



## Annual report 2010



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## Three activities, three business lines, three passions

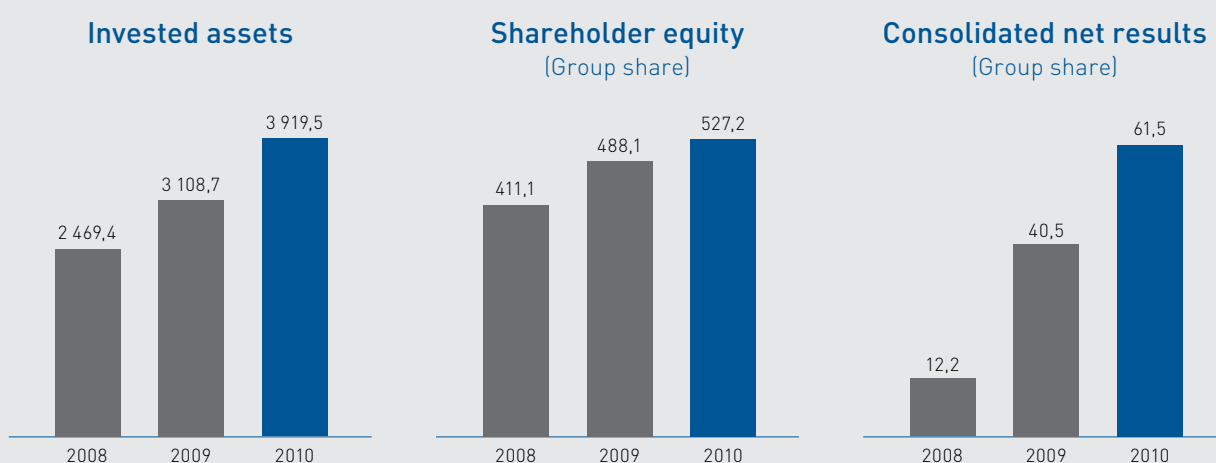
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# Key figures (consolidated) on 31 December 2010

€ millions



## Financial ratios

	2010	2009	2008
Recurring earnings per share (in €)	6,9	4,5	1,4
P/E (stock market value on 31.12)	6,1	8,7	19,9
Gross dividend per share (in €)	1,48	1,34	1,12
Net dividend per share (in €)	1,26	1,14	0,95
Shareholders' equity (consolidated) per share (in €)	59,01	54,51	45,70

## Employees

Headcount at the year-end	556	526	459
Average number of employees in FTEs (full-time equivalent)	530,7	493,1	425,3

## Securities portfolio

€ millions

Equity securities and fixed income securities	1 320,7	1 286,5	1 123,6
Cash and cash equivalents (net)	201,0	143,3	157,6
Financial assets at fair value through income	2 325,2	1 629,6	1 159,3
<b>Total</b>	<b>3 847,0</b>	<b>3 059,4</b>	<b>2 440,4</b>

## Consolidated balance sheet

€ millions

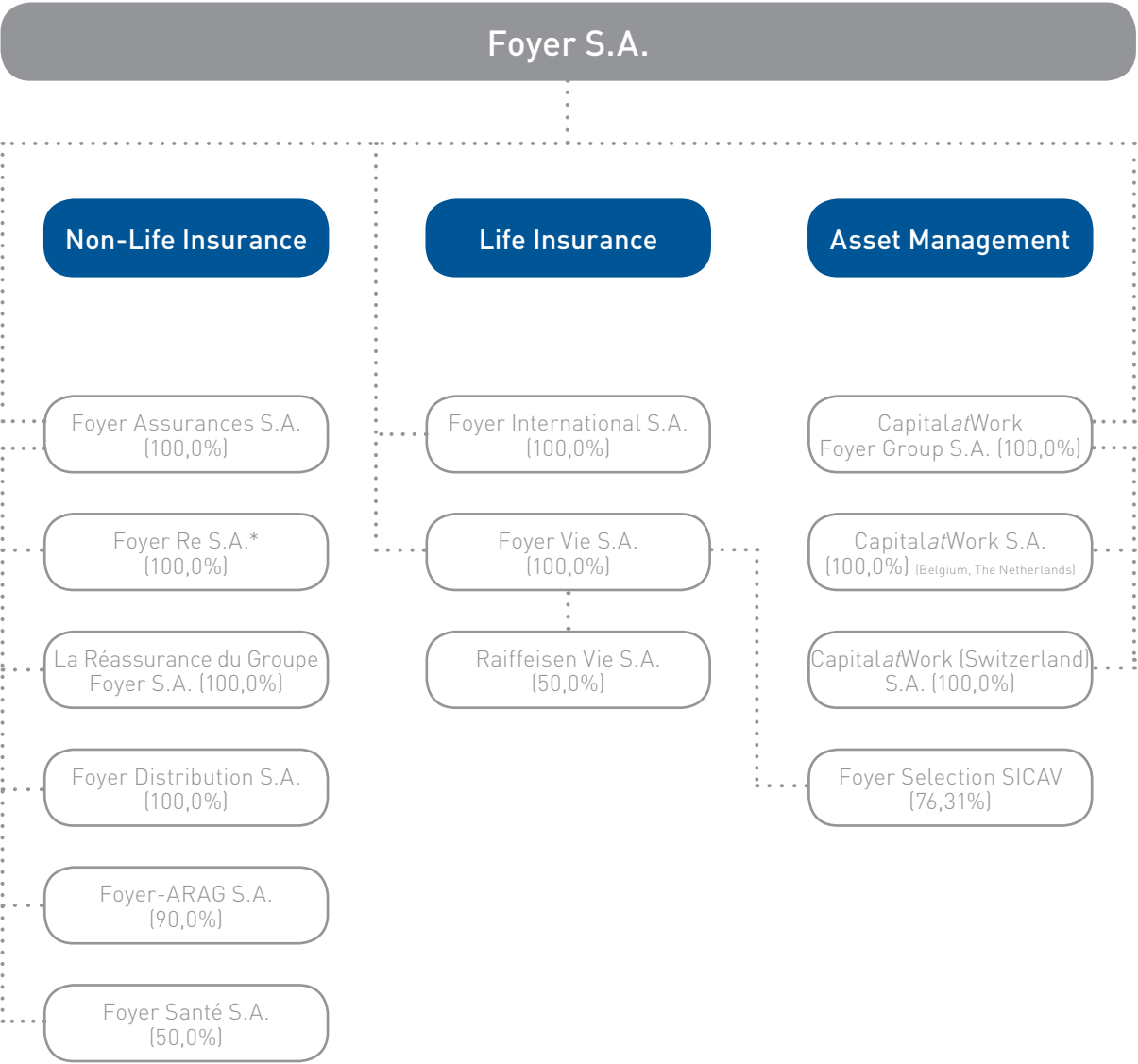
	2010	2009	2008
<b>Total assets</b>	<b>4 198,5</b>	<b>3 460,5</b>	<b>2 748,8</b>
Cash and cash equivalents	1 320,7	1 286,5	1 123,6
Equity securities and fixed income securities	2 325,2	1 629,6	1 159,3
Financial assets at fair value through profit or loss	273,5	192,7	186,5
<b>Total liabilities</b>	<b>4 198,5</b>	<b>3 460,5</b>	<b>2 748,8</b>
Technical provisions	1 617,2	1 557,7	1 395,8
Liabilities in respect of investment contracts	1 750,2	1 084,5	686,5
Shareholders' equity - Group share	527,2	488,1	411,1

## Consolidated profit and loss account

€ millions

	2010	2009	2008
<b>Net insurance premium revenue</b>	<b>342,5</b>	<b>353,4</b>	<b>279,1</b>
Other technical products and commission	41,3	35,5	21,1
Net financial revenue	138,2	86,7	-119,1
<b>Net operating income</b>	<b>179,5</b>	<b>122,2</b>	<b>-98,0</b>
Net insurance benefits and claims	-328,5	-316,9	-78,3
Expenses	-108,8	-102,3	-87,7
<b>Operating profit</b>	<b>84,7</b>	<b>56,4</b>	<b>15,2</b>
Taxes	-22,8	-14,8	-3,0
<b>Profit for the year</b>	<b>61,9</b>	<b>41,6</b>	<b>12,1</b>
Group share	61,5	40,5	12,2
Earnings per share (in €)	6,9	4,5	1,4

# Activities of Foyer Group



\*Ownership transfer on 24 January 2011





# An institution with a human face

# Message from the Chairman and the Managing Director

## General context

At the start of the 2011 financial year, the recovery in the economy observed in 2010 seems to be gaining ground.

With a rate of GDP growth at 1.7%, the economic forecasts for Europe are holding up. However, there still remain geopolitical risks and the consequences of these remain unpredictable. Growth forecasts for the Grand Duchy of Luxembourg are an estimated 2.8%, down from 3.2% in 2010.

However, this recovery masks a certain level of fragility in the economy, particularly in view of the public finances of the US and the historically high levels of debt of the European countries. As a result of this situation, governments are faced with an unavoidable dilemma - how to put their finances in order without, at the same time, slowing down growth. Finding the right measure between austerity and economic revival is made all the more difficult in Europe as the financial situations within the Eurozone vary greatly between North and South.

There are strong tensions emerging within the European Union which are not made to reassure economic players whereas, at the same time, the emerging countries are again recording exceptional levels of economic growth.

The Grand Duchy of Luxembourg is not immune to this difficult situation although its level of debt is lower than that faced by other European countries. Nevertheless, the Government cannot avoid having to take further courageous decisions in order to reduce its budget deficit, whilst ensuring that the country's competitiveness continues to improve.

By the same token, it will prove difficult to maintain the welfare state as we know it today. In order to maintain a high level of social protection in the future, the private health and pensions insurance sector will be called upon to play a greater role by taking on a growing share of the guarantees currently carried by the State.

## Our earnings in 2010

In 2010, Foyer Group achieved excellent results. For the first time in its history, the Group's turnover exceeds the one billion euro threshold in terms of insurance and investment contracts and has its consolidated earnings after tax increased by 48.9% to reach a total of € 61.92 million.

This good sales performance is mainly due to the success of products marketed under the Freedom to Provide Services regime from the Grand Duchy of Luxembourg in seven European countries.

The main reasons for this are the intense commercial effort and a legislative momentum which favours Life insurance linked to units of account.

In the local market in Luxembourg, despite the effects of the crisis still being felt, all of the Group's companies have experienced a favourable development in sales. In insurance, the efforts made by our network of agents are the reason behind this good sales dynamic.

Constant improvement of our sales network thanks to a refocusing on distribution activities, a reduction of agency administrative costs, as well as ongoing training, are making it possible for the network to widen its product offering, whilst at the same time optimising the quality of its service to its customers.

The commercial success enjoyed by our guaranteed capital Life insurance products along with our Health insurance products are a good reflection of this.

Finally, all of the companies have seen an increase in their contribution to the Group's earnings. Good operational and financial results are the reason behind this positive development in profits.

**Staying on course**

Despite a difficult passage through these three years of crisis, the good results achieved in 2010 are an encouragement today for us to stay on course.

The Foyer Group's objectives and strategy are for the long term, in accordance with the wishes of its shareholders, who for the most part represent families, and who favour above all sound investment and good risk management. The three main businesses will remain insurance, pension savings plans and asset management. In developing its business lines, the Group will always put operational excellence and internal growth first before considering new acquisitions. This coherent policy, which has been in place for many years, is characterised by stable management, which is crucial especially in turbulent times.

**An improving dividend policy**

The excellent results posted in 2010 allow us today to offer a gross dividend of € 1.48, up by 10.5% compared with the previous financial year. Subject to approval by the General Shareholders' Meeting of 5 April 2011, the annual increase in the dividend over the period 2000-2010 will be an average of 5.8%.

This constant and regular increase in the pay-out to our shareholders has not prevented us from significantly strengthening the company's capital over the same period in order to endow the company with the necessary financial means to guarantee its future development within a solid financial environment.

**Our priorities**

The quest for operational excellence will remain our priority. This translates by both an increase in productivity in terms of product quality and through services rendered aiming the satisfaction of our client base.

Significant progress was made in 2010 with the integration of CapitalatWork Foyer Group. A solid foundation has today been laid for its future development. We remain convinced that asset management can offer significant growth potential for the Group in the coming years.

The values of its family-oriented shareholders, the rigour displayed in its management style and the dynamic vision of its business lines are its key assets.

We would like to thank all the shareholders of Foyer S.A. for the trust they have shown us. Our thanks also go to all of our employees for the dedication and commitment they have shown and to our clients for the loyalty they have shown to our Group.

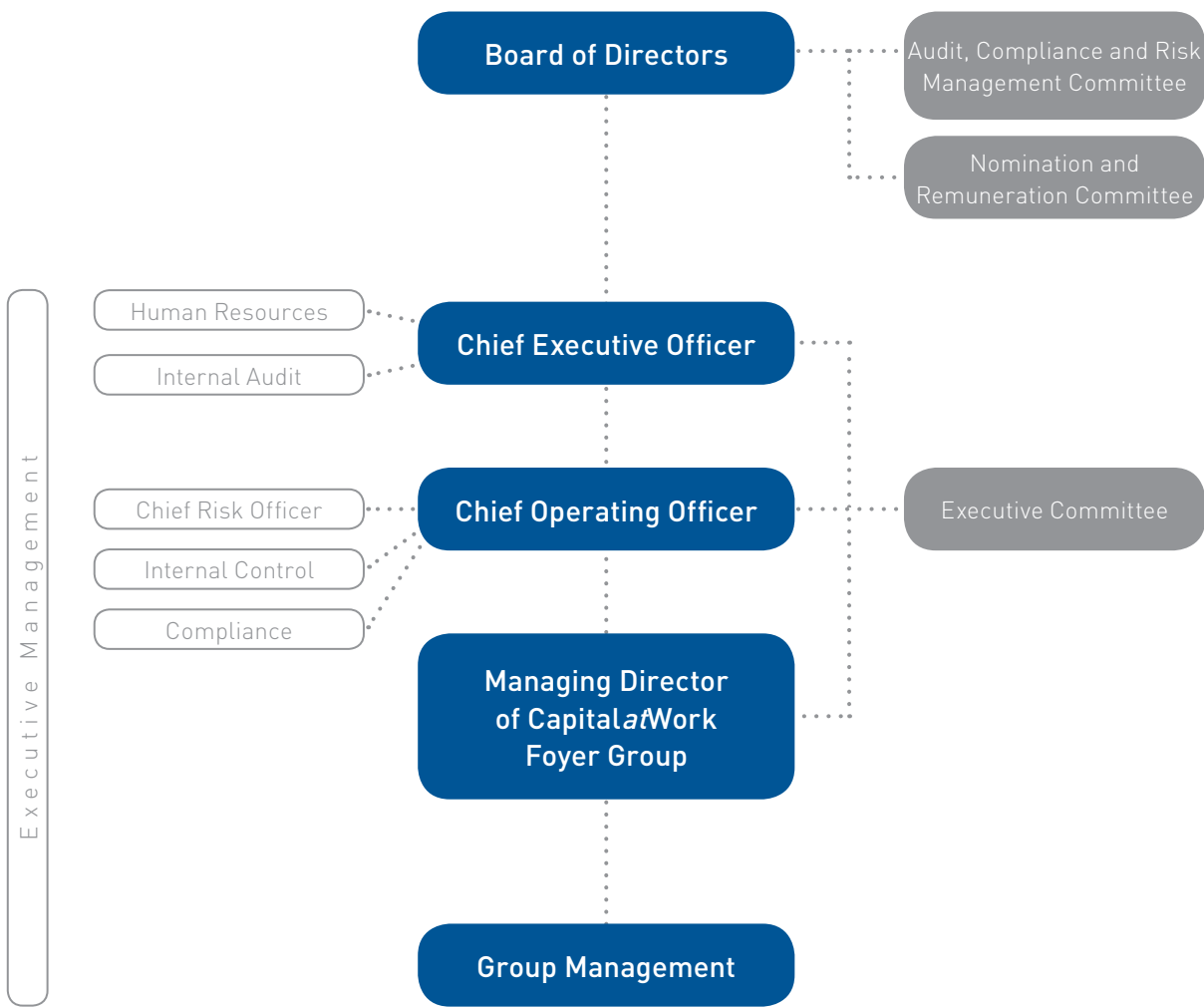


François Tesch  
Managing Director



Lucien Thiel  
Chairman

# The organisational structure of the Group



Foyer's Board of Directors adheres to the ten principles of corporate governance set out by the Luxembourg Stock Exchange. Foyer Group also has a corporate governance charter.

# The Board of Directors

Subject to approval by the General Meeting of 5 April 2011, the Board of Directors of Foyer S.A. will be constituted as follows:

**Lucien Thiel**  
Chairman of the Board of Directors  
Non-executive and independent Director

**François Tesch**  
Executive Director  
CEO of Group Foyer S.A.

**Romain Becker**  
Non-executive and independent Director

**Dominique Laval**  
Non-executive Director

**Henri Marx**  
Non-executive and independent Director

**John Penning**  
Non-executive Director

**Jacquot Schwertzer**  
Non-executive and independent Director

**Michel Tilmant**  
Non-executive and independent Director

**Patrick Zurstrassen**  
Non-executive and independent Director

Mr Oliver Peters, Head of Legal, is the secretary of the Board of Directors.



From left to right : Jacquot Schwertzer, Dominique Laval, John Penning, Théo Worré (Director until 5 April), Oliver Peters, François Tesch, Lucien Thiel, Henri Marx, Romain Becker, Michel Tilmant.  
Absent in the photo : Patrick Zurstrassen.

# 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

**MM. Jacquot Schwertzer**, Chairman of the Committee, non-executive and independent Director,  
**Dominique Laval**, non-executive Director,  
**Henri Marx**, non-executive and independent Director.

**M. Franck Tusch**, Head of internal Audit and secretary of the Committee.

## The Nomination and Remuneration Committee

**MM. Patrick Zurstrassen**, Chairman of the Committee, non-executive and independent Director,  
**Romain Becker**, non-executive and independent Director,  
**André Elvinger**, external member<sup>(1)</sup>,  
**François Tesch**, executive Director, CEO<sup>(2)</sup>.

**Mr Benoît Dourte**, Human Resources Director and secretary of the Committee.

<sup>(1)</sup> Mr André Elvinger has been requested to join the Nomination and Remuneration Committee, in his capacity as Chairman of the Board of Directors of the parent company Foyer Finance S.A. in order to guarantee a consistent nomination and remuneration policy among the two business sectors grouped under Foyer Finance S.A., i.e. Foyer Group, on the one hand, and Luxempart Group on the other.

<sup>(2)</sup> Mr François Tesch is only a member of the Nomination and Remuneration Committee for questions relating to nominating and dismissing Directors or the COO.

# The Executive Management

## The Executive Committee

The Executive Committee is not a special committee within the meaning of article 18 of the articles of association.

The Executive Committee is a consultative body comprising the CEO, the COO and the Managing Director of CapitalaWork Foyer Group which allows these parties to consult one another, coordinate their respective actions and exchange information.

Depending on the items on the agenda, the Executive Committee may call on other Executive Managers or any other person capable of clarifying particular matters.



**François Tesch**  
Chief Executive  
Officer (CEO)



**Marc Lauer**  
Chief Operating  
Officer (COO)



**Vincent Decalf**  
Managing Director of  
CapitalaWork  
Foyer Group

The Group Management

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

Operational Management



Non-Life Insurance  
Franck Marchand



International  
Life Insurance  
Jean-Louis Courange



Local Life Insurance  
Philippe Bonte



Wealth management  
Vincent Decalf

Staff Management



Sales and  
Marketing  
Gilbert Wolter



Human Resources  
and General Services  
Benoît Dourte



Accounting  
and Reporting  
Marc Lauer



Legal  
Oliver Peters



Research and  
actuarial Studies  
Philippe Bonte



Risk management  
Paul Fohl



Asset management  
André Birget



Information  
systems  
Daniel Albert





Three activities,  
three business lines,  
three passions

# Foyer Group at a glance

As the leading local insurance company and bolstered by the development of its asset management activities in Europe, Foyer Group has ambitions of becoming a major financial player in the Luxembourg market place.

The local character and the family-oriented shareholders of Foyer Group, created in 1922, make it unique in this financial market and warrant its solidity and independence.

Now as before, the interests of the client are Foyer's main concern. Every day its managers, employees and agents contribute in developing a range of products geared to meeting every one of the client's needs. Through its three businesses - insurance, pension savings plans and asset management, Foyer Group stands for its customers at every stage in their life, be it a happy or a more challenging one.

From its outset, its first business line as an insurance company allowed Foyer Group to serve a local clientele made up of families and businesses. Its position as a leading Non-Life and Life insurance company in Luxembourg is testimony of the high-quality of its services. This high level of standards can be seen at every stage of the chain which links Foyer to its clients, from the employee involved to the

<<

More than ever before, we stand side by side with our clients at every stage in their life ready to advise, support and provide them with suitable solutions. At present we can draw on a wealth of expertise allowing us to meet the needs of our clients, both local and European, offering them solutions which address both their day-to-day requirements in terms of insurance and for those more sophisticated, asset management and wealth transfer.

network of over 400 agents, specialised and versatile, always ready to listen to their needs.

Over the last few decades, the Group has also turned towards a European clientele for which it has continued to develop creative and high-performing solutions in the areas of pension savings plans and asset management. Strong synergies have been developed between the various business lines and bodies within the Group, with a view to enriching, on an ongoing basis, its know-how and, by so doing, optimising the quality of its services.

Its introduction on the Stock Markets of Brussels and Luxembourg in 2000 is testimony to its ambitions to develop beyond national frontiers and into new areas of activity.

Foyer has also taken advantage of the opportunities offered by the liberalisation of the insurance markets to become one of the first actors in the market place, for its wealthier clients in Life insurance products in Europe under the Freedom to Provide Services regime. These products, which are particularly suited for asset management, have experienced promising growth despite the exceptionally complex context in which the financial markets are operating.



>> **Marc Lauer**  
Chief Operating Officer

Mindful of the ever changing needs of its clientele both at local and international level, private and institutional, the Group aims to make its subsidiary, CapitalatWork Foyer Group, a benchmark player on the Belgian and Luxembourg markets. This company, which has twenty years of experience, is today facing major new challenges which will allow Foyer Group to gain in stature as a player in asset management.

# Non-Life Insurance

Innovation, quality in the services delivered and operational excellence allow Foyer Group to maintain its position as a leader in the local market.



## Flexible products and personalised services for individuals

One of the priorities of Foyer Group is to offer its individual clients personalised and top of the range products and services.

To meet this objective, the Group has identified various categories of needs in the widest sense. This has allowed it to structure a product and service offering which can meet all of the clientele's expectations in terms of insurance cover, pension savings plans and asset management.

The products have been devised to be simple and flexible, offering different levels of guarantees according to each client's personal situation. They can also be customised and adapted to meet the changes which take place during the life-cycle of the household.

The method of analysis of the client's expectations deployed by the distribution network is also centred around the different categories of needs, thereby guaranteeing advice which is objective and tailor-made.

Finally, Foyer Group has put in place tools which allow its employees and partners to be fully aware of its clients' needs and expectations. In this way, every employee and agent of the Group who is in contact

with the client is in a position to offer the most suitable solution, whatever the request.

### → **mobilé and mobilé crédit: a complete solution for the needs of car mobility**

With its **mobilé** offering, Foyer Assurances can offer its clients a fully comprehensive car insurance service. The different options available offer the best insurance possible for both the driver and the vehicle, whether for a new or second hand car. By including a finance offer with **mobilé crédit**, Foyer Assurances can now provide its customers with a "turnkey" solution!

In just one easy step with their Foyer agent's help, the clients can finance and insure their car and be sure to benefit from professional advice and assistance in the event of an accident - a fully comprehensive service which makes life easier.

### → **reebou family: a modular policy which protects the home and the whole family**

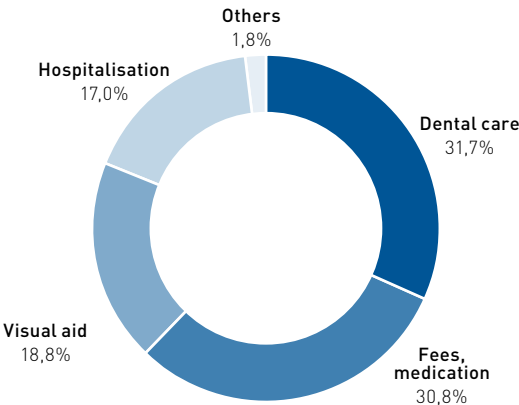
**reebou family** is an innovative offering which allows for the best possible insurance for both buildings and contents, includes a variety of insurance cover options to protect the whole family.

**reebou family** packs offer a fully comprehensive insurance service for all the family's travel plans, family legal protection, accidents which occur outside of work, leisure equipment and items of value. At any time the client can adjust the policy according to actual needs or a changed family situation. Subscription is easy and bundling of all cover options within just one policy makes day-to-day management much simpler. Clients can rest assured that they are well protected against all eventualities.

→ **Loyer garanti : a fully comprehensive offering for rental property owners**

Defaults on rent payments by tenants can quickly reduce the profitability of a property investment. Aware of this problem, Foyer Assurances has developed **Loyer garanti**, a comprehensive product which offers property owners optimum protection of their investment return.

Reimbursement for medical treatment - by type



« Consolidating our position as a leader by offering our customers innovative products and services protecting what is dearest what is dearest to them.

→ **medicis: health cover for the whole family**

Health care represents an ever more expensive item in the family budget. **medicis**, the complementary health insurance offered by Foyer Santé guarantees the best cover for all health care costs (hospitalisation, medical fees, medication, etc.) In 2010, Foyer Santé developed a new offering combining within one policy cover for the costs of outpatient treatment and hospital care, thereby guaranteeing comprehensive cover and making things easier to manage.

Tailor-made products and an exceptionally high level of service for professionals

As a response to the requirements of a demanding professional client base, Foyer Assurances has developed tailor-made solutions customised to the size of the company and its line of business, thereby allowing it to develop its turnover whilst, at the same time, protecting its investments.

**The self-employed and SME's: customised products, simple management and the advisory services of a local agent**

→ **mobilé pro and the fleet product** allow for a car pool to be insured under one policy. Customers can therefore benefit from a simpler administrative management procedure in insuring their car fleet;

→ **reebou pro** is a comprehensive, multi-risk insurance which covers buildings, merchandise, civil and professional liability, as well as operational losses following an accident, all as part of the same policy;



» Franck Marchand  
Managing Director of  
Foyer Assurances

- **medicis pro** offers comprehensive cover for health care and income loss in the event of work incapacity;
- **protection juridique pro** : a unique policy in the Grand Duchy of Luxembourg providing insurance cover for expenses incurred by companies in seeking to have their rights upheld before the courts;
- **RC professionnelle** : an essential, mandatory insurance cover for some professions, which guarantees the long-term value of the company in the event of losses caused to third parties.

## Non-Life insurance: consolidated results

### Sector information

€ millions

	Non-Life insurance		
	2010	2009	2008
Premium earned, net of reinsurance	220,23	210,69	196,86
Net operating revenue	45,40	19,53	-7,73
Insurance claim costs net of reinsurance	-142,02	-125,24	-117,16
Expenses	-62,98	-59,24	-57,25
Income before tax	60,63	45,74	14,72
Taxes	-17,57	-13,00	-2,83
Net income	43,06	32,74	11,89

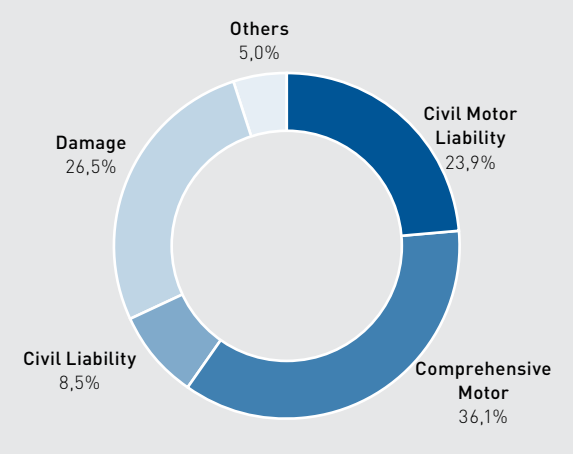
Companies: tailor-made solutions and a follow-up service offered by a team of specialists

To meet the expectations of the managers of large companies, Foyer Group provides a technical and commercial team dedicated to the management of corporate risk. These specialists assess the risks involved and suggest customised solutions in all lines of business as well as solutions for specific risks.

Foyer Assurances also offers companies, large or small, solutions to protect themselves against the risk of insolvency of their customers thanks to an exclusive partnership with Atradius, one of the world's leaders in credit insurance.

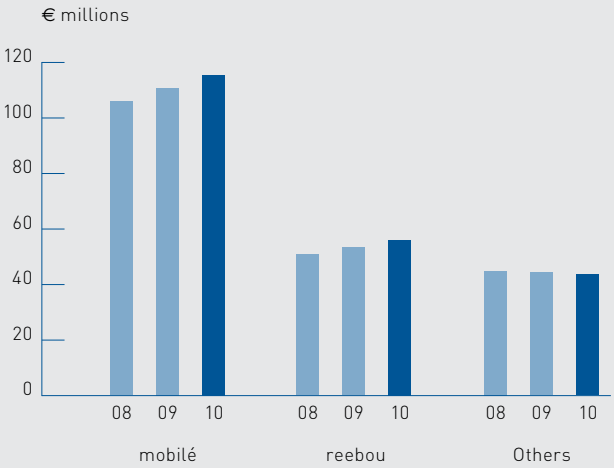
Distribution of turnover  
Foyer Assurances

on 31.12.2010 (excluding captive companies and Belgian market)



Development of turnover

(excluding captive companies and Belgian market)



# Life Insurance

## An investment and savings tool

Over the last few years, Life insurance has undergone dramatic change. Only five years ago, the general public mainly associated Life insurance with products which protect against the risk of death in the case of financial exposure due to borrowing and with tax deductible savings products.

Today, this view has changed fundamentally. More and more clients are trusting Foyer Vie with the management of their assets. This is why **flexivie click** has become one of the Foyer Group's flagship products, combining within just one policy a high-performance investment tool and a solution for estate planning.

The offering from Foyer Vie is constantly evolving, in tune with the changing needs of a population that is ever more frequently faced with challenges in terms of long-term pension planning and careful and performing asset management.

« The changes which are occurring in the Life insurance environment have only just begun, the pace at which needs will change will quicken over the next few years. Foyer Vie will stand at its clients' side to help them rise to these new challenges.

In 2010, Foyer Vie restructured its IT personal insurance management tool, thereby remaining at the vanguard of technology.

Foyer Group's agent network, fully qualified in financial matters and present throughout Luxembourg, helps to make high quality products widely available.

Its close contact with clients instils a climate of trust which is key to the development of the Group's businesses.

Furthermore, Foyer's significant capital means makes it a group which is more solid than the average Luxembourg insurance company, thereby further strengthening its clients confidence.



Life insurance and pension savings plans

In an ever more difficult economic climate, the debate about the future of legal pension provision cannot be postponed for much longer.

The individual pension savings plan will gradually become an essential additional future income provider which will allow citizens to envision the future with serenity after their working life.

Within this context, clients will of course profit from opportunities offered by an attractive tax situation; but will still be expecting a lot more. In fact, long-term planning and needs analysis to ensure a solid basis for an active and peaceful retirement are getting more and more important.

Life insurance: consolidated results

Sector information

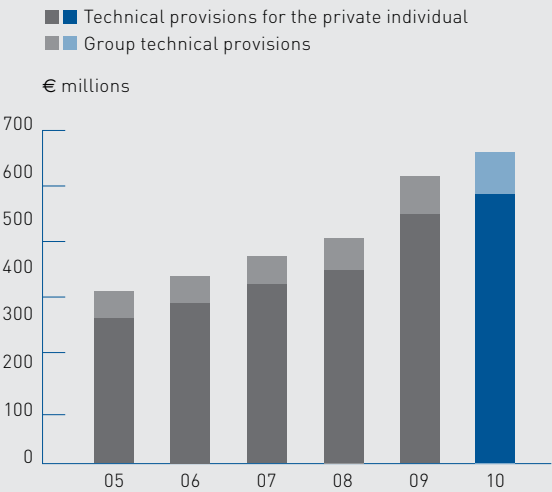
€ millions

	Life insurance		
	2010	2009	2008
Premium earned, net of reinsurance	122,30	142,74	82,21
Net operating revenue	107,31	76,17	-97,36
Insurance claim costs net of reinsurance	-186,44	-191,63	38,88
Expenses	-23,64	-19,94	-20,66
Income before tax	19,53	7,34	3,07
Taxes	-5,24	-2,14	0,01
Net income	14,29	5,20	3,08

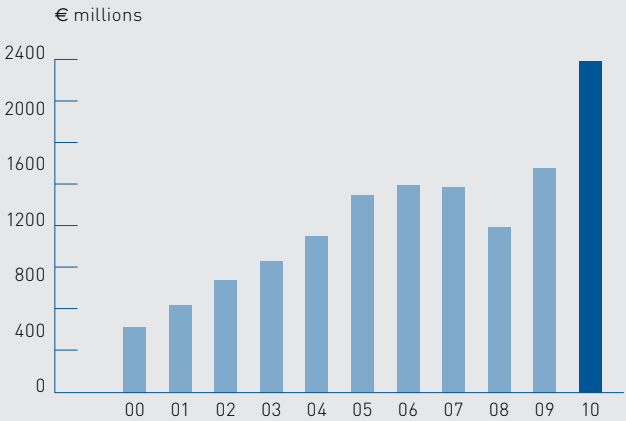
Group pension plans are also taking on a new meaning and are becoming a compelling line of argument for companies when recruiting or assuring the loyalty of their employees. They embody a willingness on the part of the companies to implement a socially responsible HR management policy. Group pension plans are also an essential pillar in ensuring the long-term stability of our pensions scheme.

Previously, these group pension plans were exclusively adopted by large companies, now they are increasingly of interest to companies much more modest in size, which use them as an incentive when recruiting and assuring the loyalty of a qualified candidate.

Life insurance: technical provisions



Foyer International  
Commitments towards clients





In order to meet the expectations of its professional clients, Foyer Vie provides them with a team of specialists who can offer them customised solutions and management facilities. The launch in 2010 of “e-advantis”, an online management tool for group Life insurance policies, has led to this positioning being strengthened.

Foyer Vie is also part of the European landscape, namely through its collaboration with Generali Employee Benefits, a global insurance network.

### Life insurance beyond the borders of the Grand Duchy

With the launch in 2010 of the **Orion** range, Foyer Vie is today also active in Belgium and offers its individual customers savings and investment solutions which are safe and high performing.

# Life Insurance under the Freedom to Provide Services regime: tailor-made solutions at the service of an international and demanding clientele

Foyer International specialises in the development of Freedom to Provide Services Life insurance business beyond the frontiers of the Grand Duchy of Luxembourg.

In 2010, Foyer International has seen a very significant increase in its turnover in all the markets where it operates.

Foyer International works exclusively with wealth management professionals (BtoB). This has made it a benchmark partner renowned for the quality of its specialised advice, in particular with banks and private bankers, asset managers, family offices and financial advisers.

Supported by internal and external experts, Foyer International offers high quality Life insurance solutions, which are flexible and transferable, and allow for optimal financial planning and estate transfer.

New challenges always open up new prospects. Foyer International is adapting to the frequent regulatory developments, both in terms of national legislative amendments and developments within the European framework as set by the various applicable directives. The specialists at Foyer International are in constant contact with tax and legal experts located in all of the countries involved.



« As the performance of Foyer International in 2010 clearly shows, Life insurance solutions will occupy an ever more important position in the management of international wealth in the future.

Foyer International is strong given that it belongs to a Group which is independent of any financial institution, safeguarding its character and historic family values, whilst offering the transparency of a company listed on the stock market. The Group's commitment to its principles and its financial solidity are key factors in creating the trust its customers place in it.

For long-term effective asset management, Foyer International offers customised solutions based on an open architecture. With this in mind, the products have been devised to meet the demands of a wealthy clientele, whilst offering them tax and inheritance benefits, and complying with the legal and tax environments of their

country of residence, a long-term guarantee of safety. Currently, Foyer International operates in Belgium, France, Germany, Italy, Portugal, Spain and Sweden.

The increasing mobility of European nationals calls for more and more frequent cross-border customised solutions. The experience of the teams at Foyer International means that this need can be met with the support of local specialists in each of the countries concerned.



>> Jean-Louis Courange  
Managing Director of  
Foyer International

# Asset Management by CapitalatWork Foyer Group

At the beginning of 2009, new impetus was injected into the financial activities of Foyer Group with the acquisition of CapitalatWork, which also helped to strengthen the Group's international presence.



After a year of transition in 2009, the financial year 2010 allowed Capitala@Work Foyer Group to significantly improve its financial results and, thereby, to contribute to the excellent results of the Group as a whole.

Asset management, at the very core of the line of business conducted by Capitala@Work Foyer Group, represents a development strategy for Foyer Group. Therefore, thanks to its expertise and the wide range of its lines of business, Capitala@Work Foyer Group has become the spearhead in the Group's asset management activities.

With around one hundred experts located in Belgium, the Grand Duchy of Luxembourg, the Netherlands and Switzerland, Capitala@Work Foyer Group today manages €4.00 billion on behalf of its private and institutional clients.

By becoming the preferred contact for each of its clients in areas related to the structuring, transfer and management of assets, Capitala@Work Foyer Group can meet all its clients' expectations.

Capitala@Work Foyer Group shares the values of Foyer Group. Risk management and the protection of its clients against life's hazards or the financial markets, by favouring a long-term vision and prudent, paternal management are crucial.

An independence which makes all the difference

The independence of Foyer Group, a guarantee that there will be no conflicts of interest and that its advice will be objective, is essential to the business of asset management.

Furthermore, the stability of the Group's family-oriented shareholders, its financial solidity in an ever more globalised environment and the management rigour associated with a listed company are real assets for Capitala@Work Foyer Group.

This firm base allows the company's management to focus on the development of its businesses whilst devoting to the key aim of the company: to ensure that the concerns of the clients remain fully at the heart of the company's decisions.

Asset management, in its true sense, is the reflection of a methodology, if not of a philosophy, clear and transparent: Capitala@Work Foyer Group reconciles the values of capital and work. The clients' capital is put "to work" by means of investment choices in quality companies, selected on the basis of a tried and tested internal analysis.

The choice of securities within Capitala@Work Foyer Group is guided by two golden rules:

- giving preference to below average risks by holding on to high quality assets bought at favourable prices;
- seeking out above average returns within the limits of the clients' risk aversion, whilst bearing the first rule in mind.

With twenty years experience, Capitala@Work Foyer Group has an impressive and diversified client base (both private and institutional). This client base appreciates the investment approach based on the quest for high quality assets which present an attractive stock market value and a weak risk/return ratio.

The expertise of Capitala@Work Foyer Group is also used in the management of Foyer Group's securities portfolios.

« Capitala@Work Foyer Group offers its clients personalised asset management solutions, whilst favouring a long-term vision and taking their investment profile into account. As asset management represents a development strategy for Foyer Group, the activities of Capitala@Work Foyer Group will be called upon to show significant growth over the next few years.

» André Birget  
Chief Investment Officer



Vincent Decalf  
Managing Director of  
CapitalaWork Foyer Group

« In times of monetary and political turbulence, investing in a methodical and discerning manner is crucial. Rigorous assessments of the value of companies and the global economy have offered many opportunities in 2010 and allowed multiple dangers to be avoided to the benefit of our clients.

Financial overview of 2010 and Outlook for 2011

As illustrated by the table on the following page, 2010 was an excellent year for CapitalaWork Foyer Group, both in terms of overall activity and consolidated earnings, up significantly on the previous financial year.

Now that 2010 is over, it is time to make way for 2011 - this could be the motto for a number of economic players, starting with the countries themselves.

In fact, the year 2010, two years after the end of the crisis, has proved difficult in economic terms for the developed countries. Growth levels have generally been insufficient to allow unemployment to start falling significantly.

In all of the eurozone countries, significant austerity plans lasting several years have been put in place to deal with public finances which have been spiralling out of control since 2008.

In the US, faced with disappointing growth levels, un-employment figures at almost 10% and a depressed residential housing market, the Federal Reserve has proceeded with a massive repurchasing of sovereign debt despite the already alarming levels of debt and deficits.

The rise in the price of commodities is starting to have an impact on some inflation rates in the emerging

high-growth countries which are attracting significant levels of investment. This, however has not yet had a noticeable impact in the developed countries.

Clearly, uncertainty remains the order of the day and, more than ever, the expertise of the management teams at CapitalatWork Foyer Group will be used for the benefit of the client base offering a combination of prudence, selectivity and diversification.

## Asset management: consolidated results

### Sector information

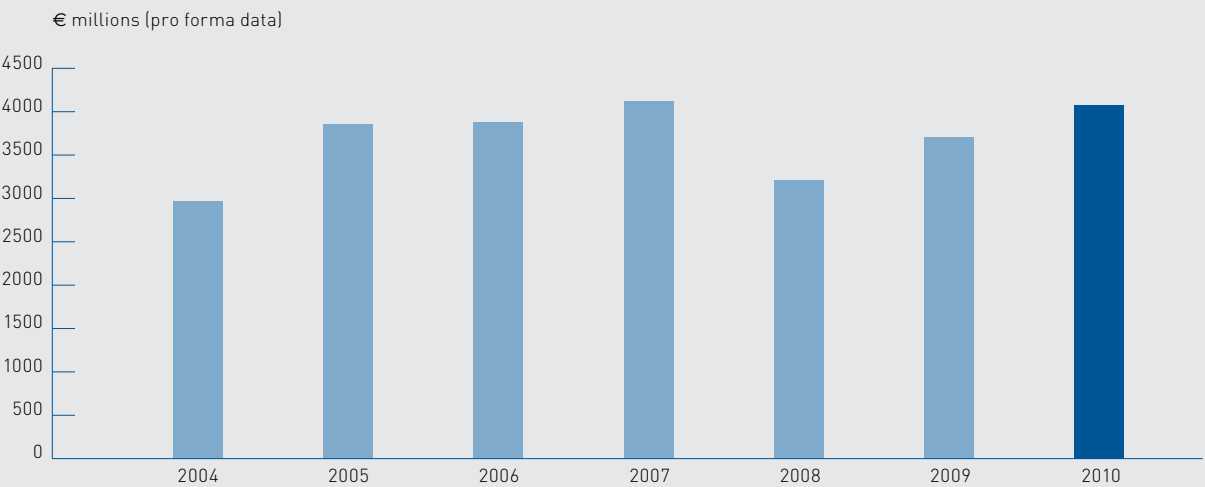
€ millions

	Asset management		
	2010	2009	2008
Net operating revenue	26,81	26,48	7,12
Expenses	-22,21	-23,19	-9,74
Operating results	4,60	3,29	-2,62
Taxes	-0,03	0,35	-0,22
Net income	4,57	3,64	-2,84

The standardisation of the IT tools within the company, the first stages of which were successfully implemented in 2010, will offer a drastic increase in operational effectiveness, a substantial enhancement of quality control at all levels and a platform of integrated and personalised solutions for the clients.

The Board of Directors ratified the plan to modify the Group’s status from Professional of the Financial Sector to private management bank. In the medium term, this amendment will be decisive in defining the development of CapitalaWork Foyer Group. Growth will be based on a significant consolidation of the management and sales teams.

Evolution of managed assets





# Operational excellence running through our corporate culture

# Offering solutions to meet our clients' every need

"Äert Vertrauen a sécheren Hänn ": a promise made to all clients to offer them quality products and services, based on in-depth knowledge of their needs and on a relationship of trust!

To keep this promise, Foyer Group relies on the quality of its products and services, on the professionalism of its distribution network and on the operational excellence deployed at every stage in the relationship with the client.

## A network of professional agents, for a quality advisory service

In order to distribute its products and services, Foyer Group relies on a network of more than 400 exclusive agents, located throughout the Grand Duchy of Luxembourg. Brokerages and the Raiffeisen banking network make us more available to our customers.

Foyer agents maintain a close, on trust based, relationship with their clients, in order to provide them with a service at human level and a tailor-made advisory service.

The agent's prime mission is to advise customers and to search together with them the most suitable solutions, by taking into account all of their expectations as well as their current situation and future needs.

In order to support its agents in their mission, Foyer Group has deployed a unique sales approach, aimed at promoting a comprehensive and documented analysis of the customer's needs, the "bilan d'optimisation assurance" (BOA).

Foyer Group has for many years now undertaken a commitment to professionalise its network. In order to ensure the continuous renewal of its agents base and to benefit from new blood in supporting the development of its agencies, Foyer Group has launched a mentoring

« The "bilan d'optimisation assurance" ensures for clients that their needs have been fully addressed and that their expectations will be taken into account in their future relationship with their agent and Foyer Group.

and follow-up programme for new employees while they are learning to work as an agent: Foyer Academy. This initiative facilitates the integration of employees who have come from other sectors and allows these ambassadors of the Group to quickly acquire all the skills and knowledge required to offer the best quality service possible.

Dialogue with the Group and a high quality logistical support, either in terms of life-long training, targeted and personalised marketing campaigns or constant upgrading of IT tools, are assets which allow our agents to meet the expectations of their clients more easily.



### Operational excellence at the service of the relationship with the client

Trust has to be earned and maintained. By spreading the client culture amongst its employees and within its network of agents, Foyer Group is doing all it can to ensure that each employee involved in the relationship with clients knows these as best they can by providing them with the most suitable answers.

Knowing your clients well does not only mean understanding their present needs but also being in a position to take account of how their situation may develop.

It is from this viewpoint that Foyer Group has organised its product offering around different categories of needs. By adopting this approach, combined with the needs analysis carried out by the agent, Foyer Group can bring to each of its clients comprehensive and scalable solutions for insurance, pension savings plans and asset management which will accompany them throughout their lifetime.

Effectiveness is also achieved through process standardisation, which delivers a consistent level of quality. In partnership with its agents, Foyer Group has undertaken a procedure of operational excellence, to instil within the company as a whole a philosophy of continued improvement by focusing on the client's needs.

# Research and actuarial Studies

In the next few years, the world of insurance will experience a profound change with the application, amongst other things, of the Solvency II directive and new IFRS II accounting standards. These two regulations will fundamentally change the way we define our business. These changes will make the environment within which we carry out our profession ever more complex.

Being at the forefront of progress is a sine qua non condition for staying ahead and anticipating the services and products of tomorrow. Being able to adapt in an effective and pragmatic manner becomes a challenge if we are to maintain our level of reactivity in a changing environment.

The application of the Solvency II directive implies significant changes in information processes and structures. Therefore, Foyer Group prepares the implementation of this second pillar by introducing major changes in its internal organisation by creating the posts of Chief Risk Officer (CRO) and Chief Actuary, in particular.

« The mission of a Research and actuarial Studies department consists of accompanying Foyer Group in a changing environment which is becoming ever more complex. By doing so in an effective and pragmatic manner helps the Group to consolidate its position as a leader in its main lines of business.

The Group is not losing sight of the fact that in an environment where the needs of the client base are constantly developing, the *raison d'être* of a Research and actuarial Studies department is to draw up and set tariffs on new products.

For this reason, innovative and unique products have been marketed over the last few years. In the area of Life insurance, the life annuity and the disability pension "cash back" are innovative offerings which have been devised thanks to the ongoing collection of the needs expressed by clients with the network and to the continuous monitoring which we carry out on the subject of innovations developed overseas.



In the Non-Life insurance business, **reebou family** is unique by its global approach to the needs of the clients. This product provides extremely innovative packs to protect the houses and contents of policyholders and to insure them against everyday risks. Launched in 2010, **mobilé crédit** is an offering which combines car insurance and finance in the one product.

In 2010, our products aimed at the Belgian market have also been fully reviewed.

Finally, a Research and actuarial Studies body is more than just a simple manufacturer of products: it provides Management with follow-up and piloting tools for its businesses.

These tools allow the correct decisions to be taken at the right time and in full knowledge of the environment.

# Risk management

Risk management is at the very core of the business of every insurance company - when an insurance policy is taken out, the insured party transfers a risk, hazardous by definition, to a company which accepts it in exchange for a premium. For many years now, the various insurance companies of Foyer Group have demonstrated a high level of expertise in risk management.

By adopting the Solvency II directive in 2009, the European Union has decided to subject insurance and re-insurance companies in Europe to a supervisory system which aims to cover all the risks incurred by these companies. It therefore goes well beyond the simple assumption of risks associated with the underwriting of insurance risks.

Inspired by this global approach to risk, Foyer Group has decided to cooperate fully with the implementation of this new prudential system.

« By strengthening our control procedures and our risk management, we are getting ready to meet the new quantification and risk management regulatory requirements and to communicate our compliance with these to the supervisory authorities and the general public.

Foyer Group has therefore taken part in all of the quantitative studies commissioned by the EU authorities and taken position, as far as possible, on the various consultation papers published by the latter.



It has been proactive by integrating risk management, including risks which go beyond the framework of insurance in the strictest sense of the word, into its decision-making processes. So, in the future the Group will be able to quantify the sum of all risks to which it is exposing itself. In order to deal with this, it will either implement risk reduction measures, or maintain capital funds in excess of those required to cover the risks.

With this in mind, Foyer Group is doing all it can to be ready to meet the demands of the Solvency II directive as soon as it enters into force at the beginning of 2013, by reinforcing its internal risk management systems. From this viewpoint, the organisational structures have been reviewed from 1 January 2011 with the creation of two new posts - those of Chief Risk Officer and Chief Actuary.

Its active participation in the various impact studies (QIS) published by the CEIOPS and the European Commission over the last few years, has allowed Foyer Group to strengthen its control over risk quantification thanks to actuarial methods which are better able to assess its risk exposure.


The Group has undertaken to implement a risk management system which covers strategies, processes and internal procedures. The latter allow risks to be permanently detected, measured, controlled and managed. Finally, the Group has put in place a corporate governance system appropriate to its size and the risks which it incurs. In this way, it will be able to monitor its level of solvency based on its actual risk exposure, and in accordance with the principles as defined in the Solvency II directive.

# Managing talents and sharing Group values

As a leader in the Luxembourg insurance market, Foyer Group is more than ever an attractive employer for any ambitious employees wishing to further their professional career.

Our employees represent our most precious asset. Recruitment, integration, development and progression are the pillars of the Group's Human Resources management policy.

Foyer pays particular attention to the recruitment of its employees. Nowadays, technical expertise is not enough; the capacities to learn and adapt are becoming just as important. The successful candidate must be able to integrate positively within the team already in place, carry an added value and adhere to the values of the Group. Whilst recruitment is not an easy task, the real challenge comes from keeping individual talents motivated. Career progression is the cornerstone of the Group's Human Resources policy. Being able to trust and invest in our employees is crucial, the development of qualifications through training, both collective and personalised, is also indispensa-



« Our long-term survival can only be assured if we remain focused on our values. Our priorities are to motivate and train our employees, to ensure a peaceful professional working environment, to offer them career development prospects within the Group.

ble in order to ensure lasting motivation. For this reason, Foyer is in a position to guarantee the versatility of staff and to suggest internal promotions, providing every motivated member of staff with career development prospects.

For our clients, the development, both professional and personal, of our employees is a window into the Group. The "Approche Globale Clients" training programme in 2010 provided the opportunity to promote the ideas of excellence and passion with which the needs of our clients should be met. All functions blended together, the sharing of experience by everyone and the common quest for solutions have created new

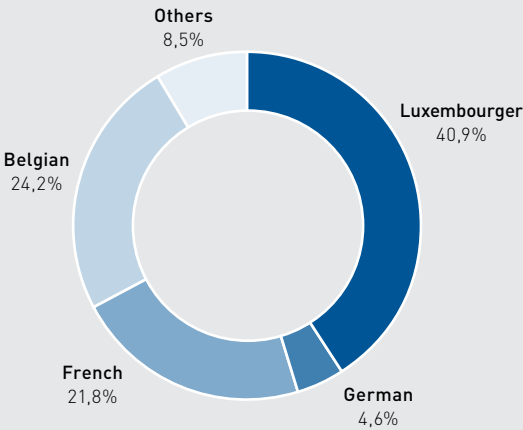


>> Benoît Dourte  
Human Resources  
Director

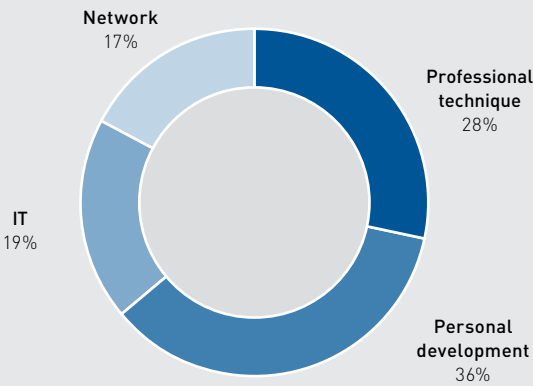
openings between different departments and improved internal communication within Foyer Group.

Our Human Resources department is run with a deep respect for the Group's values: Trust, Integrity, Independence, Excellence and Innovation. We do all we can to ensure that these are applied day after day with a view to meeting the needs of our clients to the best of our ability.

Multicultural workforce



Distribution of the training budget



# Sustainable development

## Concrete steps towards sustainable development

For several years now, Foyer Group has been committed to sustainable development and considers the protection of the environment as one of the company's core values.

Foyer Group wishes to position itself as a responsible player; this commitment has been translated into various efforts aimed at improving its environmental performance.

## The establishment of an environmental diagnosis

Foyer Group has asked an independent body, the "Centre de Ressources des Technologies pour l'Environnement" (CRTE) to carry out a study on the environmental impact of its business.

The CRTE has analysed in detail the environmental impact caused by Foyer Group's site in Leudelange by studying, on the one hand, material and energy flows and, on the other hand, the consequences of this on the local natural environment.

## The optimisation of paper use

Along with energy, paper is an important source in the ecological footprint associated with the business of the Group.

In order to reduce its environmental impact, Foyer Group only uses ecological paper for its internal printing needs.

The printers used by Foyer Group only use FSC (Forest Stewardship Council) labelled paper for the Group's printing needs.

Foyer Group has implemented a computerised process for the whole of its network of agents in order to promote the electronic exchange of data, thereby limiting the consumption of paper.

« Societal and environmental responsibility is more than ever an issue for our Group. In compliance with its values and its commitment, Foyer continues to be involved in this process by introducing real campaigns, with respect to its clients, its agents and employees.

A computer application was also implemented in 2010 to allow the network agents to access online all filed documents (terms and conditions, invoices, tax certificates, accounting documents, etc.)

This process will continue in 2011 by providing electronic format of copies of contractual and administrative documents for use by the agents.

Actual steps with regard to the clients

Still with a view to reducing the use of paper, Foyer Group has dematerialised the general terms and conditions of its insurance products. This means that clients will no longer systematically receive a paper copy of the general terms and conditions of their insurance policies, but will have the opportunity to view these on Foyer Group's website.



>> Benoît Dourte  
Human Ressources  
Director

Nevertheless, the general terms and conditions in paper format will still be available for those clients who prefer to receive this version.

Ongoing commitment

In 2010, Foyer Group sponsored the first 100% electric sports car available on the Luxembourg market, the "Zero". Introduced at the Musée Tudor in February 2010, the "Zero" can be recharged at home and has zero CO<sub>2</sub> emissions. It is quiet, completely clean and built using recyclable materials.

We also wish to involve our employees in the protection of the environment. For this reason, since 2010 we have imposed a limit on CO<sub>2</sub> emissions on our lease cars and company vehicles.

The Group will continue to raise awareness amongst its employees in order to encourage them to reduce their consumption of energy and paper, in particular, and to make them more aware of the benefits of sustainable development.

# Foyer S.A. on the stock market

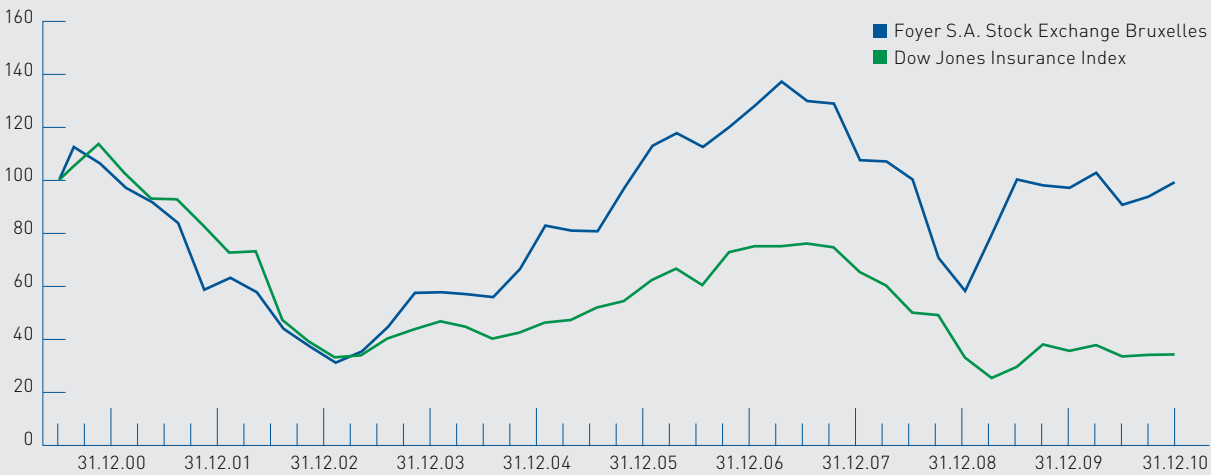
## Structure of the shareholding on 31 December 2010

Foyer Finance S.A.	78,62 %
Luxempart S.A.	4,82 %
Public and Institutions	15,83 %
Foyer S.A.	0,73 %

## Stock value on 31 December 2010

	2010	2009	2008
Number of shares in circulation	8 933 452	8 998 842	8 995 041
Closing price	42,0	39,6	27,0
Market capitalisation	375 115 649	356 354 143	242 968 734
High for the year	44,5	44,5	48,6
Low for the year	37,0	21,0	25,6
Free float	1 395 087	1 460 477	1 500 046

## Information on changes in the stock market price (base 100)



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The publication of the annual and half-yearly results as well as the interim management statements will take place on the dates indicated in the financial calendar (see site [www.foyer.lu](http://www.foyer.lu))



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