for unit-linked contracts	- 9 975.4	- 98 015.6
Total	**- 94 165.7**	**- 180 384.8**
Non-life insurance benefits costs - Gross		
Claims paid	- 103 527.8	- 93 547.4
Variation claims provision	- 9 236.1	3 669.1
Variation of the provision for legal proceedings (subrogation and recoveries)	238.3	118.2
Variation of the aging provision	- 349.9	- 287.7
Variation in the provision for contracts with DPF	- 18.7	- 80.3
Total	**- 112 894.2**	**- 90 128.1**
Reinsurers' share of the cost of insurance services		
Reinsurers' share of the cost of life insurance services		
Claims paid	1 396.1	1 296.5
Variation claims provision	- 1 313.0	- 325.4
Variation claims provision Life	- 188.9	158.7
Total	- 105.8	1 129.8
Reinsurers' share of the cost of non-life insurance services		
Claims paid	11 040.7	5 971.6
Variation claims provision	3 261.7	- 7 284.3
Variation of the provision for legal proceedings	-	- 42.3
Total	14 302.4	- 1 355.0
Total	**14 196.6**	**- 225.2**
Insurance benefits and claims net of reinsurance	**- 192 863.3**	**- 270 738.1**

Claims paid in life insurance include amounts relating to the partial or total repurchase of contracts.

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Note 25. Other technical income, net of reinsurance

€ thousand	2006	2005
Captive reinsurance company management	-	915.5
Other technical insurance income	38.5	208.8
Total	**38.5**	**1 124.3**

The Group has stopped all captive reinsurance company management activity so that no commission in this sector was earned in 2006.

Note 26. Commission and profit sharing earned on reinsurance contracts

These commissions concern reinsurance commissions earned on premiums ceded to reinsurers as well as DPF on certain Life and Non-Life reinsurance contracts.

€ thousand	2006	2005
Non-Life		
- Reinsurance commission	3 586.6	3 950.9
- Income from contracts with DPF	414.2	990.1
Life		
- Reinsurance commission	224.3	264.8
- Income from contracts with DPF	838.7	1 043.6
Total	**5 063.8**	**6 249.4**

Note 27. Commission earned by the Asset Management segment

Commission income concerns commissions earned by the Asset Management segment. This income splits up as follows:

€ thousand	2006	2005
Net intermediary fees	1 682.9	1 315.8
Management commission on investment funds	4 014.5	3 394.1
Asset Management commission	1 258.3	1 807.2
Total	**6 955.7**	**6 517.1**

Note 28. Acquisition and management commission on investment contracts

Amounts recognised represent expenses incurred when the investment contracts were written and are considered being expenses related to the subscription and the recognition of the contracts (with or without DPF).

Furthermore the Group charges commission when services are rendered, which means regularly during the life time of the contract and not as a one shot commission at the issue of the contract.

€ thousand	2006	2005
Expenses on acquisition of the contract	565.2	1 471.9
Management commission of the contract	6 569.4	4 127.9
Total	**7 134.6**	**5 599.8**

Note 29. Other net investment income

Investment income includes all revenue generated from the rent on buildings, dividends, interest from bonds and interest from cash and cash equivalent assets. "Other financial costs" are general expenses incurred in the management of financial assets.

This revenue is shown in the table below:

Income

€ thousand	2006	2005
Net financial revenue from land and buildings	588.7	590.7
Dividends earned from shares	6 255.6	4 167.3
Interest from bonds	23 604.6	21 974.2
Interest from loans and deposits	4 211.7	2 490.3
Total	**34 660.6**	**29 222.5**

Expenses

Interest paid on bank overdrafts	- 1 899.4	- 530.1
Exchange losses on deposits and securities	- 971.6	556.6
Depreciation on securities available for sale	- 2 256.4	-
Other financing cost	- 7 248.7	- 3 705.0
Total	**- 12 376.1**	**- 3 678.5**

Note 30. Profit from the sale of financial assets

During the year, the Group sold a number of securities from the various portfolios. The table below shows a breakdown of gains or losses made:

€ thousand	2006	2005
Capital gains on the sale of assets		
- Equity securities and other variable income securities and shares in investment funds	33 718.1	21 121.8
- bonds	1 591.9	6 497.2
Capital losses from the sale of assets		
- Equity securities and other variable income securities and shares in investment funds	- 4 306.2	- 3 822.6
- bonds	- 4 595.1	- 5 200.9
Total	**26 408.7**	**18 595.5**

Note 31. Net fair value gains of financial assets/liabilities at fair value through income

1. VARIATION OF THE FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH INCOME

€ thousand	2006		2005	
	Local market	International market	Local market	International market
Variation of unrealised capital gains or losses from financial assets	603.6	57 836.5	998.8	121 038.9
Variation of unrealised capital gains or losses from financial liabilities	- 305.1	- 34 313.1	- 276.7	- 57 174.1
Total	**298.5**	**23 523.4**	**722.1**	**63 864.8**

2. VARIATION IN FAIR VALUE OF THE FINANCIAL ASSETS HELD FOR TRADING

€ thousand	2006	2005
Variation of unrealised capital gains from financial assets		
- Equity securities and other variable income securities and shares in investment funds	2 044.0	597.9
- bonds	3.4	-
Variation of unrealised capital losses from financial assets		
- Equity securities and other variable income securities and shares in investment funds	- 20.8	- 123.8
- bonds	- 118.7	- 458.3
Total	**1 907.9**	**15.8**

Note 32. Expenses

1. ACQUISITION EXPENSES

Acquisition costs include commissions paid to brokers in the form of acquisition commission, incentive or collection commission and the write-back cost of deferred acquisition expenses.

The acquisition costs also include the other general costs incurred in relation with the acquisition and administration of the contracts.

€ thousand	2006	2005
Acquisition expense		
Commission to intermediaries*	- 29 762.0	- 29 004.7
Other acquisition costs	- 23 951.9	- 21 376.4
Deferred acquisition expenses	80.5	92.5
Total	**- 53 633.4**	**- 50 288.5**

* The commission to brokers includes an amount of € 754.4 thousand (2005: € 945.4 thousand) of commissions on investment contracts with DPF.

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2. ADMINISTRATION EXPENSES

This item includes all the Group's general management costs other than those incurred in issuing contracts, claims management, financial management and the commission for collection of periodic premiums in respect of some life contracts.

€ thousand	2006	2005
Administration costs	- 18 359.4	- 19 366.9
Total	**- 18 359.4**	**- 19 366.9**

3. EXPENSES RELATED TO INVESTMENT CONTRACTS

These are expenses incurred by FOYER INTERNATIONAL in the management of the investment contract portfolio.

€ thousand	2006	2005
Costs related to investment contracts	- 5 425.1	- 4 794.6
Total	**- 5 425.1**	**- 4 794.6**

4. OTHER OPERATING EXPENSES

This item records all operating expenses which have not been recognised under the other headings.

€ thousand	2006	2005
Other costs	- 14.9	- 44.8
Total	**- 14.9**	**- 44.8**

Note 33. Employee benefit expense

The average number of employees during 2006 was 416.2 (2005: 422.2), represented by the following categories of staff:

Categories	Average number of people in 2006	Average number of people in 2005
Directors	24.1	25.9
Managers	49.5	52.1
Employees	342.6	340.2
Handymen	-	4.0
Total	**416.2**	**422.2**

The staff costs for the financial year can be broken down as follows:

€ thousand	2006	2005
Wages and salaries	26 744.6	24 022.9
Social charges	2 921.9	2 773.0
Other staff costs	4 377.4	6 053.9
Total	**34 043.9**	**32 849.8**

Note 34. Information on related party transactions

1. INSURANCE CONTRACTS AND OTHER SERVICES

Contracts providing cover for Directors' civil liability, professional indemnity and fraud were written with a third party insurer.
By virtue of signed contracts FOYER ASSET MANAGEMENT operates on behalf of other companies in the FOYER FINANCE Group on the financial market. These services are rendered at cost price.
FOYER VIE acts as manager of the defined benefit and defined contribution supplementary pension plans of the other Group companies. These services are rendered at cost price

€ thousand	2006	2005
Contracts providing cover for Directors' civil liability, professional indemnity and fraud	106.0	98.2
Provision of financial management services	544.1	494.1

2. REMUNERATION PAID TO MANAGEMENT PERSONNEL AND THE BOARD OF DIRECTORS

Remuneration paid to the members of the board of directors, the executive board, the supervisory board in respect of functions exercised and pension commitments to former board members during the financial year can be broken down as follows:

€ thousand	2006	2005
Members of the Management	6 355.3	5 641.4
Board members	60.0	114.0

€ thousand	2006	2005
Pension benefit premiums for members of management	446.8	388.7

Payments made to former members of the management in 2006 include an amount of € 155.3 thousand for supplementary pensions.

3. LOANS GRANTED TO CERTAIN MEMBERS OF MANAGEMENT PERSONNEL

Loans granted to the members of the governing bodies and commitments made on their behalf can be broken down as follows:

2006 € thousand	Amount outstanding	Interest rates	Term
Members of Management	700.9	3.0%	up to 20 yrs

The amounts repaid during the year amount to € 40.0 thousand (2005: € 15.2 thousand). In respect of these loans, the Group allows the management personnel the benefit of the successive Luxembourg regulations enacting Article 104 LIR of the Act of 4 December 1967 governing tax exemption for payments in kind in the form of interest on loans.

4. AGENTS' PENSION COMMITTMENT

The Group has promised to pay the agents in its network a lump sum payment on retirement. The purpose of this commitment is to promote loyalty and encourage agents to work exclusively for the Group. If the activities cease for other reasons, such as serious misconduct or as a result of the agent changing its accreditation company, the agent's right lapses.
The provisions set aside as at 31 December of the years 2005 and 2006 are shown in note 22 "Agent's pension commitment".

5. LOANS TO CERTAIN AGENTS

The Group also grants loans to the agents to allow them to buy portfolios coming up for sale. These loans are secured by the compensatory supplement payable in respect of the portfolios. The amounts on loan to the agents are set forth in note 15, under the heading "loans".

Note 35. Operating leases

Different Group entities have entered into lease agreements for office premises with an initial period exceeding one year. The main conditions of these leases are as follows:

Location	Expiry	Indexation	Rent 2006 € thousand	Estimate2007 € thousand	Rent between 1 and 5 years € thousand
Place Churchill	31.05.2006	yes	69.2	-	-
Rue de Hamm	31.05.2006	yes	8.4	-	-
Munsbach	31.03.2006	yes	70.6	-	-
Bd Joseph II	01.07.2006	yes	39.2	-	-
Bruxelles	28.02.2006	yes	1.0	-	-
Liège	30.10.2008	yes	17.2	17.5	14.6
Bruges	01.01.2007	yes	12.3	12.4	-
Total			**217,9**	**29,9**	**14,6**

TERMINATION PENALTY:

If the lease for the Liège building were to be terminated as the result of a fault on behalf of the lessee, a penalty of six months rent would be payable.

Annual Accounts Foyer S.A.

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Management report

of Foyer S.A. presented to the Annual General Meeting of Shareholders on 3 April 2007

The results for the 2006 financial year showed a net profit of € 25.19 million compared with € 21.67 million in 2005.

The table below gives a breakdown of these results:

€ millions	31.12.2006	31.12.2005
Income from participating interests	**25.76**	**21.67**
Foyer Assurances	22.27	18.97
Foyer Vie	2.48	1.65
Foyer Asset Management	0.79	1.05
Foyer Patrimonium & Associates	0.22	-
Income from securities, cash and equivalents	**3.25**	**1.66**
Charges (amortisation, interest, financial expenses)	**-1.89**	**0.45**
General expenses	**-1.72**	**-1.01**
Profit before tax	**25.40**	**21.87**
Tax	**-0.21**	**-0.20**
Net profit	**25.19**	**21.67**

The total amount of dividends perceived increased by € 4.09 million or 18.9%. Foyer Assurances increased its share by € 3.30 million and Foyer Vie by € 0.83 million, whereas the dividend received from Foyer Asset Management decreased by € 0.26 million, thus reflecting a lower net profit. Foyer, Patrimonium & Associates for its part, paid its first dividend.

Investment income, other than income from dividend, has substantially increased and is the result of increased trading activity inside the securities portfolios. Amortisation on these portfolios has also substantially increased following an increase of interest rates in the market.

Overhead expense of the year is higher than in previous years. This is due to cost the company had to bear in connection with employee benefits, the move to Leudelange as well as cost related to the new corporate identity.

Outlook

Pending approval at the Annual General Meetings of the respective companies, it is expected that, in the first half of the 2007 financial year, Foyer S.A. shall receive the following dividends from its subsidiaries:

€ millions	
Foyer Assurances	27.00
Foyer Vie	5.50
Foyer Asset Management	1.00
TOTAL	**33.50**

The dividends received from subsidiaries will rise from € 25.76 million in 2006 to € 33.50 million in 2006; an increase of 30.0%

Appropriation of profit

At the Annual General Meeting of Shareholders, the Board of Directors will propose distributing its available profits of € 26 656 533.57, consisting of a net profit for this year of € 25 186 835.27 plus retained profit of € 1 469 698.30 carried forward from the previous year:

€	
Other reserves	12 500 000.00
Gross dividend of € 1.341176 per share on 8 998 842 shares	12 069 030.92
Rained profit	2 087 502.65
TOTAL	**26 656 533.57**

If you approve this proposal, the company will pay a gross dividend of € 1.341176, which, after the deduction of 15% withholding tax on Luxembourg dividend income, gives a net dividend per share of € 1.14, (2006: € .96) available starting 16 April 2007, payable against remittance of coupon No. 7:

- In the Grand Duchy of Luxembourg: at the Banque et Caisse d'Epargne de l'Etat;
- In Belgium: at the offices of Petercam S.A.

Leudelange, 6 March 2007
The Board of Directors

Statutory auditor's report

To the Shareholders of
Foyer S.A
12, rue Léon Laval
L-3372 Leudelange

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated April 4, 2006 we have audited the accompanying annual accounts of Foyer S.A., which comprise the balance sheet as at December 31, 2006 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes to the annual accounts.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

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

Responsibility of the Statutory auditor

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the Statutory auditor, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Statutory auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Foyer S.A. as of December 31, 2006, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal or regulatory obligations

The management report, which falls under the responsibility of the Board of Directors, corresponds with the annual accounts.

Ernst & Young Limited
Statutory auditor
Jean-Michel PACAUD

Luxembourg, 6 March 2007

Balance sheet at 31 December 2006

€

ASSETS	Notes	31.12.2006	31.12.2005
Fixed assets	3(b),4		
Tangible fixed assets			
Other equipment, machines and furniture		5 652.50	5 652.50
Long-term financial investments			
Shares in subsidiaries	5	44 769 864.44	44 769 864.44
Securities held as financial fixed assets		680 000.00	680 000.00
Total fixed assets		***45 455 516.94***	***45 455 516.94***
Current assets			
Accounts receivable	3(c)		
Accounts receivable from subsidiaries and entities under joint control with a remaining term of less than one year		-	1 037.54
Other accounts receivable with a remaining term of less than one year		185 788.99	48 669.91
Securities			
Other short-term investments	3(d),3(e)	55 219 827.69	41 990 325.00
Cash at bank and on hand		9 496 753.17	5 174 762.94
Total current assets		***64 902 369.85***	***47 214 795.39***
Accruals		**762 567.39**	**829 374.24**
TOTAL ASSETS		**111 120 454.18**	**93 499 686.57**

The notes included in the annex are an integral part of the annual accounts.

€

LIABILITIES	Notes	31.12.2006	31.12.2005
Shareholders' equity	6		
Subscribed capital		44 994 210.00	44 994 210.00
Issue premiums		3 106 002.40	3 106 002.40
Reserves			
Statutory reserve	7	4 499 421.00	4 499 421.00
Other reserves		25 400 000.00	15 400 000.00
Other reserves – special reserves	8	2 140 500.00	1 948 000.00
Retained earnings		1 469 698.30	786 515.79
Net profit		25 186 835.27	21 674 292.91
Total shareholders' equity		***106 796 666.97***	***92 408 442.10***
Provisions for liabilities and charges	9		
Provisions for pension benefits		1 263.24	-
Provisions for taxes		1 072 323.31	851 607.71
Total provisions for liabilities and charges		***1 073 586.55***	***851 607.71***
Accounts payable	3(f)		
Bank debt with maturity less than 1 year		2 679 936.18	-
Due to associated undertakings with a remaining term of less than one year		265 851.16	133 388.48
Due to tax authorities and social security			
Due to tax authorities		11 565.16	15 258.16
Other accounts payable with a remaining term of less than one year		291 386.92	90 990.12
Total accounts payable		**3 248 739.42**	**239 636.76**
Accruals		**1 461.24**	-
TOTAL LIABILITIES		**111 120 454.18**	**93 499 686.57**

The notes included in the annex are an integral part of the annual accounts.

Profit and loss account
for the financial year ended 31.12.2006

€	Notes	31.12.2006	31.12.2005
Expenses			
Other losses from the sale of assets		2 388 759,99	1 280 057,49
Depreciation of the value of securities included in current assets	3(g)	681 394,44	101 050,00
Interest and similar expenses			
Other interest and expenses		584 741,67	3 665,44
Tax on income from ordinary activities		-21 861,47	50 297,01
Other taxes not included in the above item		235 702,07	144 663,82
Net profit		25 186 835,27	21 674 292,91
Total expenses		**29 055 571,97**	**23 254 026,67**
INCOME			
Other operating income		873 320,87	267 608,40
Income from subsidiaries		25 763 808,75	21 674 857,50
Income from other short-term investments			
Other income		165 002,59	574 099,04
Other interest and similar income		2 131 234,76	589 731,73
Gains arising from the remeasurement of short term investments		122 205,00	147 730,00
TOTAL INCOME		**29 055 571,97**	**23 254 026,67**

The notes included in the annex are an integral part of the annual accounts.

Notes to the annual accounts

Note 1. General

FOYER S.A. (the company) was constituted on 13 November 1998 under the name LE FOYER, Compagnie Luxembourgeoise S.A The extraordinary General Meeting of 23 November 2005 decided to change the name to FOYER S.A.. Its registered offices are in Leudelange.The corporate purpose is essentially all operations relating to the acquisition of shareholdings and the administration, management, control and development of such shareholdings.

Note 2. Presentation of the annual accounts

The company prepares consolidated accounts and a consolidated management report in compliance with the criteria established under Luxembourg law, which are available for review at the company's registered office.

The company is also included in the consolidated accounts of FOYER FINANCE, S.A., the largest corporate group of which the company is a subsidiary. This company has its registered offices at 12, rue Léon Laval in L-3372 Leudelange. Annual accounts and the consolidated management report are available for review at this address.

Note 3. Summary of main accounting policies

The main accounting policies used by the company in the preparation of the annual accounts are the following:

(a) Conversion of items denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are converted to Euro (€) at the exchange rate in force on the date the accounts are closed.

Transactions denominated in foreign currencies carried out over the course of the year are converted to Euro (€) at the exchange rate in force on the date of the transaction

(b) Fixed assets

Intangible fixed assets are valued at the historical cost of acquisition, including related expenses.

In the event of lasting depreciation, the value of fixed assets is adjusted to reflect the lower value assigned to them at the date the accounts are closed. The amount of depreciation is derecognised if the reasons giving rise to them have ceased to exist.

(c) Accounts receivable

Accounts receivable are recorded in the balance sheet at either their nominal value or their expected recovery value. These values are depreciated should their full or partial recovery appear to be uncertain.

The amount of depreciation is derecognised if the reasons giving rise to them have ceased to exist.

(d) Other short-term investments, excluding bonds and other fixed-income securities

Other short-term investments, excluding bonds and other fixed-income securities, are valued at acquisition cost including transaction cost. Depreciation corresponding to the difference between the estimated sales value and the acquisition cost is recognised when the Board of Directors consider depreciation as being of lasting. The amount of depreciation is derecognised if the reasons giving rise to them have ceased to exist.

(e) Evaluation of bonds and other fixed-income securities

Evaluation on 31 December 2005

On 31 December, bonds and other fixed income securities were valued at the lowest of their acquisition or sales price taking into account the following points:

- the positive spread (agio) between the acquisition price and sales price is directly recognised in the Profit and Loss account
- the negative spread (disagio) between the acquisition price and sales price is not recognised before maturity.

Depreciation corresponding to the positive spread between the depreciated acquisition price or the sales price and market value, were recognised when the Board of Directors consider depreciation as lasting. These depreciations were maintained even when the reasons motivating them ceased to exist.

Securities acquired after 1 January 2006

Bonds and other fixed-income securities are recognised at the historical cost of acquisition or at their redemption price, taking into account the following elements:

- Positive differences (agio) between the cost of acquisition and the redemption price are recognised in profit and loss account equally over the years of the remaining life-time
- Negative differences (disagio) between the cost of acquisition and the redemption price are recognised in profit and loss account equally over the years of the remaining life-time

In the event of a decline in value that the Directors consider to be lasting, the value of bonds and other fixed-income securities is depreciated to reflect the lower value assigned to them at the date the balance sheet. This depreciation is reversed, when the reasons giving rise to the depreciation have ceased to exist.

Evaluation after the 1 January 2006 of securities acquired until 31 December 2005

The value of bonds and other fixed income securities acquired up to the 31 December 2005 has not been changed on 1 January 2006. However, securities presenting a negative difference between their net accounting value and their sales value on 1 January 2006 will have this agio split pro-rata temporis starting 1 January over the remaining lifetime of the security. The change of the evaluation method has generated a profit of € 47 550.00 during 2006.

(f) Accounts payable

Accounts payable are recorded on the liability side at their carrying value.

(g) Depreciation

Depreciation is deducted from the concerned asset.

Note 4. Fixed Assets

Movements of fixed assets during the year were as follows:

€	Other equipment, machinery & furniture	Shares in subsidiaries	Securities held as finacial assets
Gross value on 01.01.2006	**5 652.50**	**44 769 864.44**	**1 528 750.00**
Accumulated depreciation on 01.01.2006	-	-	-
Gross value on 31.12.2006	**5 652.50**	**44 769 864.44**	**1 528 750.00**
Accumulated depreciation on 01.01.2006	-	-	-848 750.00
Depreciation of the year	-	-	-
Accumulated depreciation on 31.12.2006	**-**	**-**	**-848 750.00**
Carrying amount on 31.12.2006	**5 652.50**	**44 769 864.44**	**680 000.00**
Carrying amount on 31.12.2005	5 652.50	44 769 864.44	680 000.00

5. Long-term financial investments

The company had the following interests in subsidiaries at 31 December 2006:

	shareholding	Acquisition price	Shareholder's equity 31.12.2006	Profit for the year 2006
	%	€	€	€
Foyer Assurances S.A.	99.999394	23 175 257.94	106 669 444.54	28 996 953.59
Foyer Vie S.A.	99.999394	7 784 662.72	29 630 851.90	6 474 755.09
Foyer International S.A.	99.999857	9 936 780.95	21 263 297.88	1 317 865.49
Foyer Asset Management S.A.	99.998333	1 489 442.83	7 525 830.51	1 371 958.33
Foyer Patrimonium & Associates S.A.	88.028945	2 383 720.00	3 188 487.91	1 057 066.92
		44 769 864.44		

Note 6. Shareholders' equity

Movements in shareholders' equity over the course of the year were as follows:

€	Suscribed capital	Issue premium	Statutory reserve
On 31.12.2005	**44 994 210.00**	**3 106 002.40**	**4 499 421.00**
Distribution of profit			
- dividends			
- reserves and profit brought forward			
Profit 2006			
On 31.12.2006	**44 994 210.00**	**3 106 002.40**	**4 499 421.00**

At 31 December 2006, the subscribed capital amounts to € 44 994 210.00 and is represented by 8 998 842 fully paid shares without mention of nominal value. The authorised capital amounts to € 74 350 000.00.

Note 7. Statutory reserve

Under Luxembourg law, 5% of a company's annual net profit must each year be transferred to a statutory reserve. These transfers cease to be compulsory once the value of the statutory reserve is equivalent to 10% of the company's total share capital.
The statutory reserve cannot be distributed to shareholders, except in the event of the company's dissolution.

Note 8. Other reserves – special reserves

The company reduced its wealth tax liability as permitted under current tax law. In compliance with legislation, the company allocated an amount corresponding to five times the wealth tax liability to a blocked reserve. This reserve may not be disposed of for five years from the year following the one in which the wealth tax liability was reduced.
The allocations made to this reserve are as follows:

- 2002 € 388 000.00
- 2003 € 685 000.00
- 2004 € 875 000.00
- 2005 € 192 500.00

€ 2 140 500.00

	Other reserves	Other reserves (special reserve	Profit brought forward	Profit for the year
	15 400 000.00	**1 948 000.00**	**786 515.79**	**21 674 292.91**
				-10 798 610.40
	10 000 000.00	192 500.00	683 182.51	-10 875 682.51
				25 186 835.27
	25 400 000.00	**2 140 500.00**	**1 469 698.30**	**25 186 835.27**

Note 9. Provisions for liabilities and charges

The provision for liabilities and charges details as follows:

€	31.12.2006	31.12.2005
Provision for employee retirement benefit	1 263.24	-
Tax provision	1 072 323.31	851 607.71

The tax provision is essentially made up by estimated tax liabilities for financial years for which definite taxation has not yet been received from fiscal authorities. The last such tax bulletin received is the one of the financial year 2001.

Advance tax payments are recognized under "Other accounts receivable with a remaining term of less than one year".

Note 10. Personnel employed during the year

The company carried one employee on its payroll during financial year closed on 31.12.2006. (2005: -) For confidentiality reasons details pertaining to employee benefit expenses are not being published. The expense amount has been recognised under the heading "Other interest and expenses".

Note 11. Remuneration paid to members of administrative bodies

The company paid remunerations of € 45 000.00 (2005: € 90 000.00) to the members of the administrative bodies during the year ended 31 December 2006. The remuneration paid in 2005 included a sum of € 45 000.00 corresponding to the sums due for 2004.

Note 12. Audit fees

For the financial year closed on 31.12.2006, the statutory auditor, and as the case may be, affiliated companies of the auditor, billed fees for an amount before Value Added Tax as follows:

€	**2006**
Legal audit of the companies	
Annual accounts	18 500.00

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