



Foyer

SOCIÉTÉ ANONYME



ANNUAL REPORT

2011

Financial Information

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Corporate Governance

Annual report 2011

Introduction

In 2006, Foyer Assurances S.A. participated in the working group of the Luxembourg Stock Exchange who drew up "The ten principles of corporate governance of the Luxembourg Stock Exchange", a revised version of which has been published in October 2009. These principles are intended to Luxembourg companies which shares are listed on the Stock Exchange. Their purpose is to contribute to the creation of long term value.

"A good corporate governance framework should create a balance between a performance orientated strategy on the one hand, and adherence to reliable risk management systems and internal controls on the other. The latter requires responsibility, integrity and transparency" (Quotation from the preamble of the Ten Principles)

By decision of 6 March 2007, the Board of Directors of FOYER S.A. adhered to The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange by adopting a set of rules which constitute the Corporate Governance Charter of FOYER S.A. Group. (Hereafter "the Charter"). Further to the adherence to these rules, the articles of incorporation of FOYER S.A. were brought in line and amended by the Extraordinary General Meeting of Shareholders of 3 April 2007. The charter was applicable immediately thereafter.

The Charter describes the principal aspects of Corporate Governance of FOYER S.A. Group tracing in detail the manner in which FOYER S.A. is managed and controlled. The Charter consists of several parts:

- a description of the structure and the organisation of the Group;
- the components of issued share capital of FOYER S.A.;
- the role and modus operandi of the General Meeting of Shareholders;
- the composition, attributions and modus operandi of the Board of Directors and special committees which are assisting the Board of Directors as advisory bodies;
- a description and modus operandi of the Executive Management in charge of daily management;
- an overview of the external controlling bodies which supervise the activities of Group companies and audit annual accounts.

The Charter is completed by a coordinated version of the statutes of FOYER S.A.

The Charter sticks to all the principles of Corporate Governance as enacted by the Luxembourg Stock Exchange. However, in as far as the independence criteria of the Board members is concerned, the Board of Directors considers that, contrary to the criteria proposed in the recommendation 3.5 (see annexe D paragraph h) of the Ten Principles, that a long term mandate will probably constitute an advantage, given the fact that it allows the board member to acquire over the years a thorough

knowledge of FOYER S.A. Group, without any incidence on his ability for critical examination and/or his independence.

Whenever the Board of Directors adopts a change in the wording of the Charter, it is immediately updated.

An updated version of the Charter can be consulted in its entirety on the website

www.foyer.lu

Shareholder's structure

On 31 December 2011, the shareholder's structure of FOYER S.A. is as follows:

Participation held in the share capital	31.12.2011
Foyer Finance S.A	78,79%
Luxempart S.A	5,46%
Public and institutional investors	14,27%
FOYER S.A.	1,48%
Total	100,00%

On 31 December 2010, FOYER S.A. held 0,73% of its own shares. In accordance with the authorization granted by the General Meeting of Shareholders on 5 April 2011, the Board of Directors has approved the same day the implementation of a program to repurchase Company's shares in order to achieve the following objectives:

- a) Cover a stock option plan of FOYER S.A. for employees and executives of the Foyer Group;
- b) Cancel the repurchased shares by a decision of an Extraordinary General Meeting to be held later on;
- c) Maintain and give subsequently shares of FOYER S.A. in exchange or payment in connection with an acquisition.

Due to the repurchase of shares made in 2011, based on this repurchase program, the rate of shares held in self-control passed on 31.12.2011 to 1,48% of issued shares.

To the knowledge of the company, no individual shareholder, with the exception of Foyer Finance S.A. and Luxempart S.A., held more than 5% of the share capital of FOYER S.A. on 31.12.2011.

The Board of Directors

Mission

The Board of Directors is the body that is responsible for the management of FOYER S.A. It has the authority to take all decisions and to enact all measures necessary and useful to reach the object set out by the articles of incorporation of the company, with the exception of all rights which either by law or by the articles of incorporation are specifically reserved to the General Meeting of Shareholders. It is its duty to insure the success of the company in the long term and of its current activities, in the interest of its shareholders and other concerned parties such as its clients, its employees and in general the social environment in which it is active. Above all the Board of Directors is responsible for the strategic lines followed by the company and the control of current affairs.

Membership

The Board of Directors consists of at least three members and up to twelve members, most of whom are non-executive Directors. A large enough number, (at least one third) are independent members. The chairman of the Board and, if applicable, the vice-president(s) is (are) selected from non-executive members of the Board of Directors.

Important events during 2011 regarding the composition of the Board of Directors were the following :

- On April 2011, as proposed by the Board of Directors, the Annual General Meeting of shareholders has renewed for a three-year term expiring at the date of the Annual General Meeting of Shareholders of 2014 the mandates the following Board members which expired on the day of the General Meeting, i.e. the mandates of Messrs Romain BECKER and Henri MARX.
- As proposed by the Board of Directors, the Annual General Meeting has decided to appoint Mr. John PENNING as a new non-executive member of the Board for a period of three years, until the Annual General Meeting of 2014.
- Mr. Théo WORRÉ has left the Board of Directors on 5 April 2011 as he reached the age limit. Mr. WORRÉ has served on the Board since 2000.
- By decision of the Board of Directors on 5 April 2011, Mr. Henri MARX has been designated as Chairman of the Board of Directors.
- Mr. François TESCH was confirmed as Chief Executive Officer (CEO).
- On 25 August 2011, Mr. Lucien THIEL unexpectedly passed away. He was a Board Member and Chairman of the Board of Directors between 1st November 2007 and 5 April 2011.

On 31 December 2011, the Board of Directors of FOYER S.A. consisted of 8 members:

- 1 Chief Executive Officer (CEO)
- 7 non-executive members, of which 4 independent members

Mr. Henri MARX

Chairman of the Board of Directors

Independent non-executive member of the Board

Born in 1944, Luxembourg nationality

Following his secondary studies, Mr. Marx started working for the company in 1967. From 1988 to 2006 he was a member of the management of the Foyer Group, and Assistant General Manager as of 2000.

Mr. Marx left professional life in 2006, but continues to assume, just as in past years, the responsibility as member of the Board of Directors of Foyer Assurances S.A. and Foyer Vie S.A. He is a member of the Board of Directors of FOYER S.A. since 2000. On 5 April 2011, he has been designated as chairman of the Board of Directors.

Mr. François TESCH

Executive Member of the Board

Chief Executive Officer of FOYER S.A. Group

Born in 1951, Luxembourg nationality

Mr. Tesch holds a Bachelors degree in Economics and a Masters Degree from INSEAD. After having worked as financial analyst with W.R. Grace in New-York and finance manager with W.R. Grace in Paris, Mr. Tesch joined the Group in 1983 as secretary general. Since 1985 he holds the responsibility of Chief Executive Officer. In 2000 he assumed the chairmanship of the Board of Directors of FOYER S.A. In line with the rules laid out in the Corporate Governance Charter, Mr. Tesch withdrew from the latter post on 1st. November 2007 and handed it over a non-executive Board member. Mr. Tesch holds the post of executive board member of Foyer Finance S.A. and Chief Executive Officer of FOYER S.A. and Luxempart S.A. He is also a member of the Board of Directors of the following companies: SES S.A., Luxempart S.A., Atenor Group S.A. and Financière de Tubize S.A.

Mr. Romain BECKER

Independent non-executive member of the Board

Born in 1954, Luxembourg nationality

Mr. R. Becker is a member of the Board of Directors of FOYER S.A. since 6 April 2000. He is a graduated electromechanical engineer from EPF in Zurich in 1977. In 1978 he joined the Ministry of Economics and Energy where he held the important office of Government Counsel and Commissioner of the Government for Energy. He took office with CEGEDEL S.A. in 1996 where he became Chairman of the Executive Committee in 1997 until the merger of that company with companies SOTEG-Saar Ferngas, which now form the Group Enovos. In this group, Mr. Becker is a member of the Executive Committee of Enovos International and CEO of Creos Luxembourg. He is also member of the Board of LuxEnergie and FEDIL.

Mr. Dominique LAVAL

Non-executive Member of the Board

Born in 1948, Luxembourg nationality

Mr. Laval is a member of the Board of Directors of FOYER S.A. since 2000. He holds a degree in Business Administration from E.C.A.D.E.(E.C.L. of Lausanne), as well as a post graduate diploma in management and International Commerce from "Ecole de Commerce Solvay (U.L.B.)

Attached to the General Direction of International Carbon and Minerals SA Luxembourg,

Mr. Laval worked in business development of the group for 3 years. He then joined the Tudor Batteries S.A. Belgium. He took part for over 15 years, including as member of the Board, of the finance administration of the group. After working in the financial sector in Luxembourg (founding partner), he joined the Group Sogeva S.A. in 1988.

Mr. Laval is a board member of different non-listed companies such as FOYER FINANCE S.A., Sogeva S.A., Alltec Solution Provider S.A., Alltec Participations S.A., Poudrierie de Luxembourg S.A., Teco N.V., CapitalatWork Foyer Group S.A. and Vivalto Home.

Mr. John PENNING

Non-executive Member of the Board

Born in 1972, Luxembourg nationality

Mr. PENNING joined the Board of Directors on 5 April 2011.

He holds a masters degree in Business Administration, University of Otago & University of North Carolina at Chapel Hill, as well as a Bachelor degree in Political Science and International Relations of University Libre de Bruxelles.

Mr. Penning, after a career as professional golf player until 1999, was Co-founder & Sports Director at the Luxembourg Golf Open Non-Profit Association between 1999 and 2003 and Co-founder & Managing Director at DnP Sports Communication & Event Coordination between 2001 and 2004. After obtaining his MBA, Mr. Penning continued his career as Senior Manager, Corporate Finance Advisory Services at Deloitte Luxembourg.

Since 2009, Mr. Penning is the Managing Director of Saphir Capital Partners S.A. Luxembourg.

He is member of the Board of the TROC de l'Île, a listed company, and member of the supervisory board of the listed company FREY. In addition, he is a board member of non-listed companies (SOGÉVA S.A., TING S.A., Firmament Capital S.A., Coogee S.à.r.l., MGO S.A. and Troc Europe S.A.).

Mr. Jacquot SCHWERTZER

Independent non-executive member of the Board

Born in 1956, Luxembourg nationality

Mr. Schwertzer holds a masters degree in economics, company management section, of the Louis Pasteur University in Strasbourg.

For the first time, Mr. Schwertzer was nominated to the Board of Directors of Foyer S.A. in 2000. Since that date he is also a member of the Audit, Compliance and Risk Management Committee of the FOYER S.A. Group. He is Chief Executive Officer of the Group SOCIPAR S.A. and since 2000, he is member of the management committee of the Luxempart S.A. Group. As such he is a member of the Board of Directors of the listed company Poweo S.A. and Indufin S.A., a non-listed company.

Mr. Michel TILMANT

Independent non-executive member of the Board

Born 1952, Belgium nationality

Since April 2010, Mr. Tilmant is a member of the Board of Directors of FOYER S.A.

In June 2011, Mr. Tilmant has become the Managing Director of CapitalatWork Foyer Group S.A.

He graduated from Louvain University with a Licence in Business Administration and he is also a graduate of Louvain School for European Affairs

Mr. Tilmant began his career in 1977 with the Morgan Guaranty Trust Company of New York in New York. In 1990 he was appointed Vice-Chairman of the Executive Committee of the Banque Internationale in Luxembourg. In 1992, he joined Banque Bruxelles Lambert (BBL), where in 1997 he was appointed Chairman of the Board of Directors.

After the acquisition of BBL by ING in 1998, Mr. Tilmant successively held the position of member of the Executive Committee and Chairman of ING Bank. From 2004 to 2009, as Chairman of the Executive Board, he was the managing director of ING Group.

Mr. Tilmant is member of the Board of directors at BNP Paribas, Lhoist, Sofina and the Catholic University of Louvain.

Mr. Patrick ZURSTRASSEN

Independent non-executive member of the Board

Born in 1945, Belgium nationality

Mr. Patrick Zurstrassen is a member of the Board of Directors of FOYER S.A. since 2002. He holds degrees of different faculties: Civil Engineering from the Liège University, Masters degree in Physics from Leeds University, Masters degree from the University of California of Los Angeles as well as a graduate diploma in Banking Techniques from the Centre de Formation Bancaires of Brussels. From 1974 till 2001, Mr. Zurstrassen held various high ranking responsibilities within the Crédit Agricole Group, amongst others as Chief Executive Officer and as member of the Management Committee of Crédit Agricole Indosuez Luxembourg S.A. (1987-2001). From 1988 till 2007 he was a professor at the faculty for economic sciences at the Université Catholique de Louvain. Mr. Zurstrassen holds mandates as independent board member in mutual funds.

Mr. Oliver Peters, General Counsel of the Group acts as Secretary of the Board of Directors.

Functioning mode

The Board meets upon notice of meeting from the President.

The Board of Directors cannot validly deliberate and take any decisions if not at least a majority of members is present or represented. Members may not represent more than one of his colleagues.

Decisions are taken at the majority of votes expressed by present or represented members, abstentions or abstention votes are not being considered. In case of an undecided vote, the vote of the president prevails.

In practice, almost most decisions are taken with unanimous consensus.

Resolutions of the Board of Directors may validly be taken by circular vote when they are being signed and approved by all the Board members.

Activity report

Subjects for deliberation

The main subject of discussion and/or deliberation for Board meetings of 2011 were the following:

- analysis of the annual accounts and annual consolidated accounts for the year 2010, as well as the interim half year financial report of 2011, and approval of press releases related;
- publication of the Embedded Value as of 31.12.2010 of Foyer Vie S.A. and Foyer International S.A.;
- preparation of the Annual General Meeting of shareholders of 5 April 2011;
- follow-up of the evolution of the economic crisis and stock market analysis and its impact on the FOYER Group;
- development strategy of the FOYER Group and the forecasts for the years 2012 – 2014;
- examination of the progress of the preparatory works in relation to the Solvency Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II);
- amendment of the Corporate Governance Charter in view of Solvency II – enlargement of the competences of the Audit and Compliance Committee to formally include "risk management";

- review of conclusions and recommendations of special committees;
- assignment of option rights under the Stock Option Plan reserved for members of the Group Executive Committee;
- review of the law of 24 May 2011 concerning the exercise of certain shareholder rights at general meetings of listed companies; preparation and convening of an extraordinary general meeting of shareholders to amend the articles of association of the Foyer S.A. to make them compliant with the new law.

Periodicity of meetings and attendance

The Board met six times during the last year.

The average rate of attendance of board members at the meetings was 92,36% during the last year.

Remuneration

General guidelines in matters of remuneration of Board members are laid down in annex 5 of the Corporate Governance Charter.

In compliance with these principles and in compliance with the decision taken by Annual General Meeting of shareholders of 5 April 2011:

- The delegated board member, acting as Chief Executive Officer, did not receive any remuneration as Board member in 2011;
- The mandate held by non-executive Board members were remunerated as follows in 2011:
 - a gross yearly indemnity; total gross yearly indemnities allocated to all non-executive Board members was € 239 397,26;
 - an attendance fee per attended meeting for every non-executive Board member; the total gross amount of attendance fees allocated to non-executive Board members was € 45 000.

Specialised Committees of the Board of Directors

For specific fields of activity, the Board of Directors may require the assistance, as a counsel, of specialised committees of which it determines the role, the responsibilities, the structure and the operating mode. In compliance with article 18 of the articles of incorporation, the Board of Directors needs to require assistance from at least the following committees:

- the Audit, Compliance and Risk Management Committee,
- the Nomination and Benefits Committee.

Authority of these committees extends to all the companies which are part of FOYER S.A. Group.

The Board of Directors has established the Audit Committee as early as 18 September 2000. At the time of enactment of the Charter and the adaptation of the articles of incorporation on 3 April 2007 rendering compulsory the constitution of this committee, the Board of Directors decided to adapt the composition of the Audit and Compliance Committee such as to comply with the terms of the Charter allowing only for non-executive Board members to sit on this Committee. The Committee in its new form started work as of 3 April 2007. In view of the Solvency II Directive, the Board of Directors decided on 8 March 2011 to broaden the competences of the Audit and Compliance Committee to include the risk management. Consequently, it changed its name into "Audit, Compliance and Risk Management Committee"

Besides, the Board of Directors institutionalized the Nomination and Benefits Committee on 3 April 2007.

Audit, Compliance and Risk Management Committee

Mission

The Audit, Compliance and Risk Management Committee assists the Board of Directors of FOYER S.A. as well as the Board of Directors of other companies member of the FOYER S.A. Group with their responsibility of supervision of the financial reporting system, the internal and external reporting procedure, control procedures verifying the compliance of activities with laws and regulations, as well as internal rules and codes of conduct applicable to FOYER S.A. Group.

Membership

Mr. Jacquot SCHWERTZER, Chairman of the Committee, non-executive and independent Board member,

Mr. Dominique LAVAL, non-executive Board member,

Mr. Henri MARX, independent non-executive Board member.

The mandates of the members of the Audit, Compliance and Risk Management Committee were renewed on 6 April 2010 for a three year period until the Annual General Meeting of Shareholders in 2013.

Mr. Franck TOUSCH, Head of Internal Audit acts as secretary of the Committee.

Mrs. Sylvie BERTHOLET, Head of Compliance on Group level, also assists at the Committee meetings.

Activity report

Subjects for deliberation

- examination of annual consolidated accounts at 31.12.2010 and findings of the audit conducted by the company auditor at 31.12.2010;
- examination of semi-annual consolidated accounts and the limited review by the independent auditor on 30.6.2011;
- analysis of the management letter prepared by the independent auditor following the audit of the 2010 accounts of Group companies;
- report of the main conclusions of the internal audit relating to internal control systems;
- monitoring by the Committee of the risk management tools at Foyer S.A. Group level in order to comply with future regulatory requirements under Solvency II;
- activity review of internal Audit and Compliance during 2011 planning of activities and missions for 2012, being considered hazard mapping;
- follow-up of the enacting of recommendations made by the Audit, Compliance and Risk Management Committee and by the independent auditor;
- review of external auditor's independence.

Periodicity of meetings and attendance

The Audit, Compliance and Risk Management Committee met four times in 2011. The attendance rate of its members at these meetings was 100%.

Remuneration

In accordance with the remuneration policy of the FOYER S.A. Group, such as outlined in annex 5 of the Corporate Governance Charter, non-executive members of the Audit, Compliance and Risk Management Committee are entitled to an attendance fee for each meeting at which they assist.

In compliance with the principle and in line with the decision taken by Annual Shareholders Meeting of 5 April 2011, the gross amount of attendance fees paid in 2011 to the members of the Audit, Compliance and Risk Management Committee was € 22 000,00.

Nomination and Benefits Committee

Mission

The Nomination and Benefits Committee assists the Board of Directors in all matters pertaining to the nomination (or dismissal) of Board members and members of the top Management (CEO and COO), as well all other matter pertaining to Board members and members of the Executive Management.

Membership

Mr. Patrick ZURSTRASSEN, Chairman of the Committee, independent and non-executive Board member,

Mr. Romain BECKER, independent and non-executive Board member,

Mr. André ELVINGER, external non-executive member (1),

Mr. François TESCH, Executive Board member, CEO (2).

The mandates of the members of the Nomination and Benefits Committee were renewed on 6 April 2010 for a three year period until the shareholders Annual General Meeting of 2013.

Mr. Benoît DOURTE, Director of Human Resources acts as secretary of the Committee.

(1) Mr. A. Elvinger is a member of the Nomination and Benefits Committee as President of the Board of Directors of the parent company FOYER FINANCE S.A., in order to guarantee a coherent nomination and benefits policy between the two poles of activity of the FOYER FINANCE S.A. Group, FOYER S.A. Group on one side and the LUXEMPART S.A. Group on the other.

(2) Mr. F. TESCH is a member of the Nomination and Benefits Committee only for matters concerning the nomination or dismissal of Board members or the COO.

Activity report

Subjects for deliberation

- advice on the renewal of Board membership for outgoing Board members in view of the Annual General Meeting of 5 April 2011;
- proposal to allocate the year-end bonus to members of the Executive Management of the Group in respect of the fiscal year 2010, considering the annual assessment of their performance and results of Group companies;
- proposal to revise the remuneration of the members of the Executive Management of the Group for the period 2011/2012;
- follow-up the evolution of European recommendations regarding the remuneration of CEOs; and circular CSSF 10/437 on guidelines on remuneration policies in the financial sector;
- review of the process of self-evaluation of the functioning of the Board of Directors of FOYER S.A.

Periodicity of meetings and attendance

During the year 2011, the Nomination and Benefits Committee met 3 times. Average attendance rate was 100,0%.

Remuneration

In accordance with the remuneration policy of the FOYER S.A. Group, such as outlined in annex 5 of the Corporate Governance Charter, non-executive members of the Audit, Compliance and Risk Management Committee are entitled to an attendance fee for each meeting at which they assist.

In compliance with the principle and in line with the decision taken by Annual Shareholders Meeting of 5 April 2011, the gross amount of attendance fees paid in 2011 to the members of the Nomination and Benefits Committee was € 16 500,00.

Executive Management

Mission

The role of the Executive Management is the management and the development of the FOYER S.A. Group while respecting the values, the strategies, the policies and the plans and budgets as approved by the Board of Directors. While exercising this function, the Executive Management is responsible for complying with all legislation and rules in existence, and in particular the respect of the legal and regulatory framework applicable to every company of the FOYER S.A. Group.

The Board of Directors has delegated daily management as well as the power to represent the company to an executive Board member acting as Chief Executive Officer (CEO), authorising him to substitute all responsibilities regarding daily management and representation in as far as this management is concerned.

Membership

The Chief Executive Officer (CEO)

The CEO is the highest ranking executive of the FOYER S.A. Group. He is responsible for daily management of Foyer S.A. and FOYER S.A. Group.

Mr. François TESCH, Executive Board member of FOYER S.A.

Mr. Tesch had his mandate as Executive Board member renewed in accordance with a decision by the Board of Directors of 5 April 2011.

The Chief Operating Officer (COO)

The CEO is being assisted by the Chief Operating Officer in the management of the FOYER S.A. Group in accordance with the authority that the CEO delegated to him.

Mr. Marc LAUER holds a degree in economics and actuarial sciences.

The Executive Committee

The Executive Committee is not a special Committee as provided for by article 18 of the articles of incorporation. The Executive Committee is a consulting body being composed by the CEO, the COO and a manager, advisor on strategy, were they consult, agree their actions and exchange information.

The Group Management

In connection with the tasks that are theirs, and which are accurately described in the Charter, the CEO and the COO are assisted by the Group Management, which comprises the operational management and the functional management of the FOYER S.A. Group.

Group Management either meets in plenary (“**CD Group**”), or in limited composition such as the “**CD Local**” for the life and non-life insurance sectors and the “**CD International**” for the financial and the international life insurance sectors.

The Operational Management

Non-Life Insurance

Mr. Franck MARCHAND

Permanent member of the Group Management Committee and the Local Management Committee

Local Life Insurance

Mr. Philippe BONTE

Permanent member of the Group Management Committee and the Local Management Committee

International Life Insurance

Mr. Jean-Louis COURANGE

Permanent member of the Group Management Committee and the International Management Committee

Wealth Management

Mr. Michel TILMANT

Managing Director of CapitalatWork Foyer Group

Functional Management

Sales and Marketing

Mr. Gilbert WOLTER

Permanent member of the Group Management Committee and the Local Management Committee

Accounting and Reporting

Mr. Marc LAUER

Permanent member of the Group Management Committee and the Local Management Committee and the International Management Committee

Surveys and product development/Chief Actuary

Mr. Philippe BONTE

Permanent member of the Group Management Committee and the Local Management Committee
The Chief Actuary function has been implemented as of 1st January 2011.

Risk management / Chief Risk Officer (CRO)

Mr. Paul FOHL

Permanent member of the Group Management Committee and the Local Management Committee and the International Management Committee

The CRO's task is to specifically establish a system of effective risk management including strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report risks permanently at individual and aggregate, level which the Group is and could be exposed to and the interdependencies between these risks. The function of the CRO has been implemented as of 1st January 2011.

Asset Management

Mr. André BIRGET

Permanent member of the Group Management Committee, the Local Management Committee and the International Management Committee

Human Resources management and General Services

Mr. Benoît DOURTE

Permanent member of the Group Management Committee, the Local Management Committee and the International Management Committee

Legal

Mr. Oliver PETERS

Permanent member of the Group Management Committee and the Local Management Committee

Information Technology

Daniel ALBERT

Permanent member of the Group Management Committee and the Local Management Committee

Activity Report

Subjects for deliberation

During 2011, Executive Management paid particular attention to the following points:

- result monitoring in comparison with the business plan;
- drafting and publishing of interim management statements in relation with the financial situation of the Foyer Group and important events and transactions having an incidence on the financial situation of the Group;
- drawing up of the Business Plan 2012 –2014;
- study and execution of projects concerning the development of the Group, such as the integration of the CapitalatWork Group;
- analysis of the competitive environment;
- study and follow-up on initiatives on the improvement of profitability, the potential overhead compression and operational excellence;
- implementation of an action plan to improve customer focus, based on the implementation of various management tools and a new sales approach;
- IT management projects;
- operational and organisational follow-up of Group companies;
- follow-up of the elaboration process of a project for an EU directive in matters of solvency margins of insurance companies, called "Solvency II".

Periodicity of meetings

The **CD Group** meets in principle once a quarter, the **CD International** once a month and **CD Local** weekly.

Retribution

Total gross retribution allocated to the members of the Executive Management for the year 2011 (12 people) amounted to € 4 732 951,62, of which € 2 696 876,89 were fixed salary and € 2 036 074,73 variable retribution.

Members of the Executive Management benefit, as all staff of the Group from a pension benefit plan covering the pension, death and invalidity risks. Premium paid in this respect for all members of the Executive Management amounted in 2011 to € 358 759,33.

Two members of the Executive Management are benefitting from a loan granted by a company of the Group for a total amount of € 309 866.90 (as at 31 December 2011).

Other retributions (expense allowance) amounted to € 50 361,01.

Under the "Stock Option Plan" implemented for members of the Executive Management Committee of the Group, 35 578 stock options were granted in April 2011 to ten beneficiaries for the year 2010. The Company is free to decide each year whether to grant options or not. The granting of options is subject to a flat tax model entry. The options, if any, are awarded annually depending on length of service and achievement of performance targets for each one. The options are subject to a lockup period of four years and must be exercised within ten years from the grant of the options. The "Stock Option Plan" of members of the Executive Management Committee of the Group is financed by a program of share buybacks by FOYER S.A., pursuant the authorization of the General Meeting of shareholders of FOYER S.A. held on 5 April 2011

and the buyback program approved by the Board of Directors of Foyer S.A. on the same day. For more information, it is referred to in paragraph 2 of Note 33 of the consolidated accounts of FOYER S.A. as at 31 December 2011.

Under the "Stock Option Plan" implemented for some managers of CapitalatWork Foyer Group S.A., 16 650 stock options of CapitalatWork Foyer Group S.A were granted in April 2010 to two

beneficiaries. The granting of options is subject to a flat rate tax model at inception. The options are subject to a lockup period ending on 31 December 2013 and must be exercised between 1 January 2014 and 31 December 2016.

Miscellaneous Information

In accordance with the law of 16 May 2006 concerning market abuse implementing EU Directive 2003/6/EC of the European Parliament and of the Council on insider dealing and market manipulation (market abuse), the Board of Directors adopted an internal code of conduct which defines measures to prevent insider dealing. This code of conduct, which was updated on 1 April 2008, following the coming into effect of the law of 11 January 2008 on transparency requirements for issuers of securities, are published in annex 4 of the Charter.

In application of article 16 of the law of 16 May 2006, a list of insiders has been computed and is continually being updated and concerned persons have been informed of their being mentioned in the list.

Compulsory information, such as the one prescribed by the law of 11 January 2008, is published on the web site **www.foyer.lu** ("informations Financières") and is made public through the news papers. The information is also deposited with the CSSF, and, since 1 January

2009, archived with the Société de la Bourse de Luxembourg acting as the Luxembourg OAM ("Officially Appointed Mechanism") responsible for centralised archiving of compulsory information.

Furthermore the company publishes on its web site **www.foyer.lu**, ("informations Financières") under the heading, ("Déclarations de transparence"), transactions with FOYER S.A. shares made by people exercising executive responsibility within FOYER S.A. Group, by people having regular or occasional access of privileged information, as well as members of the "Comité Mixte d'Entreprise".

In 2011, 7 declarations were published in connection with the purchase of a total of 51 955 shares.

This English version of Corporate Governance report has been established for convenience purposes, only. In case of discrepancy between this translation and the original French version, the latter shall prevail.

Consolidated management report

of the Board of Directors of FOYER S.A. to the Annual General Meeting
of the Shareholders on 17 April 2012

1. GROUP RESULTS

The gross earned premiums, made up of the turnover on policies classified as insurance contracts under IFRS, went from € 388,90 million in 2010 to € 410,86 million in 2011, rising by 5,6% compared to 31st December 2010. This satisfactory growth is mainly due to a substantial development in Non-Life insurance.

The consolidated profit after tax increased from € 61,92 million on 31st December 2010 to € 62,20 million at 31st December 2011, up 0.5% compared to 2010. The profit includes the gain of € 24,34 million on the sale of the company Foyer Re.

2. SEGMENT ACTIVITY

2.1 NON-LIFE INSURANCE

The Non-Life insurance segment of the Group is made up of the companies Foyer Assurances, Foyer Re (sold 21st January 2011), Foyer Re (until 8th June 2011 La Réassurance du Groupe Foyer), Foyer-ARAG et Foyer Distribution, fully consolidated, and of Foyer Santé which is consolidated proportionally (50,0%).

The gross earned premiums of Non-Life insurance increased by 7,5% compared to 2010 and amounted to € 284,14 million.

On the local market, the motor insurance earned premiums grew by 5,6% in 2011 compared to 3,8% in 2010, whereas the earned premiums of the non-motor insurance increased by 2,7% in 2011, compared to an increase of 3,0% in 2010. The activity related to captive insurance increased by 18,8%.

The health insurance turnover still shows a dynamic growth rate of 21,0%.

On the Belgian market, the gross earned premiums increased by 34,9% in 2011 compared to 38,9% in 2010.

In 2011, the gross claims expenses of the Non-Life insurance segment increased by 19,1%. However, after reinsurance and without captive activity, these expenses increased by 5,7% in 2011, mainly because of the impact of few large claims in 2011.

Thanks to solid operational results and the gain on sale of Foyer Re, the contribution of the Non-Life insurance segment to the result after tax

amounts to € 52,36 million in 2011, compared to € 43,06 million in 2010, up 21,6%.

Disregarding the gain on sale of Foyer Re, contribution of the Non-life insurance segment decreased by 34,9% compared to 2010 and amounted to € 28,02 million, due to less favourable conditions on the stock markets than in 2010.

2.2 LIFE INSURANCE

The Life insurance segment of the Group is made up of the companies Foyer Vie and Foyer International, fully consolidated, and Raiffeisen Vie which is consolidated proportionally (50,0%).

The gross earned premiums of the Life insurance segment amount to € 126,71 million in 2011, increased by 1,6% compared to 2010. This slight increase is mainly explained by the decrease in insurance contracts sold under the freedom to provide services.

The gross earned premiums of Foyer Vie increased by 16,1% compared to last year, essentially thanks to the commercial success of saving products with single premiums.

The gross earned premiums of Foyer International amount to € 0,91 million in 2011 (-94,2%), while the deposits related to investment contracts amounts to € 285,48 million (-60,1%).

The turnover of Raiffeisen Vie grew by 3,3% in 2011.

The contribution of the Life insurance segment to the result after tax amounts to € 8,20 million in 2011 compared to € 14,29 million in 2010, decreasing by 42,6%. This sharp decline from the

prior year is due to the realization of important gains on securities and real estate during 2010, using the opportunity provided by the favourable financial market environment.

2.3 ASSET MANAGEMENT

The Asset management segment of the Group is made up of the companies CapitalatWork Foyer Group (100%), fully consolidated, and Tradhold, which is consolidated proportionally (50,0%). It includes also the results of Foyer S.A. itself.

CapitalatWork Foyer Group was formed by the merger between Foyer Patrimonium, CapitalatWork Int'l and CapitalatWork Group. CapitalatWork Foyer Group has subsidiaries in Belgium and Switzerland as well as a branch in the Netherlands. On 31st December 2011, CapitalatWork Foyer Group had € 4 189,79 million assets under management, up 3,4% compared to 2010. This increase is essentially due to new capital inflows, which have largely offset the negative stock market impact.

The contribution of the Asset management segment to the consolidated result after tax amounts to € 1,64 million in 2011 compared to € 4,57 million in 2010. Better results of CapitalatWork Foyer Group only partially offset the decline in the result of Foyer S.A.

3. INVESTMENT STRATEGY OF THE GROUP

The year 2011 has been marked by a rise of financial market tensions, especially related to the sovereign debt and the situation of banks in the Euro area. Simultaneously, global growth prospects have been revised significantly downwards.

The first quarter of 2011 was relatively quiet: strong stock market and, even in Europe, growing interest rate normalization. By the second quarter, the debts of GIIPS come under pressure. The Greek default has been avoided in extremis, with a change of government. A support plan in favour of Portugal was set up by Europe and the IMF. Fiscal and structural commitments, included in a new treaty "Euro Plus", have been negotiated during the Euro crisis summits (the last in December 2011) held to cope with the loss of confidence in the political management of the Euro and in some of its leaders. Threatened by the debt crisis and in order to create a credible and vigorous situation, Italy has set up a technical government.

The year-end markets have benefited from measures and policy of the European Central Bank: two drops rates and the availability of capital to banks over the medium term. In addition, banks were able to meet the additional capital requirements of the European Banking Authority.

These measures have significantly reduced the credit spreads of Italy and Spain. As evidenced by the abnormally low interest rate level over the entire curve of "safe haven" countries, the situation remains fragile.

In an environment of prolonged austerity, the European economy, except German, grows modestly, sometimes negatively.

The US markets were exhibiting less volatility than Europe. FED keeps an accommodative monetary policy, even with slightly firmer economic data. The loss of US's AAA credit rating by S& P and the US debt ceiling haven't lasting effects.

Due to inflationary tensions and credit restrictions in many countries, the emerging markets didn't perform in 2011.

Due to a greater investor risk aversion during the second semester, specifically facing bank debt, corporate bonds have suffered corrections; but recover by the year-end.

Due to the accumulation of risk factors, the stock markets registered significant declines, except for US stock markets, which remained broadly unchanged, despite volatility during the year.

The Fukushima nuclear disaster, electrical supply difficulties in Japan and the global production lines perturbation, led to a nuclear policy shift of major countries. Political unrest in North Africa and Middle East added instability to energy markets.

In 2011, Foyer Group increased its allocation in bonds, essentially corporate bonds to the detriment of public issuers and funds. The equity allocation was considerably reduced in favour of cash.

Market Value (%)	2011	2010
Bonds	76,0	73,2
Shares	3,9	8,5
Funds	8,1	6,7
Cash	12,0	11,6
Total	100,0	100,0

The currency risk is minimal; assets in non-Euro currencies are generally hedged.

The credit risk represented by the risk on bond issuers is limited by the choice of highly rated issuers and a wide distribution among those. The bond portfolio contains 93,4% securities of rating "investment grade", 4,2% securities not rated and 2,4% securities rated lower than BBB.

The interest rate risk is primarily managed through the duration of the bond portfolio. At the end of 2011, this parameter amounts to 5,53 years.

The market risk is controlled through a broad diversification across markets and equity instruments, as well as through an ongoing monitoring of the securities portfolio and its performance perspectives.

For a detailed description of these risks and their management, it is referred to note 7 of the consolidated accounts.

4. OUTLOOK

The prospects for the global economy in 2012 remain uncertain.

Despite early-year stock market recovery and a lull in the markets due to the intervention of the European Central Bank and the agreement on the refinancing of Greek debt, economic slowdown is expected in 2012.

We remain cautiously optimistic and we believe we can maintain in 2012 the local market growth rate close to those recorded in 2010 and 2011.

The prospects for the Life insurance business made abroad under the freedom to provide services are favourable. In Life insurance, we continue our efforts to commercialize our products in eight European countries, while reinforcing our teams in France and the Scandinavian countries, markets that are particularly propitious. The turnover achieved in the first two months of 2012 suggests that we will largely exceed the figures carried out in 2011.

The asset management business of CapitalatWork is developing in a satisfactory manner.

Despite positive operational performance ahead, the evolution of the result will still be exposed to the insurance business specific risks, as well as stock market developments.

Leudelange, 7 March 2012

Board of Directors

RESPONSIBILITY STATEMENT

In accordance with article 3 (2) c) of the law of 11 January 2008 in connection with the obligations of transparency concerning information about issuers of securities admitted for negotiation on a regulated stock market, Mr. François TESCH, Chief Executive Officer and Mr. Marc LAUER, Chief Operating Officer, declare that the financial statements of Foyer S.A. have been established under their responsibility, in conformity with the

complete set of accounting standards, and that, to their knowledge, these financial statements give a true and fair view of all assets and liabilities, the financial situation and the profits and losses of Foyer S.A., and all companies included in consolidation, and that the management report truly presents the evolution, results and situation of Foyer S.A. and all companies included in consolidation.

Marc Lauer
COO

François Tesch
CEO

Independent 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 7 April 2009 we have audited the accompanying consolidated annual accounts of Foyer S.A., which comprise the consolidated balance sheet as at 31 December 2011, the consolidated profit and loss statement, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for 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) and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

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 for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgment of the the "réviseur d'entreprises agréé", 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 agréé" 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 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 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 financial position of Foyer S.A. as of 31 December 2011, and of its financial performance and its cash-flows for the year then ended in accordance with the 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 consistent with the consolidated annual accounts.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Jean-Michel PACAUD

Luxembourg, 16 March 2012

Consolidated balance sheet

as at 31 December 2011

€ thousand ASSETS	Notes	31.12.2011	31.12.2010
Intangible fixed assets		57 969,9	57 649,6
- Goodwill	11	51 328,4	51 328,4
- Other intangible fixed assets	11	6 641,5	6 321,2
Tangible fixed assets		50 595,3	53 872,8
- Investment properties	12	4 158,7	4 518,5
- Business premises	13	42 644,3	44 333,2
- Other tangible fixed assets	13	3 792,3	5 021,1
Equity instruments		201 780,5	249 537,3
- Available for sale	14	199 555,8	240 779,6
- Held for trading	14	2 224,7	8 757,7
Fixed income securities		1 158 179,8	1 053 498,8
- Available for sale	14	1 127 886,6	1 016 839,4
- Held for trading	14	11 309,2	18 505,3
- Held to maturity	14	18 984,0	18 154,1
Financial assets designated at fair value through income	18	2 347 266,7	2 325 242,5
Deferred tax assets	21	292,9	247,9
Insurance receivables and other receivables	15	85 031,9	79 252,1
Share of the reinsurers in liabilities in respect of insurance and financial contracts	17	79 771,5	87 484,4
Cash and cash equivalents	16	244 192,1	162 644,6
Assets held for sale		-	129 267,1
Total assets		4 225 080,6	4 198 697,1

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

€ thousand			
EQUITY AND LIABILITIES	Notes	31.12.2011	31.12.2010
Shareholders' equity		546 049,9	527 173,5
- Capital	9	44 994,2	44 994,2
- Treasury shares	9	-5 709,4	-2 694,8
- Share premium	9	3 106,0	3 106,0
- Reserves and retained earnings	10	441 665,7	420 270,9
- Profit for the period		61 993,4	61 497,2
Minority interests		454,8	9 383,3
Total equity		546 504,7	536 556,8
Technical provisions		1 655 679,8	1 617 206,0
- Other technical provisions	17	1 137 329,1	1 041 374,1
- Provisions relating to unit-linked insurance contracts	17	518 350,7	575 831,9
Other provisions		35 327,4	30 400,0
- Pension benefit obligations	19	32 391,7	27 226,2
- Provisions for other liabilities and charges	20	2 935,7	3 173,8
Deferred tax liabilities	21	28 115,3	26 122,7
Financial liabilities		1 842 945,0	1 780 706,9
- Liabilities in respect of investment contracts	18	1 825 493,9	1 750 216,7
- Loans and deposits remitted by reinsurers	17	17 451,1	30 490,2
Insurance debts and other liabilities	22	80 130,3	135 556,1
Income tax payable	22	36 378,1	35 370,7
Liabilities held for sale		-	36 777,9
Total equity and liabilities		4 225 080,6	4 198 697,1

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

Consolidated profit and loss statement

for the year ended 31 December 2011

€ thousand	Notes	31.12.2011	31.12.2010
Gross earned premiums	23	410 860,2	388 895,0
Ceded earned premiums	23	-53 265,9	-46 359,5
Earned premiums, net of reinsurance		357 594,3	342 535,5
Commission earned on insurance contracts	25	4 623,0	4 851,1
Commission and profit sharing received on reinsurance contracts	26	2 286,5	1 981,9
Commission earned on investment contracts	27	11 696,8	10 723,2
Commission earned by the Asset Management sector	28	24 641,2	23 770,1
Net realised gains on financial assets	29	21 985,8	38 116,6
Other investment incomes	30	60 154,1	60 414,6
Other investment expenses	30	-13 813,6	-10 770,7
Variation of the fair value of assets / liabilities measured at fair value through income	31	-28 304,2	50 434,4
Net operating income		83 269,6	179 521,2
Life insurance benefits - Gross amount	24	-98 600,6	-187 567,0
Non-life insurance claims and loss adjustment expenses - Gross amount	24	-163 836,6	-137 608,1
Share of the reinsurers in benefits and in claims and loss adjustment expenses	24	12 479,9	-3 289,2
Insurance benefits and claims, net of reinsurance		-249 957,3	-328 464,3

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

€ thousand	Notes	31.12.2011	31.12.2010
Acquisition expenses	32	-72 865,5	-69 822,7
Administration expenses	32	-32 419,7	-30 173,0
Costs related to insurance and investment contracts	32	-6 184,8	-5 641,2
Other operating expenses	32	-1 704,2	-3 188,4
Expenses		-113 174,2	-108 825,3
Profit before taxes		77 732,4	84 767,1
Taxes	21	-15 532,8	-22 849,7
Net income		62 199,6	61 917,4
- of which attributable to equity holders of the parent		61 993,4	61 497,2
- of which attributable to minority interest		206,2	420,2
Earnings per share			
Basic earnings (€)	9	6,98	6,88
Diluted earnings (€)	9	6,89	6,82

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

Consolidated statement of recognised income and expense

for the year ended 31 December 2011

€ thousand	31.12.2011	31.12.2010
Net income	62 199,6	61 917,4
Items subsequently reclassifiable to profit or loss		
Realised and unrealised net gains (losses) on assets available for sale (net of deferred tax)	-24 307,3	-8 660,5
Items not reclassifiable to profit or loss		
Actuarial gains (losses) or gains on employee retirement benefit scheme (net of deferred tax)	-2 291,2	-1 334,7
Income and expense recognised directly in equity	-26 598,5	-9 995,2
Total recognised income and expense	35 601,1	51 922,2
- of which attributable to equity holders of the parent	35 425,1	51 492,6
- of which attributable to minority interest	176,0	429,6

companying notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2011

€ thousand	31.12.2011	31.12.2010
Profit for the year before taxes	77 732,4	84 767,1
Income taxes paid	-1 201,5	- 1 956,7
Amortisation and depreciation	6 554,3	6 611,4
Depreciation and reversal of provision	-238,1	200,7
Fair value of the financial instruments	221 337,0	20 019,6
Fair value of the financial instruments at fair value through income	132 658,8	- 103 865,9
Result on the proceeds of associated companies	-24 337,4	-
Result of the proceeds of investment properties	-64,7	- 7 188,8
Net change in reinsurance assets	7 712,9	80 575,7
Net change in insurance commitments	38 473,8	59 540,9
Change in liabilities in respect of investment contracts	75 277,2	665 679,8
Acquisition/proceeds of financial instruments at fair value through income	-154 683,0	- 591 417,6
Acquisition/proceeds of financial assets	-303 817,9	- 67 108,2
Change in insurance receivables	-2 794,3	- 13 128,9
Change in insurance debts	2 787,6	4 431,6
Change in reinsurance deposits	-13 039,1	- 65 795,2
Change in other debts and receivables	442,6	5 706,4
Net cash flows from operating activities	62 800,6	77 071,9
- o/w interest paid	-3 333,2	- 749,0
- o/w interest received	51 508,2	51 392,6
Acquisition of tangible and intangible assets	-3 732,3	-5 663,6
Proceeds from the sale of tangible and intangible assets	199,9	12 736,0
Acquisitions of associated companies (cf. note 22)	-13 628,6	-13 285,7
Disposal of associated companies * (cf. note 3)	-12 566,0	-
Net cash flows from investment activities	-29 727,0	-6 213,3
Dividends paid by associate companies	-13 339,5	- 12 069,0
Dividends paid to third parties	-180,0	- 198,0
Acquisition of own shares	-3 014,6	- 898,3
Net cash flow from financing activities	-16 534,1	- 13 165,3
Cash flow	16 539,5	57 693,3
Opening cash balance	201 039,4	143 346,1
Closing cash balance	217 578,9	201 039,4

* Foyer Ré was sold during 2011 with cash and cash equivalent of € 129 970,2 thousand.

companying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

€ thousand	Notes	Subscribed capital
Shareholders equity at 31.12.2009		44 994,2
Dividends paid	8	
Income and expenses directly recognised in equity	9	
Scope variation	2	
Payment per share	33	
Other changes	8	
Net income		
Shareholders equity at 31.12.2010		44 994,2
Dividends paid	8	
Income and expenses directly recognised in equity	9	
Scope variation	2	
Payment per share	33	
Other changes	8	
Net income		
Shareholders equity at 31.12.2011		44 994,2

Treasury shares	Share premium	Reserves and results, group share	Shareholders equity	Minority interests
-1 796,5	3 106,0	441 818,7	488 122,4	9 126,0
		-12 069,0	-12 069,0	-198,0
		-10 004,6	-10 004,6	9,4
		-	-	25,7
		236,0	236,0	-
-898,3		289,8	-608,5	-
		61 497,2	61 497,2	420,2
-2 694,8	3 106,0	481 768,1	527 173,5	9 383,3
		-13 339,5	-13 339,5	-180,0
		-26 568,3	-26 568,3	-30,2
		-	-	-8 924,5
		200,0	200,0	-
-3 014,6		-394,6	-3 409,2	-
		61 993,4	61 993,4	206,2
-5 709,4	3 106,0	503 659,1	546 049,9	454,8

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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 main object of the Company is all operations relating to the shareholdings and the administration, management, control and development of these shareholdings.

Together with its affiliated companies under its control, the Company forms a group which operates principally in the insurance and asset 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 cross-border areas close to the Grand Duchy of Luxembourg through its subsidiaries Foyer Assurances S.A. and FOYER-ARAG S.A. With CapitalatWork, the entities involved in financial management are active in Luxembourg, Belgium, the Netherlands and in Switzerland, in the areas of asset management, for own account, for individuals and financial intermediation

On 31 December 2011, the Group had a staff of 526 in Luxembourg and 53 in the rest of Europe.

The company shares are listed on the Luxembourg Stock Exchange and on Euronext Brussels. Out of a total of 8 998 842 shares issued by Foyer S.A., 7 089 923 (78,8%), are held by Foyer Finance S.A., an unlisted financial holding company which is the largest group of companies and of which the Company forms part as a subsidiary.

The headquarters of the Company is at L-3372 Leudelange, 12 rue Léon Laval.

At its meeting of 7 March 2012, the Board of Directors of Foyer S.A. approved the consolidated accounts to be submitted to the Annual General Meeting of shareholders to be held on 17 April 2012.

Note 2. Scope of consolidation and links with subsidiaries and joint ventures

1. PERCENTAGE OWNED AND METHOD OF CONSOLIDATION

Fully consolidated companies	% held 31.12.2011	% held 31.12.2010	Supervisory Authority	Sector
Foyer Assurances S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CAA	Non-life
FOYER RE S.A. 12, rue Léon Laval, L-3372 Leudelange	-	100,0	CAA	Non-life
FOYER RE S.A.* 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CAA	Non-life
Foyer Distribution S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	-	Non-life
FOYER-ARAG S.A. 12, rue Léon Laval, L-3372 Leudelange	90,0	90,00	CAA	Non-life
Foyer Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CAA	Life
Foyer International S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CAA	Life
CapitalatWork Foyer Group S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	100,0	CSSF	Asset management
CapitalatWork S.A. Avenue de la Couronne, 153, B-1050 Ixelles	100,0	100,0	FSMA	Asset management
ImmoatWork S.A. Avenue de la Couronne, 153, B-1050 Ixelles	100,0	100,0	-	Asset management
CapitalatWork Management Company S.A. 12, rue Léon Laval, L-3372 Leudelange	100,0	-	CSSF	Asset management
Capital at Work (Suisse) S.A. Rue du marché, 9, Genève	100,0	100,0	-	Asset management
Foyer Sélection SICAV 19-21, bd. Prince Henri, L-1724 Luxembourg	-	76,3	CSSF	Asset management

(*) : La Réassurance du Groupe Foyer was incorporated on 16 December 2010. The company FOYER RE S.A. has been sold on 24 January 2011. La Réassurance du Groupe Foyer S.A. has been subsequently renamed FOYER RE S.A.

SICAV Foyer Selection has been absorbed by SICAV CapitalatWork Foyer Umbrella and deconsolidated. The company CapitalatWork Management Company S.A. was incorporated on 12 July 2011.

Companies consolidated using the proportionate consolidation method	% held 31.12.2011	% held 31.12.2010	Supervisory Authority	Sector
Foyer Santé S.A. 12, rue Léon Laval, L-3372 Leudelange	50,0	50,0	CAA	Non-life
Raiffeisen Vie S.A. 12, rue Léon Laval, L-3372 Leudelange	50,0	50,0	CAA	Life
Tradhold S.A. 14, boulevard Royal, L-2449 Luxembourg	50,0	50,0	-	Asset management

2. LINE-BY-LINE RECOGNITION OF SHARES OF JOINT VENTURES

Share in the results

2011 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Earned premiums, net of reinsurance	4 860,6	4 715,8	-
Other operating income	295,9	695,1	252,4
Insurance benefits and claims, net of reinsurance	-3 692,6	-3 705,3	-
Expenses	-1 017,3	-668,9	-3,4
Elimination of consolidation	54,1	7,1	-
Income before taxes	500,7	1 043,8	249,0
Taxes	-131,3	-305,5	-2,8
Net income	369,4	738,3	246,2
o/w group share	369,4	738,3	246,2

2010 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Earned premiums, net of reinsurance	4 025,6	4 699,5	-
Other operating income	234,1	645,6	251,7
Insurance benefits and claims, net of reinsurance	-2 841,0	-4 100,7	-
Expenses	-965,5	-659,2	-3,1
Elimination of consolidation	50,7	5,4	-
Income before taxes	503,9	590,6	248,6
Taxes	-132,4	-171,6	-0,7
Net income	371,5	419,0	247,9
o/w group share	371,5	419,0	247,9

Share in the main groups of assets and liabilities

31.12.2011 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Assets			
Fixed assets	106,3	-	-
Equity instruments	461,3	2 059,9	6 319,6
Fixed income securities	5 092,8	16 681,4	-
Receivables	1 672,8	548,3	-
Parts of reinsurance	-	1 320,6	-
Cash and cash equivalents	963,9	3 270,5	297,4
Liabilities			
Technical provisions	5 924,1	18 075,4	-
Other provisions	25,2	5,4	-
Deferred taxes liabilities	40,5	88,5	331,8
Financial liabilities	-	1 016,4	-
Insurance debts and other debts	499,4	724,2	3,1

31.12.2010 € thousand	Foyer Santé	Raiffeisen Vie	Tradhold
Assets			
Fixed assets	13,2	-	-
Equity instruments	426,8	1 512,6	7 255,9
Fixed income securities	5 062,6	15 268,3	-
Receivables	1 456,9	550,3	-
Parts of reinsurance	-	1 040,0	-
Cash and cash equivalents	129,5	1 081,8	286,5
Liabilities			
Technical provisions	4 798,8	14 453,8	-
Other provisions	18,1	3,6	-
Deferred taxes liabilities	49,2	107,0	331,8
Financial liabilities	-	824,0	-
Insurance debts and other debts	398,6	522,8	2,9

3. AMOUNTS OUTSTANDING IN RESPECT OF THE SHARE CAPITAL SUBSCRIBED BUT NOT FULLY PAID OF COMPANIES INSIDE OF THE CONSOLIDATION SCOPE

€ thousand	Capital not paid-in	Groupe share
FOYER-ARAG S.A.	247,9	223,1
FOYER INTERNATIONAL S.A.	5 000,0	5 000,0
FOYER RE S.A.	5 000,0	5 000,0

Note 3. Disposal

Before being sold on 24 January 2011 for an amount of € 117 404,2 thousands, the company FOYER RE S.A. achieved a profit of € 710,1 thousand. The Group has realised a gain of € 24 337,4

thousand recorded in the item "net realised gains on financial assets" and in the operating segment "Non Life".

Note 4. Principles and methods of consolidation

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 to the nearest thousand (€ thousand) with the exception of notes 7 and 9. The Euro has also been chosen as the functional currency for the Group entities, with the exception of Capital at Work (Suisse) S.A. which use Swiss Franc (CHF). The consolidated accounts are based on the principle of amortized cost with the exception of:

- financial instruments available for sale, held for trading and those related to unit-linked contracts which are measured at fair value
- insurance and investment contracts with a discretionary participation feature which are valued according to legislation and rules applicable in the Grand Duchy of Luxembourg (LuxGAAP).

If applicable, the non-current assets and groups of assets held for sale, classified as held for sale, are valued at the lowest of either net accounting value or fair value net of sales cost.

Preparation of the financial statements in accordance with the IFRS, requires of the Group’s management 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 cost initially recognized. These estimates and assumptions are based on historical 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. Actual results may differ from those estimates.

Estimates and hypothesis are continually reviewed. The result from a change of an accounting estimate is recognized within the same period as the one when the change was made and provided this period was the only one concerned, or within the period when the change occurred and subsequent periods when the change has an influence on the current period as well as subsequent periods.

Decisions taken by Group management in compliance with the IFRS which have a significant impact on consolidated annual accounts and estimates that may have a significant impact on the accounts are detailed in specific notes.

The main accounting principles applied in the preparation of the annual consolidated accounts are described hereafter. These accounting principles have been continuously and harmoniously applied by Group entities. The accounting methods applied are coherent with those applied during the previous accounting period.

The endorsement by the European Union of the following revised standards and interpretations of standards did not impact:

- Amendment to IAS 32 "Financial Instruments: presentation" entitled "Classification of rights issues" (issued 8 October 2009) ;
- Revised IAS 24 "Related Party Information" (issued 4 November 2009) ;
- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" (issued 26 November 2009) ;
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (issued 26 November 2009) ;
- Annual improvements to IFRS (issued 6 May 2010);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" entitled "Transfers of Financial Assets" (issued 7 October 2010).

Certain standards and interpretations of standards published by the IASB were not yet applicable at the time of preparation of 2011 accounts.

- First version of IFRS 9 "Financial Instruments" which aims to replace IAS 39 "Financial Instruments: Recognition and Measurement" (published 12 November 2009 and 28 October 2010 but not endorsed by the European Union);
- Amendments to IFRS 1 "First-time Adoption of IFRS" concerning hyperinflation and severe firm implementation dates for early adopters (issued 20 December 2010 but not endorsed by the European Union);

- Amendments to IAS 12 "Income taxes" entitled "Deferred tax: recovery of the underlying assets" (issued 20 December 2010 but not endorsed by the European Union);
- Standards for consolidation, namely IFRS 10 "Consolidated Financial Statements" IFRS 11 "Partnerships", IFRS 12 "Disclosure of interests held in other entities" as well as new versions of IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (issued 12 May 2011 but not endorsed by the European Union);
- IFRS 13 "Fair Value Measurement" (issued 12 May 2011 but not endorsed by the European Union);
- Amendments to IAS 1 "Presentation of Financial Statements" entitled "Presentation of items of other comprehensive income" (issued 16 June 2011 but not endorsed by the European Union);
- Amendments to IAS 19 "Employee Benefits" amendments related to termination benefits (issued 16 June 2011 but not endorsed by the European Union);
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (issued 19 October 2011 but not endorsed by the European Union);
- Amendments to IAS 32 "Financial Instruments: Presentation" and to IFRS 7 "Financial Instruments: Disclosures" (issued 20 décembre 2011 but not endorsed by the European Union).

3. PRINCIPLES AND METHODS OF CONSOLIDATION

3.1 Basis of preparation

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

Annual consolidated accounts include financial statements of Foyer S.A. and entities being part of the Group on 31 December of each year. The financial statements of these entities are prepared for the same reference period as those of the parent company and on the same homogeneous accounting methods.

All intra-group balances and transactions as well as any profits, losses and pending results included in the accounting value of assets, and due to intra-group transactions as defined by the method of consolidation applied, are either entirely or proportionally eliminated.

3.2 Subsidiaries

Subsidiaries (or affiliated) 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.

In assessing whether the Group controls or not is taken into account, if applicable, potential voting rights and conversion options exercisable over the period.

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 net assets which are not held by the Group. Minority interests are recognised in the consolidated balance sheet in equity but separate from the "shareholders' equity". 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-ventures by which it is agreed that economic activity of the entity will be 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 recognized 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.

Investments in associates are initially recognised at cost. The book-value is increased or decreased to account the Group's share in profit or loss recognised in the income statement of the associate after the acquisition date.

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 of purchase price over the fair value of the assets acquired and liabilities incurred and liabilities assumed is considered as goodwill. This goodwill is not depreciable. However an impairment test is carried out once a 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". But, 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. Any excess remaining after that reassessment is recognised immediately 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 at the transaction date. 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 measured at fair value, such as equity investments, are converted at the exchange rate applicable on the valuation date of fair value assessment;
- The other non-monetary elements are held at their historical exchange rate.

When a gain or loss from a non-monetary element, such as financial assets available 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 statement.

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 of 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 is likely to account for a significant portion of the total contract benefit;
- Whose amount or timing is 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 issuer's 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 recognized under LuxGAAP standards except when restatements required by IFRS 4 for instance for the claims equalization provision, which captive reinsurance companies are bound to carry in their balance sheet.

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 is determinate for each contract, according to the time remaining between year-end and due date of premium.

Claims reserve covers the total estimated cost of settlement of all claims arising by the end of a given period. With the exception of disability annuities reserve, which is not discounted.

These reserves cover reported claims, incurred claims but not reported, reported claims but insufficiently provisioned, and all costs linked to the processing of these claims. They are estimated on the basis of historic data and current trends of claims, 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 homogeneous categories) 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 provisions for annuity pension 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. Equalisation reserves recorded in accordance with local regulations in order to compensate fluctuations in the claims rate or to cover special risks are not recognised in the consolidated accounts under IFRS.

The provisions for unit-linked insurance contracts are reevaluated 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 commissions incurred when purchasing insurance contracts are recognized on the asset side of the balance sheet. These deferred acquisition expenses are amortized over the average lifetime of the contracts.

In the case that all or part 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 measured with IFRS 4

5.3.1 Major 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 saving with guaranteed rate and with DPF or unit-linked with the option to convert to a sub-fund with a DPF 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 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 under IAS 39

Contracts holding no significant insurance risk and without DPF are contracts under 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 where 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 this 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.

Given that fair value of these unit-linked contracts is calculated on the basis of the value of the units, and given the contractual clause according to which payments to be made by virtue of the contract and are defined in units of the internal or external fund, is 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

Expenses 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 regularly rendered services throughout the life of the contract and not when it is issued. It is recorded as and when the services are rendered.

Acquisition commissions incurred when purchasing investment contracts may be recognized on the asset side of the balance sheet. These deferred acquisition expenses are amortized over the average lifetime of the contracts. In the case that all or part of the deferred acquisition expenses cannot be recovered within an accounting period, the non-recoverable part is immediately recorded as an expense.

5.5 Separation of embedded derivatives

The embedded 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 deficiency will be fully and immediately recognised as an additional charge in profit or loss.

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.

Reinsurance cessions are recognised in accordance with the terms of the various contracts. The assets under reinsurance cessions 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 reinsurer's 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, 6.10 below).

6. FINANCIAL INSTRUMENTS

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 related to unit-linked contracts) 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-to-maturity, 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 in 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. Funds share invested in instruments quoted on active markets are themselves regarded as securities listed on an active market and valued at their net asset value calculated by responsible third parties.

A financial instrument is generally considered not quoted in an active market because of its nature (unlisted share, for example) but this could also result from market changes (decline in the volume of transactions, for example). The group then uses the quotations made by third parties (eg, valuations of unlisted securities Luxembourg estimated annually by the Luxembourg Stock Exchange or the valuations provided regularly by banks and other financial institutions). Although the previous methods are not applicable, the Group estimates the fair value using a valuation technique. When appropriate, the valuation techniques include the comparison with recent transactions in competitive conditions, if any, reference to the fair value of another instrument that is substantially the analysis of future cash flows updated models and option pricing.

Accrued interest on fixed rate bonds are recognised under accruals assets.

6.4 Classification and recognition of financial assets and liabilities

Financial assets are divided into the following categories:

- Financial assets available for sale;
- Financial assets at fair value through profit or loss;
- Financial assets held-to-maturity
- Loans and receivables.

Financial liabilities are divided into two categories:

- Financial liabilities at fair value through profit or loss;
- Other financial liabilities.

6.5 Impairment

At each end of the reporting period, the Group determines whether there is any objective evidence 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 recognised in profit or loss. 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:

- Significant financial difficulties of the issuer;
- Default or delinquency in interest or principal payments;
- Becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties.

6.6 Derivatives

If applicable, these financial instruments are recognised initially at fair value from the starting date of the corresponding contract and are measured at fair value during subsequent periods. Change in the fair value is recognized in income or loss. The Group does not apply hedge accounting under IAS 39.

For the Group, financial instruments include, where appropriate, convertible bonds valued at fair value through profit and loss because they contain an embedded derivative according to IAS 39, or a debt swapped with the lending bank. These examples of derivatives under IAS 39 are not considered as derivative instruments in the operational management of the Group.

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 are not part of any other categories of financial instruments.

Financial assets available for sale are recognised at purchase date 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" in equity.

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

- 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. Fair value of fixed income securities does not take into account accrued interest.
- Equity investments:
The Group appreciates the existence of objective evidence of impairment in value for all equity instruments whose fair value is materially lower than cost. For these instruments, the Group

considers the occurrence of significant changes in the technological, market, economic or legal having an adverse effect on the issuer and the significant or prolonged decrease in fair value of the instrument below its cost. If the closing price of such an instrument is lower by at least 40,0% to its purchase price or if the unrealized loss is continuous for 18 months, it is objective indication of permanent impairment. In addition, the Company recognizes systematically an impairment loss from other criteria that are more conservative in most cases (see Note 5).

The amount of accumulated impairment transferred from 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.

6.8 Financial assets at fair value through income

6.8.1 Financial assets held for trading

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

- Acquired or incurred principally for the purpose of selling in the near term;
- Part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- A financial derivative or embedded derivative as defined in IAS 39.

Change in fair value of financial assets held for trading during the period is recognized in the income statement. Fair value of fixed income assets does not include accrued interest.

6.8.2 Financial assets at fair value through income

In order to avoid accounting discrepancies, the Group classifies financial assets held within 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.

6.9 Financial assets held-to-maturity

Assets held-to-maturity are non-derivative financial assets, with determined or determinable payments as well as a fixed maturity where the Group has a positive intention and capacity to maintains until maturity, with the exception of:

- those which the Group has designated at initial recognition, as being valued at fair value through income (cf.6.8.2);
- those which the Group has designated as being available for sale (cf.6.7);
- those defined as loans and receivables (cf.6.10).

Financial assets held-to-maturity are measured at amortized cost, using the effective interest rate method.

If it seems appropriate to recognise a financial asset at amortized cost rather than at fair value, for instance if the Group has changed its intention, the book value of this financial asset measured at fair value will be considered to be its new amortized cost.

6.10 Loans, receivables and financial liabilities

a) Insurance receivables

Client, broker and agent, co-insurer and reinsurers receivable accounts are initially recorded at fair value of the consideration given or received and then valued at amortized cost.

b) Loans on life insurance contracts

Loans secured by life insurance contracts are initially recognized at fair value of the consideration given or received and then valued at amortized cost.

c) Mortgages and other loans

Mortgages and other loans are initially recognized at fair value of the consideration given or received and then valued at amortized cost.

d) Depreciation terms 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 amortized cost.

6.11 Cash and cash equivalents

Bank accounts, postal checks and cash in hand are recognized at initial book entry value. This item includes cash, short-term deposits and other short-term investments with very high liquidity, provided that their initial maturity and remaining maturity do not exceed three months. Credit balances on current accounts are considered as cash management instruments.

6.12 Valuation and accounting of income and expense from financial assets and liabilities

Income and expense from financial assets and liabilities received, paid, to be received or payable are valued at fair value. In the majority of cases, there is a counter-entry in cash or cash equivalents. Income is recognised if it is probable that the economic benefits associated with the transaction will flow to the Group. Expenses are recorded as soon as they are incurred.

7. TANGIBLE AND INTANGIBLE FIXED ASSETS

7.1 Land, buildings, equipment, machinery and furniture

7.1.1 Land and buildings

The Group recognises land and constructions separately depending on whether the buildings are used by the Group (business premises), as defined in IAS 16, or held for investment (investment property), as defined in IAS 40. These positions are recognised separately in consolidated assets of the Group. After initial recognition, these assets are recognised at cost less accumulated amortisation and accumulated impairment, if any.

a) Investment properties

An investment property is measured initially at its cost, including transaction costs. The cost is the cash or cash equivalent at the time of its acquisition or construction 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 purchase price, including duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Subsequent costs 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 measured reliably. The day-to-day servicing of the tangible fixed assets such as repairs, maintenance and other similar costs are charged to the income statement.

7.1.2 Equipment, machinery and furniture

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

The purchase price including duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition these assets are carried on the basis of the cost model less accumulated amortisation and any accumulated impairment losses.

7.1.3 Amortisation and impairment

The Group allocates the amount initially recognised to significant parts and depreciates separately each such part.

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

- 25 to 50 years for the structure of the building
- 10 years for the technical components of the buildings;
- 3 to 10 years for equipment, machinery and furniture.

The depreciable amount of these assets is determined after deducting its residual value. Remaining life and the amortisation method applied is examined at each annual end.

Land is considered as a non-amortisable asset. Any depreciation is subject to an impairment loss.

The fair value of business premises and investment property is periodically determined by professionally qualified valuers. The fair value of items is indicated in the respective notes to the financial statements. Any loss of value resulting from the expertise is subject for impairment.

The residual value and useful life of the tangible assets are revised at each annual period end. In accordance with IAS 36, an impairment is recognised immediately, when the carrying amount exceeds the amount to be recovered.

7.2 Intangible fixed assets

7.2.1 General

An intangible fixed asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- The cost of the asset can be measured reliably

To assess the probability of expected future economic benefits, the Group uses reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible fixed assets are measured initially at cost comprises any directly attributable costs of preparing 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.

For intangible assets with a finite useful life, the Group amortises these over their useful life. The amortisation period for an intangible fixed asset depends on the activity and economic development of the Group's entities. Amortisation begins when the intangible asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognised. The amortisation charge for each period is recognised in the income statement. The breakdown of this charge is included in financial charges, charges for insurance benefit and cost items. The useful life and the amortisation method of the intangible fixed asset are reviewed at each financial year-end. When there is any indication that an intangible fixed asset may be impaired, the entity does impairment tests. 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 IAS 36.

Intangible fixed assets with an indefinite useful life will not be amortised but will undergo annually impairment tests in accordance with IAS 36 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 costs exceeding the fair value of the assets, liabilities and any identifiable contingent liabilities accruing to the Group at 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 resulting from the acquisition of shares held by minority shareholders is directly recorded and deducted from equity during the year of acquisition of these shares.

In order to determine an eventual loss of value, 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 profit or loss. An impairment recognised for goodwill is not reversed.

b) Other intangible fixed assets

- Intangible fixed assets purchased

The costs of software licences purchased are recognised in assets at its purchase price and any directly attributable costs of preparing the asset for its intended use. The customer lists acquired from the agents are recognised at their purchase price. These costs are amortised according to the linear method, over their estimated useful lives of 3 to 5 years.

The residual value is estimated zero.

- Internally generated intangible fixed assets

These assets are IT projects developed internally. Costs incurred during the research phase of the internal generated projects are not recognised in asset and are recognised in the income statement when incurred.

Only cost incurred during the development phase is recognised in asset, provided the rules for asset recognition of such elements, as defined by IAS 38, have been applied.

After initial recognition, development expenses considered as internally generated intangible fixed assets are valued using the amortized cost model. The cost of such an asset includes all directly attributable costs required to create, produce and prepare the fixed asset to be capable of operating in the manner intended by management.

As a general rule, the estimated useful life of the software generated internally is currently between 3 and 5 years. This period is consistent with the group's experience in this way. The residual value is estimated 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 or options are recognised in shareholders' equity, net of tax, and deducted from the value of the shares issued. When a Group company purchases shares of the parent company, the price paid, and the direct included incurred costs related to this transaction, are deducted from the shareholders' equity until these shares are cancelled or sold. When those shares are sold, the selling price, net of tax and any direct costs incurred during the transaction, is added to the 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.

In 2009, Foyer S.A. has implemented a stock option plan in favour of the management. Those transactions do not result in the issuance of new shares and Foyer S.A. redeems the shares necessary for such a compensation at the stock market.

9. INCOME TAXES

Taxes on income are calculated according to the tax rules in force in the countries in which the entities are located. Advances paid for a specific financial year may be offset against tax liabilities in respect of the estimated result for the same financial year.

Starting 2008, companies incorporated in Luxembourg and owned at more than 95% are subject to a fiscal integration such as provided for by Luxembourg fiscal legislation.

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 offset, 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 recognised 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 used.

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 used. Unrecognised deferred 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.

Tax rates to be applied to temporary differences will be the maximum tax rate in the various tax categories:

- Luxembourg: 29,55% (rate in Leudelange) ;
- Belgium: 33,99% ;
- Switzerland: 35,1% (rate in Geneva) ;

10. STAFF BENEFITS

10.1 Post employment benefits

The Group manages two types of defined pension benefit plans in favour of employees and a commitment in favour of certain agents.

Pension benefit plan

A defined contribution pension benefit plan was introduced in favor of employees on 1st January 2003. The employer's contributions to supplementary pension 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. If the employee dies before retirement, 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 further obligations 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 previous 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.

Retirement allowances

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

In accordance with IAS 19, 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 state bond issues.

Any variations (actuarial gains or losses), net deferred taxes, are recognised in full in equity under the item "Reserves" for the period in which they occurred.

10.2 Other long term benefits and stock options

CapitalatWork's variable remuneration.

In 2009, the Group acquired the Group CapitalatWork. One of subsidiaries had previously awarded to certain employees stock options on a fund that are exercisable in 2018. The fair value of the commitments is the market value of these options.

In 2010, certain employees of CapitalatWork Group subscribed to an incentive plan giving them additional pay depending on performance of CapitalatWork. The plan is similar to a stock option plan exercisable, subject to conditions, between 01.01.2014 and 31.12.2016, and settled in cash. This commitment is assessed according to the characteristics of this plan, based on results achieved and the amount of assets under management (AUM).

Jubilee awards

Gifts are offered to employees Gifts are offered to employees in Luxembourg. This commitment is recognized at its current value (cf note 20).

Share-based payment of Foyer S.A.

In 2009, Foyer S.A. has implemented a stock option plan in favour of the management. This plan provides only settlement in shares.

The cost of options is valued at fair value of contracted instruments at grant date. The fair value is estimated by an appropriate valuation model taking into account the buy back shares programs. At grant date, the option cost is recognized in staff costs, for an equivalent increase in equity of Foyer S.A.

10.3 Short term benefits

A provision is recognized for paid leave acquired by employees and reported in future periods (cf. note 20).

11. PROVISIONS AND OTHER LIABILITIES

In addition to the technical provisions related to Life and Non-Life insurance, 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

As determined by management to evaluate performance, the group is organised around three operating segments based on their products, services and on regulatory constraints.

The segments are as follows:

- Non-life insurance;
- Life insurance;
- Asset management.

Revenue from external customers is presented with the following:

- Life insurance and Non-Life insurance: earned premium net of reinsurance
- For all segments, net operating income, commissions and financial income included.

The net financial incomes are closely related to the business of operating segment and are managed independently. Of these net financial incomes, revenue and interest expenses are presented separately in accordance with IFRS 8, although they are not provided to management.

Miscellaneous expenses such as those relating to management accounting, financial management or management legally, are supported by various segments through entities belonging to segments. These expenses are identified and allocated to the Group's entities using an internal cost allocation system and a common accounting system.

The benefits of the fiscal integration of certain companies incorporated in Luxembourg are allocated to the sector of asset management.

Geographic information separate following indicators between Luxembourg, on the one hand, and the rest of Europe (other countries of the European Union and Switzerland), on the other hand.

- for Life insurance and Non-Life insurance, gross earned premiums from external customers are assigned based on the geographical location of customers;
- tangible assets are allocated on the basis of their geographical location.

Providing more detailed information would require undue cost

13. INCOME FROM ORDINARY ACTIVITIES

Are considered as income from ordinary activities products from insurance premiums in Life and Non-Life, services and use of assets of the Group entities generating interests, royalties and dividends.

- Insurance premiums are collected either for non-renewable periods agreed on a case-by-case basis with clients, either for fixed, tacitly renewed 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 payable periodically. The management fee charged on signing contracts cover both the financing costs charged by third parties as compensation for business expenses incurred.
- Use by third parties of assets belonging to the Group entities generates 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 in a class of securities in the capital.

14. LEASE AGREEMENTS

Some tangible fixed assets used by the Group, such as offices, have been taken for rent.

Payments under these leases are recognized in the income statement on straight line basis over the duration of the lease. These simple operating leases do not involve the transfer of significant risks or benefits to the Group.

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 estimates.

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 (cf. note 17).

2. LIFE INSURANCE CONTRACTS AND SUPPLEMENTARY PENSION BENEFITS

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 (cf. note 17).

3. 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 (cf. note 18).

4. SHARES PERMANENTLY IMPAIRED

At each closing date, the Group reviews equity instruments whose fair value has an unrealized loss and determines whether there is objective evidence of permanent impairment for individual assets or assets of the same sector level. For the Group is objective evidence of permanent impairment, when an equity instrument is experiencing unrealized loss of at least 20,0% for a continuous period of nine months or more before the closing date (cf. note 14). The Group recognizes the impairment in the income statement (cf. note 4, § 6.5 and 6.7). At 31.12.2011, the largest unrealized and not impaired loss amounts to -26% % in shares and funds.

5. IMPAIRMENT OF GOODWILL

At each closing date, the Group carries out impairment tests of goodwill, acquired with CapitalatWork, based primarily on assets under management (AUM) and coefficients of recovery thereof, by distinguishing private clients and institutional clients (cf. notes 3 and 11). The coefficients are determined using information available on the market. A reasonably possible change in a key assumption would not change the result of the test.

Note 6. Capital and risk management

1. RISK MANAGEMENT

1.1 Environment

European insurers and reinsurers are preparing for major regulatory changes in the assessment, but also in communicating their risk. The Group takes the opportunity to refine its controls, its procedures and its methods of risk assessment and the associated capital needs.

• Insurance: "Solvency II"

The European directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance, called "Solvency II", is based on a three-pillar approach: quantitative requirements (solvency capital requirement), management of internal processes and supervisory review (effective risk management) and disclosure requirement (market discipline). Its provisions must be transposed into national law and will enter force on the date to be fixed by the Omnibus 2 directive.

In recent years, the Group is actively preparing for changes made by the Solvency II directive. It has participated in several "Quantitative Impact Studies" (QIS), and has produced estimates based on the future prudential standards in the actuarial reports submitted in 2011 to the "Commissariat aux Assurances" (CAA). The Group has developed gradually new methods to better quantify the risk exposure of the relevant subsidiaries. In 2011, the major risk map has been updated and expanded. Several measures have been implemented in order to reduce certain risks. Various awareness initiatives have developed a better consideration of risks in the various activities of the Group. The risk management system has been improved to prepare the Group for the implementation of the new prudential regulation.

• Wealth management

Within the Asset Management sector, subsidiaries under the supervision of the financial sector have already adopted a risk management framework in line with local regulations (cf. section 3). In Luxembourg, "Commission de Surveillance du Secteur Financier" (CSSF) requires individual and consolidated prudential reporting at CapitalatWork Group level. It consists of a ratio of capital adequacy and control of large exposures.

The capital ratios required of investment companies of the Group are arising from the implementation of EU Directives 2006/48/EC and 2006/49/EC, as amended by Directive 2007/18/EC. The directives called "Capital Requirement Directives" (CRD) transpose into EU law the recommendations of the second Basel Accord. These agreements known as "Basel II" are based on three pillars: minimum capital requirement (solvency ratio), supervisory review process and market discipline requirements.

1.2 Risk governance

Foyer Group involve following bodies in the analysis and control of risk:

- The Board of Directors sets the strategic objectives, allocates the capital and sets the overall risk appetite of the Group;
- The Group Management defines operational objectives, allocates capital to the various entities / activities under the risk reward and declines the risk appetite of the various entities;
- The Risk Management implements the risk management framework, including strategies, processes and reporting procedures necessary to identify, measure, control, manage and declare continuously the individual and aggregate risks and their interdependencies; it is responsible for developing the own risk and solvency assessment (ORSA) in the insurance activities;

- The operational divisions decline the risk management in their respective activities (internal control);
- Some functional divisions are involved in transversal risk management, particularly the Chief Actuary, who orchestrates the insurance risk quantification, and the Chief Investment Officer, responsible of the financial risk.

1.3 Quantitative and qualitative information

Note 7 details the risks that the Group is subject because of the subscribed insurance or investment contracts and the matter the Group manages these risks.

2. CAPITAL MANAGEMENT

2.1 Managed capital

The Group defines managed capital as the consolidated equity, of which are deducted:

- the dividend proposed to shareholders and payable next year,
- the net carrying value of intangible assets.

The Group doesn't issue subordinated debt and cover its financial risks without hedge accounting.

€ million	31.12.2011	31.12.2010
Managed Capital	456 184,4	473 999,8

2.2 Management framework

The Board of Directors its Audit, Compliance and Risk Management Committee supervise periodically the capitalization of the Group. The solvency of subsidiaries engaged in insurance or financial regulated activity is the subject of a particular control, in order to offer our customers the guarantee of a perennial protection, our shareholders a steady return and to allocate optimally the resources to Group's strategic development.

The capital level is assessed:

- for all subsidiaries, in the current regulatory framework, on a quarterly basis (see below point 3)
- as for subsidiaries and the Group Foyer, in an internal approach which converges gradually to future regulatory framework.

2.3 Objectives

In 2011 and 2010, the Group met its objective by far exceeding the capital required by a risk model that complies with Solvency II (based on specifications not finalized to date), and respecting a default risk of less than 0.5%, or once every 200 years.

3. REGULATORY REQUIREMENTS IN CAPITAL

The Group's subsidiaries which are under the supervision of the competent authorities of the insurance and reinsurance, on the one hand, and the financial sector (investment companies), on the other hand, meet the capital requirements required by the respective laws and regulations applicable to them as part of their activities (see the list of companies note 2). These requirements are calculated on the basis of accounts that are not prepared according to IFRS accounting principles. The consolidated equity established according to IFRS accounting principles and their changes compared to the previous year are presented in the consolidated statement of changes in equity.

3.1 Insurance and reinsurance companies

Luxembourg insurance and reinsurance companies must at any time have a sufficient solvency margin to cover the solvency margin requirement on all their activities (Luxembourg regulations "Solvency I" primarily defined by the "règlement grand-ducal" of 14 December 1994 in implementation of the amended law of 6 December 1991 on the insurance sector). The available solvency margin includes the paid-up capital, statutory and free reserves, not corresponding to underwriting liabilities and the deferral of profits or losses, net of dividends payable and own shares held. This margin is decreased or increased for all other items covered by the regulation, particularly by unrealized gains. The required solvency margin is determined according to the branches of insurance. The equity requirements of insurance and reinsurance companies generally depend on product conception, the volume of subscriptions, invested assets, liabilities and capital market developments, particularly regarding interest rates and financial markets.

3.2 Investment companies

Luxembourg investment companies must at any time have sufficient equity to meet their overall equity requirement. Eligible shareholders' equity is calculated according to the circular letters of the "Commission de Surveillance du Secteur Financier" which define the ratio of capital adequacy (principally circular CSSF 2007/290 issued under section 56 of the amended law of 5 April 1993 on the financial sector). The capital requirements are determined according to the risks associated with the activities of investment companies, including:

- Credit and dilution risk, associated with non-held for trading;
- Settlement, counterparty, position risks, related to the held for trading portfolio;
- Currency risk ;
- Risk related to changes in prices of basic products;
- Operational risk.

Belgian investment companies are supervised by the Financial Services and Markets Authority, or FSMA (previously "Commission bancaire, financière et des assurances", or CBFA). The equity of the Belgian subsidiary, approved as "brokerage company" must meet the general solvency ratio calculated on the basis of third party funds and other requirement defined by the circular D4/EB/97/1: which have to cover the third party funds, certain fixed assets and overhead on the one hand, and cover the credit risk and market risk on the other hand.

Note 7. Insurance 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.

For an insurance portfolio, the main risk is the actual claims expense being higher than the anticipated premium income. The occurrence of the insured event is essentially random, the rate is based on assumptions of frequency and average cost of damage. If these assumptions underestimate the actual risk, the risk of loss is real

Nevertheless, the statistical law shows that, for risks that can be shared, bigger the portfolio is, the less the deviation from the basic statistics. On the other hand, a more diversified portfolio is less exposed to the consequences of a deviation of actual results compared to the basic assumptions. Indeed, when the products cover independent risks, the hazard of a product is partially offset by the hazard on other products.

Due to:

- the strong diversification of Group's activities, both geographically and in the type of products offered;
 - the high penetration in its markets for mutualizable risks,
- the Group Foyer has an excellent knowledge of insurance risk management.

1.1 Non-life insurance

1.1.1 General

The Group sells non-life insurance products mainly in the Grand-Duchy of Luxembourg but also in Belgium under the freedom of services directive. These activities expose the Group to three types of insurance risk. The first two types of risk related 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.

1.1.2 Risk pricing

1.1.2.1 Definition of price risk

For each insurance contract, in return for payment of a premium by the customer, the Group agrees to indemnify it in the event that the insured event occurs. 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 during the year.

1.1.2.2 Price risk management

To manage this risk, the Group has several ways.

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 is concluded for a period of one year and renewable tacitly. Thanks to the steering 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 adjustments are made under the supervision of an external expert.

c) Possible resort to 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 Risk of extreme claims

1.1.3.1 Definition of risk of extreme claims

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 usually financed by a reinsurance program that covers such claims. 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 € 2,5 million.
3. a fire or explosion claim exceeding € 2,0 million.

1.1.3.2 Risk management of extreme claims

Each year, to protect against the risk of extreme claims, the Group entered into a reinsurance program composed of different contracts and different reinsurers. The global cost of this reinsurance program is included in the insurance contract pricing.

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 loss
Natural disasters	Excess of loss

1.1.3.3 Particular case concerning high risk concentration

The risks of extreme claims can be decomposed between, on one hand, claims of very high intensity affecting a single contract and one third, on the other hand, claims low and medium intensity but involving a significant number of contracts or third parties. The latter of this type of claims qualifies as high risk concentration. Taking into account the structure of the contract portfolio and contractual commitments toward the insured, high concentration risk occurs mainly in the damage insurance portfolio. Liability contract portfolios are also concerned but probability of occurrence is low. Theoretically the accident contract portfolio could also be concerned; however the probability is very low and the cost remains reasonable because the insured sums are limited. Reinsurance plays a vital role in the management of the high concentration risk.

Branches of civil liability

The risk of high concentration is found as well in Civil Motor Liability (tunnel, pile-up) as in other than car insurance risks (faulty products). In order to safeguard itself against the different types of civil liability risks, the Group has written a non-proportional reinsurance cover covering individual events for which cover is limited in the motor vehicle branch.

In order to measure the impact of possible claims linked to high concentration and the efficiency of the corresponding reinsurance program, the following table shows the cost per year of occurrence.

During the period under review, the Group did not suffer from major claims resulting from concentration risk. Important claims only concerned one counterparty.

Claims cost (€ million) (payments + provision on 31.12.2011)	Year of occurrence		
	2011	2010	2009
Before reinsurance	62,9	48,2	54,3
After reinsurance	57,6	47,6	52,8

Branches of property damage

Taking into account the importance of the market share of the Group in the motor vehicle sector and climate changes observed this last years, the risk of hail to which an open air parking lot is exposed is considered a major high concentration risk. Other risk (explosion on an industrial site, air crash, fire in an underground parking lot) are also considered to be fairly important. In order to safeguard itself against these high concentration risks, the Group has written two non-proportional reinsurance treaties covering individually occurring events. The first treaty covers the storm and hail risk with a cover of an amount twice the maximum possible claim expenditure

occurring once every two hundred and fifty years. The second treaty covers fire and explosion risks with a reinsurance cover adapted to the profile of our portfolio. In addition to these, and in order to limit highest exposure on industrial sites and large buildings, the Group has also written a proportional reinsurance treaty and case by case reinsurance cover for individual risks.

In order to measure the impact of possible claims linked to high concentration and the efficiency of the corresponding reinsurance program, the following table shows the cost per year of occurrence.

Claims cost (€ million) (payments + provision on 31.12.2011)	Year of occurrence		
	2011	2010	2009
Before reinsurance	88,7	83,0	70,0
After reinsurance	85,2	79,3	68,4

Accident branch

The concentration risk concerns the catastrophic (air crash, terrorism, bus or train accident, fire or explosion on the site of an insured entity in connection with a group contract). Given the generally very low capital risk exposure in this sector (portfolio of small, low capital insured), the Group did not consider it appropriate to reinsure this risk, except in special cases.

To measure the impact of potential claims related to this concentration risk, the table below shows the total annual charges per year of occurrence.

Over the analyzed period, the Group did not have to support a major claim resulting from concentration risk.

Claims cost (€ million) (payments + provision on 31.12.2011)	Year of occurrence		
	2011	2010	2009
Before reinsurance	1,57	2,15	0,82
After reinsurance	1,57	2,15	0,82

1.1.3.4 Sensitivity analysis

As mentioned in previous paragraphs, the annual result is very sensitive to the risk of extreme claims. The sensitivity analysis is to simulate the impact of extreme damage through various extreme "stress tests".

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
5	An explosion claim of € 50,0 million in a factory. Above this amount, the explosion damages in the surrounding area some 50 buildings within our insurance portfolio carrying a claims expenses of € 250,000 per building, giving a total claims 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	- 50 000,0	- 7 500,0	-25 000,0	-25 000,0	-62 500,0
Claims expense ceded to the reinsurer	47 500,0	-	22 000,0	23 000,0	60 500,0
Impact after reinsurance	- 2 500,0	- 7 500,0	- 3 000,0	- 2 000,0	-2 000,0

As shown the result of "stress test", the most catastrophic scenario would have a maximum negative impact of € 7,5 million (before tax) on profit after reinsurance, i.e. less than 1,4% of consolidated shareholders' equity at 31 December 2011.

This shows the efficiency of our reinsurance program in the light of potential high claims risk. However, it does not include a potential impact on the cost of reinsurance in the event of achieving one or other of the extreme events

1.1.4 The provisioning risk

1.1.4.1 Definition of the provisioning risk

The provisioning risk reflects the uncertainty of the claims provision appearing in the balance sheet. This provision is the sum of the following three amounts:

- the provision for reported outstanding claims;
- the provision for claims incurred but not reported (IBNR) or incurred but not enough reported (IBNER);
- the provision for internal claims administration expense in case the company would cease all activity.

1.1.4.2 Managing the provisioning risk

1.1.4.2.1 The provision for indemnities for claims reported and not settled

It is the sum of provisions estimated on a case-by-case basis by our claims managers based on their expertise and information available to them at the time of the estimate.

Concerning more in particular damage branches

Insufficient outstanding provisions for claims declared in the field of damage insurance is very low. In fact the cost estimate for the claim is done either on the grounds of the insured sum or on the grounds of a cost budget made by an expert or by the person that will be in charge of repairing the damage.

Furthermore the time elapsed until payment of the damage is very short, such as to exclude any "inflationary" risk at large.

Concerning more in particular civil liability branches

The outstanding provision for claims declared in the field of civil liability branches present a risk of provision insufficiency far higher than for damage branches, and more particularly in the field of bodily injuries arising in motor vehicle accidents. Indeed in this type of claim, there are numerous items to be evaluated on the grounds of medical conclusions concerning future evolution such as economic losses, aesthetic prejudice, moral prejudice, present and future costs of medical treatments... On the other side payment can be delayed over an important number of years and the cost estimate need taking into account legal interest expense. Finally, in order to hold at any time a correct estimate, unsettled claims files are periodically actualized.

The following table shows an overall positive development of the year to year claims expense which corroborates the adequacy of applied provisioning methods claim by claim.

Gross of reinsurance (€ thousands)		Year of development					
		0	1	2	3	4	5
Year of occurrence	2006	107 164,9	107 602,9	102 816,1	100 598,3	98 412,6	101 951,7
	2007	116 778,0	115 489,8	112 883,5	107 878,7	107 777,8	
	2008	120 951,8	124 873,2	116 429,5	113 827,0		
	2009	120 621,1	123 072,5	123 263,9			
	2010	134 115,6	133 302,6				
	2011	145 315,9					

Net of reinsurance (Group vision excluding internal Group reinsurance):

		Year of development					
		0	1	2	3	4	5
Year of occurrence	2006	102 141,3	100 567,1	95 425,1	92 007,8	94 027,2	91 180,3
	2007	107 211,8	105 754,6	103 371,7	98 626,2	98 585,1	
	2008	118 069,5	119 574,2	111 302,8	107 416,2		
	2009	117 674,7	119 829,5	120 034,4			
	2010	129 638,9	129 033,7				
	2011	139 882,5					

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 2011: € 17 629,6 thousand). In addition, the claims expense as at 31 December 2011 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 € 786,5 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 of € 1.5 million for a single claim have been eliminated (provision gross of reinsurance and net of payments as of 31. December 2011 € 18 325,1 thousand). The claims expense gross of reinsurance for the years of occurrence prior to 2006 is € 90 877,7 thousand, net of payments and the payments for the years of occurrence 2006 to 2011 is € 575 304,6 thousand. Taking into account all these factors, the gross claims provision was € 371 058,5 thousand as at 31 December 2011.

1.1.4.2.2 Provision for claims occurred but not declared or claims insufficiently provisioned (IBNR and IBNER)

Provisioning for claims occurred but not declared

This provision is calculated insurance risk per insurance risk according to a probability method, the parameters of which are estimated according to past years experience. However in order to allow for the effect of branch pluralism, the provision is calculated as a global estimate while trying to reach a confidence level of 95%.

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

The first step 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 step, the Group takes account of the volatility of the result obtained by recalculating an estimate such as to ensure a confidence level of 95%.

Then the Group considers the level of provision shown in the balance sheet and described under 1.1.4.2.1 compared to the confidence level of 95%. If the result of the hypothesis were to be below that level, the Group would then determine a complementary provision to be added to the provision for claims incurred but not enough reported. Presently such a complementary provision is not necessary since the confidence level as described above under 1.1.4.2.1 exceeds 95%.

1.1.4.2.3 The provision for internal claims administration

This provision is calculated on the basis of a model which takes the following parameters into account:

- global annual estimated amounts of run-offs of the claims portfolio
- variable costs (personnel and material)
- fixed costs (IT maintenance, rent expenditure)
- hypothesis of inflation to future costs

1.2 Life insurance

1.2.1 General

In life insurance, an essential distinction is made between contracts intended to cover only the risks of death and disability, such as insurance contracts "temporary outstanding loan annuities", the savings contracts or contracts combining aspects of risk and savings.

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

On regular basis and at least annually, the Life insurance portfolios are subjected to "stress tests". These "stress tests" 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 2011, compared to the surplus of assets covering technical provisions calculated according regulations in force, the rate of coverage evolves as follows:

- At the reference rate of 1,83% (2010: 3,24%), the excess cover decreases by 21,6% (2010: increased by 20,8%);
- At the rate of 2,29% (2010: 4,05%), representing an increase of 25.0%, the excess cover decreases by 0,3% (2010: increased by 165,3%);
- At the rate of 1,37% (2010: 2,43%), representing a drop of 25.0%, the excess cover decreases by 43,2% (2010: decreased by 44,0%);

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

In an economic environment of low interest rates, the shortfall has been established into a scenario of recurring return of the portfolio of 1.7% to 1.8%. The shortfall can be estimated at maximum 83,7% (2010: 2,3%) of the excess cover, in other words a current maximum fluctuation of € 10,8 million, impacting directly on the shareholders' equity of the Group for an amount of € 7,5 million after tax.

At the 2011 year-end, the shortfall was covered up to € 11,7 million by additional provisions.

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 beyond borders of 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. Luxembourg law requires well diversified and adequately spread assets covering technical provisions. For example, for bonds and European equities listed that meet the criteria of the Grand-Ducal Regulation of 14 December 1994 as amended in particular by the Grand Ducal Regulation of 10 January 2003, the limit per issuer is 5% of technical provisions. 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 the stock markets, 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 whereas 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 since the probability of fluctuations of medium and long-term rates is important. 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 currency exchange risk is marginal as the majority of the Group's assets and liabilities are in Euro.

2.1 Credit risk

Within the scope of its activity, the Group is exposed to certain credit risks. The risk is defined as the risk that the counterparty to a financial instrument does not meet its commitments and thus makes the Group suffer a financial loss.

Considering the area of activity of the Group, the main credit risks are:

- Fixed interest bonds and accrued interest on these bond portfolios;
- Bank deposits;
- Reinsurers parts of the technical provisions and in claims payments;
- Amounts due by underwriters and intermediaries.

2.1.1 Credit risk limiting policy

In order to limit credit risk exposure to bond portfolios, the Group regularly checks the evolution of the various issuers ratings in order to maintain a high degree of quality and to evaluate if income is adequate for the credit risk incurred. The policy is to diversify issuers according to certain imposed criteria and management considerations for each category of rating.

Risk borne in relation with deposits with banks is limited through specific limits authorized by the Board of directors. These limits are reviewed periodically, at least annually, on the grounds of each bank's rating, or, if no such rating is available, on the basis of a balance sheet analysis of the bank concerned. These limits vary between € 2 000,0 thousand and € 100 000,0 thousand.

Risks born with respect to reinsurers are managed by the reinsurance committee. In the process of transferring insurance risk towards reinsurers, the reinsurance committee takes into account the insolvency risk of these

reinsurance companies by diversifying risk transfer to reinsurers for which security wetting is considered sufficient. The reinsurance committee gathers periodically and analyses at least annually security wetting.

In as far as captive insurance contracts are concerned; reinsurers' credit risk is checked by analysing the financial situation of the reinsurer and its shareholders in connection with risk inherent to the contracts to be underwritten.

Clients and intermediary risks are followed on an ongoing basis materialized by way of reminders and if necessary by cancellation of the contract, thus allowing the group to withdraw from the risk. The Group extends credit to clients in the form of loans against written policies. These loans are secured by the underlying savings of these life insurance contracts. The Group also extends loans to certain insurance agents; these loans are secured by the indemnity these agents would perceive in case of termination of their agents contract.

2.1.2 The following table shows for financial assets, the maximum exposure to credit risk

31.12.2011 € thousand	Other	Unit linked	Total
Equity instruments			
- Available for sale	199 555,8		199 555,8
- Held for trading	2 224,7		2 224,7
Fixed income securities			
- Available for sale	1 127 886,6		1 127 886,6
- Held for trading	11 309,2		11 309,2
- Held-to-maturity	18 984,0		18 984,0
Financial assets at fair value through income		2 347 266,7	2 347 266,7
Insurance receivables and other receivables	85 031,9		85 031,9
Reinsurers' share of liabilities in respect of insurance contracts	79 771,5		79 771,5
Cash and cash equivalents	244 192,1		244 192,1
Total credit risk exposition	1 768 955,8	2 347 266,7	4 116 222,5

31.12.2010 € thousand	Other	Unit linked	Total
Equity instruments			
- Available for sale	243 235,8		243 235,8
- Held for trading	8 757,7		8 757,7
Fixed income securities			
- Available for sale	1 029 529,7		1 029 529,7
- Held for trading	18 505,3		18 505,3
- Held-to-maturity	20 714,7		20 714,7
Financial assets at fair value through income		2 325 242,5	2 325 242,5
Insurance receivables and other receivables	79 923,0		79 923,0
Reinsurers' share of liabilities in respect of insurance contracts	87 484,4		87 484,4
Cash and cash equivalents	273 533,7		273 533,7
Total credit risk exposition	1 761 684,3	2 325 242,5	4 086 926,8

2.1.3 Credit Risk evaluation according to the counterparts' credit rating

a) Bond portfolio

The following table gives the split par rating of issuers per 31 December of the Group bond

portfolio. (Ratings by Standard & Poor's or equivalent)

	2011	2010
AAA to AA-	37,19%	35,94%
A+ to BBB-	55,64%	58,00%
Lower than BBB- *	7,17%	6,06%
Total	100,00%	100,00%

* or without rating

On 31 December, credit risk exposure was the following:

	2011	2010
Sovereign or debt guaranteed by gvt. institution:	12,41%	13,71%
- of wich Euro area - GIIPS	0,39%	1,77%
- of wich Euro area - other countries	9,20%	9,69%
- of wich other countries of EEA	2,12%	1,40%
- of wich other countries of OECD	0,52%	0,70%
- of wich rest of the world	0,18%	0,15%
Supranational bodies	5,19%	6,04%
Hedged bonds	13,61%	8,94%
Corporate issuers, financial sector	20,74%	19,91%
Corporate issuers, non-financial sector	48,05%	51,40%
Total	100,00%	100,00%

On 31 December 2011, maturities of the bond portfolio were the following:

	< 1 yr	1 - 5 yrs	5 - 10 yrs	> 10 yrs
Sovereign or debt guaranteed by gvt. institutions	0,00%	2,38%	8,55%	1,48%
Supranational bodies	0,00%	0,83%	3,33%	1,03%
Hedged bonds	0,00%	4,91%	8,38%	0,32%
Corporate issuers, financial sector	0,31%	6,50%	10,62%	3,31%
Corporate issuers, non-financial sector	0,00%	10,20%	30,97%	6,88%
Total	0,31%	24,82%	61,85%	13,02%

b) b) Reinsurers' share of liabilities relating to insurance contracts

Reinsurers part within these liabilities amounted to € 79 771,5 thousand (2010 € 87 484,3 thousand). Non-captive contracts represent € 58 215,8 thousand (2010: € 53 162,5 thousand) On 31 December 2011 more than 31,09% (2010: 31,07%) of provisions in relation with these non-captive reinsurance contracts are ceded to reinsurers whose S&P rating is at least AA and 42,75% (2010: 50.70%) to reinsurers whose rating is at least A.

c) Cash and cash equivalents

With the same objective of caution for the bond management, the Group's cash is deposited mainly with banks of good quality having a high credit rating. In case where the bank has no rating, a complete analysis is made in order to attribute an internal rating and thereby establishing if the counterpart is solid.

€ thousand	AA	A S&P	A Company	Other	Total
2011	137 817,5	75 474,0	23 219,1	7 681,5	244 192,1
2010	202 364,4	47 656,4	18 035,9	5 477,0	273 533,7

2.1.4 Other information

On closing the Group holds no assets pending and which are depreciated, without having been impaired.

The Group recorded an impairment loss of € 427,4 thousand (2010: € 427,4 thousand) on claims against policyholders (cf note 15).

As part of its reinsurance business, the Group has received deposits from various reinsurance companies amounting to € 17 451,0 thousand (2010: € 27 904,1 thousand).

The Group also recognized impairment losses on securities available for sale (cf note 14), for an amount of € 9 409,6 thousand on equity instruments (2010: € 10 949,1 thousand) and € 380,9 thousand on fixed income securities (2010: € 681,5 thousand).

2.2 Liquidity risk

Liquidity risk is the risk the Group supports on maturity, to meet financial commitments linked to instruments or financial liabilities.

2.2.1 Liquidity risk limiting policy

The principal source of liquid assets is premium income and deposits made by clients. In order to limit the liquidity risk, and at the same time optimise financial yield, the Group uses a liquidity management tool. This tool takes into account the maturity of financial assets as well as treasury flows which are derived thereof.

Liquidity risk is also limited by an investment policy giving preference to financial assets considered to be very liquid and through lines of credit.

Liquidity risk of liabilities linked investment contracts and insurance liabilities related to unit-linked contracts are supported by the clients.

2.2.2 Maturity profile of assets and liabilities

The following table shows the maturity calendar of liabilities

31.12.2011 € thousand	< 1 year	1 - 3 years	> 3 years	Unit linked	Total
Other technical provisions	208 983,1	154 373,0	773 973,0	-	1 137 329,1
Provisions relating to unit-linked insurance contracts	-	-	-	518 350,7	518 350,7
Pension benefit obligations	-	-	32 391,7	-	32 391,7
Provisions for other liabilities and charges	-	2 935,7	-	-	2 935,7
Liabilities in respect of investment contracts	-	-	-	1 825 493,9	1 825 493,9
Loans and deposits remitted by reinsures	17 451,1	-	-	-	17 451,1
Insurance debts and other liabilities	80 130,3	-	-	-	80 130,3
Total	306 564,5	157 308,7	806 364,7	2 343 844,6	3 614 082,5

31.12.2010 € thousand	< 1 year	1 - 3 years	> 3 years	Unit linked	Total
Other technical provisions	168 126,6	158 210,6	715 036,9	-	1 041 374,1
Provisions relating to unit-linked insurance contracts	-	-	-	575 831,9	575 831,9
Pension benefit obligations	-	-	27 226,2	-	27 226,2
Provisions for other liabilities and charges	-	3 173,8	-	-	3 173,8
Liabilities in respect of investment contracts	-	-	-	1 750 216,7	1 750 216,7
Loans and deposits remitted by reinsures	30 490,2	-	-	-	30 490,2
Insurance debts and other liabilities	135 619,7	-	-	-	135 619,7
Total	334 236,5	161 384,4	742 263,1	2 326 048,6	3 563 932,6

The following table shows the maturity of assets:

31.12.2011 € thousand	Current	Non-current	Total
Equity instruments			
- Available for sale	-	199 555,8	199 555,8
- Held for trading	2 224,7	-	2 224,7
Fixed income securities			
- Available for sale	-	1 127 886,6	1 127 886,6
- Held for trading	11 309,2	-	11 309,2
- Held to maturity	-	18 984,0	18 984,0
Financial assets at fair value through income	-	2 347 266,7	2 347 266,7
Insurance receivables and other receivables	76 958,6	8 073,3	85 031,9
Share of the reinsurers in liabilities in respect of insurance contracts	25 102,1	54 669,4	79 771,5
Cash and cash equivalents	244 192,1	-	244 192,1
Total	359 786,7	3 756 435,8	4 116 222,5
31.12.2010 € thousand			
Equity instruments			
- Available for sale	-	243 235,8	243 235,8
- Held for trading	8 757,7	-	8 757,7
Fixed income securities			
- Available for sale	-	1 029 529,7	1 029 529,7
- Held for trading	18 505,3	-	18 505,3
- Held-to maturity	-	20 714,7	20 714,7
Financial assets at fair value through income	-	2 325 242,5	2 325 242,5
Insurance receivables and other receivables	71 624,5	8 298,5	79 923,0
Share of the reinsurers in liabilities in respect of insurance contracts	22 949,7	64 534,7	87 484,4
Cash and cash equivalents	273 533,7	-	273 533,7
Total	395 370,9	3 691 555,9	4 086 926,8

Current assets are assets which:

- have been acquired in view of a sale in the short term;
- which the entity would expect to be cashed in in the short term;
- which is readily disposable off in the short term.

2.3 Market risk

Market risk is defined as the fluctuations to which fair value and treasury cash-flows are exposed because of market variations.

Market risks are made up by three types of risks: exchange risk, interest rate risk and price risk.

Assumptions adopted for the sensitivity analysis are considered as reasonably possible changes.

Definition of these assumptions is done taking into account historical analysis and projections. Assets held for unit linked contracts were excluded from the sensitivity analysis presented in the following paragraphs, in as far as the clients support entirely markets risks which could affect those assets.

2.3.1 Market risk limiting policy

Market risk is analysed and followed on a daily basis by the head of the finance department as well as by the asset managers. On a regular basis, and at least monthly, the Finance committee meets to analyse market events and possible impacts on the Groups assets. On the grounds of its findings, it determines the investment policy for the coming period.

2.3.2 Interest rate risk

In light of recent market developments, the impact of the rate risk for the valuation of the bond portfolio was calculated considering a variance of 100 basis points (2010: 100 basis points) during one week, phenomenon which has not been observed during the 390 weeks selected for the study.

The following analysis shows pre-tax impacts of possible interest rate fluctuations on group results and Groups capital funds leaving unchanged all other variables.

On 31 December 2011, an upwards variation of 100 basis points would have generated a decrease in value of € 64 221,3 thousand. At the same moment in time, a downwards variation of 100 basis points would have generated an increase in value of € 64 221,3 thousand .

2.3.3 Exchange risk

Generally, the Group does not take exchange risk by investing in securities. Thus, the acquisition of securities in currency other than Euro is usually done by borrowing the currency as the way to hedge the exchange risk. Alternatively, the hedging of exchange risk may be done by forward exchange. The Group may, marginally (compared to its equity and in compliance with the regulatory standards) maintain an open foreign currency position if it considers that such an operation is financially justified.

The following table shows Groups' exposure to the currency risk by category of assets and liabilities in all major currencies:

2011 € thousand	AUD		USD		CHF		SEK	
	Currency	EUR	Currency	EUR	Currency	EUR	Currency	EUR
ASSETS								
Equity instruments	-	-	14 054,1	10 861,8	1 179,7	970,5	958,9	107,6
Fixed income securities	11 324,9	8 901,1	13 198,9	10 200,9	-	-	-	-
Insurance claims and other claims	274,0	215,3	377,8	289,9	143,3	117,9	1 758,3	197,3
Cash and cash equivalents	340,7	267,8	838,8	648,3	1 092,7	898,9	10 410,8	1 168,2
Total assets	11 939,6	9 384,2	28 469,6	22 000,9	2 415,7	1 987,3	13 128,0	1 473,1

2011 € thousand	AUD		USD		CHF		SEK	
	Currency	EUR	Currency	EUR	Currency	EUR	Currency	EUR
Equity and Liabilities								
Insurance debts and other debts	-3,7	-2,9	-23 736,7	-18 345,4	-1 559,3	-1 278,4	-4 586,8	-514,5
Total liabilities	-3,7	-2,9	-23 736,7	-18 345,4	-1 559,3	-1 278,4	-4 586,8	-514,5
Exchange rate		AUD		USD		CHF		SEK
- at opening		1,31		1,34		1,25		8,97
- at closing		1,27		1,29		1,22		8,91

Taking into account the fact that these currency positions are not significant, it is considered that a sensitivity analysis taking into account exchange rate variations is not necessary.

2.3.4 Price and concentration risk

The impact of price risk on the share portfolio was estimated on the basis of a variation of 10% both upwards and downwards for one week at the trading close of the DJ Eurostoxx 50 index. This scenario stands the possibility of occurring of about 1,71% over the review period (16 February 2001 till 31 December 2011). The "look back statistic" method will continue to be applied in the future unless there occurs a drastic change of the environment.

The following analysis shows impacts before tax in the case of possible increase or decrease of the fair value of stocks on income and on the Groups' reserves while considering other variables remaining unchanged.

On 31 December 2011, a variation of 10,0% increase in value on one week and on the basis of trading close of the DJ Eurostoxx 50 index, generates an increase in the value of the share portfolio of € 18 697 thousand. This gain would have increased the revaluation reserve of € 18 476,0 thousand and the net income of € 221,0 thousand (net of deferred tax). At the same date a downward variation would

have generated a decrease in the value of the same portfolio of € 18 697,0 thousand. This loss would have decreased the revaluation reserve of € 18 476,0 thousand and the net income of € 221,0 thousand (net of deferred tax). The largest position of shares represents 0,40% of equity instruments.

2.4 Determining the fair value of financial instruments

Financial instruments measured at fair value consist of the following:

- On the assets side: financial instruments available for sale and held for trading;
- On the assets and liabilities sides: financial instruments related to unit linked investment contracts of Life insurance, liabilities being recorded either as technical provisions for insurance contracts or as financial liabilities for investment contracts (see note 4).

In order to minimize accounting mismatches, the Group decided to include certain technical provisions in this analysis of fair value.

The way the Group determines the fair value of these financial instruments is summarized by the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for

- the asset or liability, either directly (ie prices) or indirectly (ie derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The table below presents the financial instruments measured at fair value according to this hierarchy:

2011 € thousand	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Equity instruments			
- Available for sale	69 157,0	120 388,1	10 010,7
- Held for trading	36,5	2,9	2 185,3
Fixed income securities			
- Available for sale	1 122 635,6	-	5 251,0
- Held for trading	11 309,2	-	-
Assets related to unit-linked contracts			
Financial assets designated at fair value through profit and loss	254 242,6	2 092 579,1	445,0
FINANCIAL AND INSURANCE LIABILITIES			
Technical provisions			
- Provisions relating to unit-linked insurance contracts	70 974,4	447 376,3	-
Other financial liabilities			
- Liabilities for unit-linked investment contracts	183 268,2	1 641 074,6	445,0
2010			
€ thousand	Level 1	Level 2	Level 3
FINANCIAL ASSETS			
Equity instruments			
- Available for sale	150 194,3	79 738,5	13 303,0
- Held for trading	6 304,0	2 453,7	-
Fixed income securities			
- Available for sale	1 029 529,7	-	-
- Held for trading	18 505,3	-	-
Assets related to unit-linked contracts			
Financial assets designated at fair value through profit and loss	240 934,1	2 083 851,3	457,1
FINANCIAL AND INSURANCE LIABILITIES			
Technical provisions			
- Provisions relating to unit-linked insurance contracts	82 430,4	493 401,5	-
Other financial liabilities			
- Liabilities for unit-linked investment contracts	158 503,7	1 585 796,6	457,1

Securities available for sale and securities held for trading are composed primarily of bonds, fund units and shares (cf. note 14).

- Bonds are quoted in active markets (level 1), with the exception of some structured bonds (level 2).
- Fund units are generally quoted in active markets (level 1). For funds that are not quoted in an active market, fair value is determined by the net asset value (level 2).
- The shares are traded in active markets (European stock exchanges, in particular), with the exception of a few investments in Luxembourg companies: fair value is determined by the method of discounted cash flow and adjusted value of net assets, valuation of major investments is published by the Luxembourg Stock Exchange (level 3).

Financial assets held under unit-linked investment contracts are designated by the Group as assets at fair value through income. These are funds that can be quoted in an active market, quoted in an inactive market, quoted but closed or not yet listed. The valuation of the units is performed using different techniques. However, the holders of these contracts bear the financial risks of these instruments, the fair value hierarchy is similar to the assets and liabilities (technical provisions and financial liabilities).

Each of the funds is classified within one of 3 levels and is not broken down according to its underlying. They are classified as follows:

- The funds traded in active markets are classified as level 1, as well as liabilities relating thereto. These financial instruments correspond to collective contracts and individual multi support contracts.
- Other funds (not quoted or quotes in inactive markets) are classified as level 2, as well as liabilities relating thereto, when invested almost entirely in securities quoted in active markets and valued at their net asset value. They correspond to contracts invested in dedicated funds.
- Where appropriate, funds in liquidation (in the context of contacts multi support) and the funds invested significantly in unlisted securities (through dedicated funds) are classified as Level 3 and valued by others on the basis of their equity, as well as liabilities related.

2.4.1 Transferts between level 1 and 2 of financial instruments at fair value

During 2011, there was no change in determining the fair value of financial instruments which would correspond to a transfer between levels 1 and 2 of the fair value hierarchy.

2.4.2 Variations in the level 3 of financial instrument at fair value

Changes in fair value recorded on securities classified as level 3 of the hierarchy are presented in the table below. Following further review of valuation methods, a fixed income security and several fund shares have been transferred to level 3.

2011 € thousand	At 01.01	Transferts	Change through P&L	Change through equity	Acquisition	Disposal	At 31.12
Financial assets							
Securities available for sale	13 303,0	3 390,9	-	-1 432,2	-	-	15 261,7
Securities held for trading	-	2 165,4	-2,1	-	22,0	-	2 185,3
Financial assets designated at fair value through profit and loss	457,1	-	-	-	-	-12,1	445,0
Financial liabilities							
Liabilities for unit-linked investment contracts	457,1	-	-	-	-	-12,1	445,0

2010 € thousand	At 01.01	Transferts	Change through P&L	Change through equity	Acquisition	Disposal	At 31.12
Financial assets							
Securities available for sale	12 517,7	-	171,4	346,9	305,4	-38,4	13 303,0
Securities held for trading	1 072,9	-	14,2	-	-	-1 087,1	-
Financial assets designated at fair value through profit and loss	503,9	-	-46,8	-	-	-	457,1
Financial liabilities							
Liabilities for unit-linked investment contracts	503,9	-	-46,8	-	-	-	457,1

2.4.3 Sensitivity to changes in assumptions of financial instruments for level 3

The table below shows the sensitivity of the fair value of Group's financial instruments to changes in assumptions

€ thousand	Fair value at 31.12.11	Impact of alternative hypotheses
Securities available for sale	15 261,7	+/- 2 777,7
Titres détenus à des fins de transaction	2 185,3	+/- 327,8

The alternative hypotheses have been set according to the valuations provided by third parties or, in the absence of such information, based on standard discounts. Assets and liabilities of unit-linked contracts are not presented. Information is even less significant than the assessment and liquidity risk are supported by subscribers.

2.5 Guaranty instruments

At the end of 2011, the total amount of guaranties given by the Group amounted to € 1,6 thousand (2010: € 1,6 thousand). These guaranties were essentially given in relation with office lease contracts.

Note 8. Segment reporting

1. INFORMATION BY OPERATING SEGMENT

The Group is organised around three operational business activities as determined by management to evaluate performance, given the nature of products or services and regulatory constraints:

- 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 pen-

sion benefit contracts. Cover for all these risks are available in individual contracts and Group insurance. The life insurance also offers investment contracts.

- Asset management services for individuals and Group companies as well as trading for own account and brokerage business. The Company belongs to this sector (cf note 2 for affiliates).

Results per segment are the following:

Consolidated profit and loss at 31.12.2011 € thousand	Non-Life	Life	Asset management	Total
Net earned premiums, external customers	233 479,8	124 114,5	-	357 594,3
Net earned premiums, inter-segment	64,0	-64,0	-	-
Net operating income, external customers	48 325,4	12 210,5	22 733,7	83 269,6
Net operating income, inter-segment	-1 585,3	-2 755,8	4 341,1	-
Net insurance benefits and claims	-152 140,7	-97 816,6	-	-249 957,3
Expenses	-65 332,2	-24 690,0	-23 152,0	-113 174,2
Profit before taxes	62 811,0	10 998,6	3 922,8	77 732,4
<i>o/w recurring income</i>	<i>44 130,6</i>	<i>16 885,9</i>	<i>3 399,1</i>	<i>64 415,5</i>
<i>o/w non-recurring income</i>	<i>18 680,4</i>	<i>-5 887,3</i>	<i>523,7</i>	<i>13 316,9</i>
Taxes	-10 454,8	-2 795,6	-2 282,4	-15 532,8
Profit for the periode	52 356,2	8 203,0	1 640,4	62 199,6

Consolidated profit and loss at 31.12.2010 € thousand	Non-Life	Life	Asset management	Total
Net earned premiums, external customers	220 193,8	122 341,7	-	342 535,5
Net earned premiums, inter-segment	40,2	-40,2	-	-
Net operating income, external customers	46 950,0	109 723,6	22 847,6	179 521,2
Net operating income, inter-segment	-1 547,9	-2 412,3	3 960,2	-
Net insurance benefits and claims	-142 023,5	-186 440,8	-	-328 464,3
Expenses	-62 978,5	-23 642,2	-22 204,6	-108 825,3
Profit before taxes	60 634,1	19 529,8	4 603,2	84 767,1
<i>o/w recurring income</i>	<i>42 556,4</i>	<i>13 213,2</i>	<i>3 816,6</i>	<i>59 586,2</i>
<i>o/w non-recurring income</i>	<i>18 077,7</i>	<i>6 316,6</i>	<i>786,6</i>	<i>25 180,9</i>
Taxes	-17 574,3	-5 241,0	-34,4	-22 849,7
Profit for the periode	43 059,8	14 288,8	4 568,8	61 917,4

Non-recurring income comprises gains and losses realized and unrealized on financial instruments, which are recorded through the income statement under IFRS.

The recurrent income comprises other income and expenses which are recorded in the profit before taxes.

Revenues and interest charges are included in net operating income. They are presented according to IFRS 8, although they are not provided to management.

31.12.2011 € thousand	Non-Life	Life	Asset management	Total
Interest expense	-380,6	-2 757,8	-194,7	-3 333,2
Interest income	21 909,7	26 162,8	3 435,7	51 508,2

31.12.2010 € thousand	Non-Life	Life	Asset management	Total
Interest expense	-339,9	-226,1	-183,0	-749,0
Interest income	25 528,8	23 292,3	2 571,5	51 392,6

No impairment was recorded on tangible and intangible fixed assets. Amortisation and

acquisition of non-financial assets are as follows:

Amortisation and investment 2011 € thousand	Non-Life	Life	Asset management	Total
Net at 01.01.2011	45 114,4	1 575,4	64 832,5	111 522,3
Amortisation of intangible assets	-522,0	-585,8	-1 288,8	-2 396,6
Amortisation of tangible assets	-3 303,4	-55,4	-798,9	-4 157,7
Acquisition of tangible and intangible assets	2 023,8	472,6	1 235,9	3 732,3
Sale of tangible and intangible assets	-1,0	-	-134,2	-135,2
Net at 31.12.2011	43 311,8	1 406,8	63 846,5	108 565,1

Amortisation and investment 2010 € thousand	Non-Life	Life	Asset management	Total
Net, at 01.01.2010	47 198,9	7 058,2	62 331,3	116 588,4
Amortisation of intangible assets	-877,6	-519,7	-679,5	-2 076,8
Amortisation of tangible assets	-3 238,3	-267,1	-869,1	-4 374,4
Acquisition of tangible and intangible assets	2 054,0	828,1	2 781,5	5 663,6
Sale of tangible and intangible assets	-22,6	-5 524,1	-0,4	-5 547,1
Scope variation	-	-	1 268,7	1 268,7
Net at 31.12.2010	45 114,4	1 575,4	64 832,5	111 522,3

The balance sheet indicators are as follows:

Assets and liabilities 2011 € thousand	Non-Life	Life	Asset management	Total
Total assets	858 480,4	3 183 725,6	182 874,6	4 225 080,7
o/w				
Equity instruments	97 000,2	88 587,0	16 193,3	201 780,5
Fixed income securities	494 406,6	583 377,3	80 395,9	1 158 179,8
Share of reinsurers	76 659,0	3 112,5	-	79 771,5
Cash and cash equivalents	94 245,0	132 269,2	17 677,9	244 192,1
Other technical provisions	460 236,2	677 092,9	-	1 137 329,1
Loans and deposits remitted by reinsurers	15 458,8	1 992,3	-	17 451,1

Assets and liabilities 2010 € thousand	Non-Life	Life	Asset management	Total
Total assets	898 248,8	3 097 100,7	203 347,6	4 198 697,1
o/w				
Equity instruments	117 454,1	106 316,4	28 223,0	251 993,5
Fixed income securities	450 101,6	527 283,2	91 364,9	1 068 749,7
Share of reinsurers	84 384,9	3 099,5	-	87 484,4
Cash and cash equivalents	152 021,0	108 813,6	12 699,1	273 533,7
Other technical provisions	446 589,2	594 784,9	-	1 041 374,1
Loans and deposits remitted by reinsurers	28 501,0	1 989,2	-	30 490,2

The Group does not bear significant risk on the assets covering investment contracts in units of account. These assets are specific to the Life Insurance sector. They are balanced on the

one hand with the technical provisions relating to these contracts and on the other hand with liabilities of investment contracts (cf. notes 17 and 18).

2. INFORMATION BY GEOGRAPHICAL SECTOR

The three operational segments operate in different geographical areas (cf. Note 4.12).

The table below shows the geographical distribution of gross earned premiums.

€ thousand	2011	2010
Luxembourg	401 651,2	367 032,4
Rest of Europe	9 209,0	21 862,6
Total	410 860,2	388 895,0

The following table shows the geographical distribution of tangible fixed assets.

€ thousand	2011	2010
Luxembourg	41 998,3	44 710,2
Rest of Europe	8 597,0	9 162,6
Total	50 595,3	53 872,8

Note 9. Capital and share premium

The subscribed capital amounts to € 44 994 210,0 represented by 8 998 842 fully paid ordinary shares without par value. There are no other classes of shares or options or preferential rights entitling to preferential issue of shares of another class that could have a dilutive effect on the number of issued shares

The issued shares have all the same rights as regarding their right to vote at ordinary and extraordinary general meetings and entitle to the dividend approved by shareholders at Annual General Meeting. The authorised capital amounts to € 74 350 000,0.

At the beginning of 2011, Foyer SA held 65 390 issued shares. During the year, Foyer S.A. repurchased 68 148 outstanding shares for a total price of € 3 014,6 thousand. At 31 December 2011, there were 8 865 304 outstanding shares (2010 : 8 933 452 outstanding shares).

The share premiums are constituted as follows:

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 2012 with reference to the financial year 2011 of € 1,588235 gross per share will be proposed to the Annual General Meeting of the shareholders, against € 1,482353 per share a year earlier. The 2011 financial year accounts do not include the dividend to be proposed at the annual general meeting of shareholders of 17 april 2012.

Basic earnings per share is calculated by dividing the net result for the year attributable to the ordinary shareholders of the parent company, by the weighted average number of common shares outstanding during the year. For the calculation of diluted earnings per share, the number of shares is increased, including options that were granted under the compensation plan based on shares for executives and management. On 8 April 2011, 35 578 options were allocated on the same number of shares.

	2011	2010
Net result attributable to the ordinary shareholders (€ thousand)	61 993,4	61 497,2
Weighted average number of ordinary shares	8 883 636,4	8 942 731,3
Weighted average number of dilutive potential ordinary shares	110 308,7	73 814,7
Basic earnings per share (€)	6,98	6,88
Diluted earnings per share (€)	6,89	6,82

Note 10. Reserves and retained earnings

The table below shows a breakdown of reserves attributable to the shareholders of the Group:

€ thousand	2011	2010
Legal reserve	4 499,4	4 499,4
Special reserve (wealth tax)	20 006,1	18 160,5
Revaluation reserve of securities - gross amount	-16 564,2	17 502,8
Revaluation reserve of securities - differed taxes	4 997,1	-4 792,8
Reserve for actuarial differences - net amount	-2 204,1	87,1
Other reserves and retained earnings	430 931,4	384 813,9
Reserves and retained earnings	441 665,7	420 270,9

Legal reserve

This is the statutory reserve of the parent company Foyer S.A. to which at least 5,0% of the year's net profit have to be allocated in accordance with LuxGAAP, until the reserve has reached the equivalent of 10,0% of subscribed capital. This reserve is not available.

Special reserve

In agreement with the tax laws, the Group companies have reduced the wealth tax liability.

Thus, the Group companies have decided to allocate to unavailable reserves an amount corresponding to five times the reduced wealth tax liability. This reserve may not be disposed off for five years starting the year following the one in which the wealth tax liability was reduced.

Revaluation reserve of securities

This reserve records the change in fair value of available-for-sale financial assets in accordance with IAS 39.

€ thousand	2011	2010
Reserve at 01.01. - net of deferred tax	12 710,0	21 380,1
Realised gains and losses	-8 794,3	-12 745,4
Impairment recognized through profit and loss	651,6	52,9
Allocation (changes in fair value)	-16 134,4	4 022,4
Reserve at 31.12. - net of deferred tax	-11 567,1	12 710,0

Reserve for actuarial differences

The reserve for actuarial differences includes all gains or losses related to provisions for pensions and similar obligations. Actuarial gains and losses are primarily related to the changes in the discount rate

Other reserves and retained earnings

"Other reserves" include the Group's share in reserves and retained earnings of entities which are part of the Group. These reserves include an amount unavailable for own shares of € 5 709,4 thousand (2010: € 2 694,8 thousand).

Note 11. Intangible fixed assets

Movements in intangible assets were as follows:

2011 € thousand	Purchased software	Internally generated software	Acquired customer list	Goodwill	Total
Gross amount at 01.01.	17 935,3	3 197,8	-	51 328,4	72 461,5
Additions	2 185,0	-	531,9	-	2 716,9
Gross amount at 31.12.	20 120,3	3 197,8	531,9	51 328,4	75 178,4
Accumulated amortisation on 01.01.	-11 836,6	-2 975,3	-	-	-14 811,9
Amortisation of the year	-2 156,3	-222,5	-17,8	-	-2 396,6
Accumulated amortisation at 31.12.	-13 992,9	-3 197,8	-17,8	-	-17 208,5
Carrying value at 31.12.	6 127,4	-	514,1	51 328,4	57 969,9

The customer lists are acquired by the Group from some agents who retire. The portfolios are managed directly by the Group until they are sold to a beginner agent.

The main software assets are recognized at net carrying value as follows:

€ thousand	2011	2010
Non-life insurance software	-	222,5
Life group insurance software	604,9	889,9
Asset management software	3 952,0	4 139,6

2010 € thousand	Purchased software	Internally generated software	Goodwill	Total
Gross amount at 01.01.	15 059,1	3 197,8	50 059,6	68 316,5
Additions	2 987,5	-	-	2 987,5
Change in the acquisition price	-	-	1 268,8	1 268,8
Disposals	-111,3	-	-	-111,3
Gross amount at 31.12.	17 935,3	3 197,8	51 328,4	72 461,5
Accumulated amortisation at 01.01.	-10 497,4	-2 335,7	-	-12 833,1
Amortisation of the year	-1 437,3	-639,6	-	-2 076,9
Disposals	98,1	-	-	98,1
Accumulated amortisation at 31.12.	-11 836,6	-2 975,3	-	-14 811,9
Carrying value at 31.12.	6 098,7	222,5	51 328,4	57 649,6

The goodwill recognized on the acquisition of CapitalatWork S.A. is composed primarily of benefit to obtain a critical size, synergistic effects and know-how. The Goodwill is assigned to a cash-generating unit which is included in the operating segment Asset management.

The recoverable amount of unit is based on fair value less costs to sell. This fair value is based on management assumptions, namely unit's net

assets increased by a valorisation factor of assets under management (AUM), distinguishing private of institutional clients. This valuation doesn't use projected cash flows. A reasonably possible change in a key assumption would not change the impairment test.

The goodwill recognized on the acquisition of 40% of Foyer ARAG S.A. is not impaired.

Cash-generating unit	Operational segment	Acquisition date	Goodwill
Foyer ARAG	Non-life	2006	251,2
Core business CapitalatWork	Asset Management	2009	51 077,2
Total			51 328,4

Note 12. Investment properties

Changes recognised in the item "Investment properties" were as follows:

€ thousand	Land and Buildings 2011	Land and Buildings 2010
Gross amount at 01.01.	6 146,6	14 815,4
Additions	-	671,8
Transfers	-	-171,3
Disposals	-166,5	-9 169,3
Gross amount at 31.12.	5 980,1	6 146,6
Accumulated amortisation at 01.01.	-1 628,1	-4 913,6
Amortisation	-228,3	-517,1
Transfers	-	143,9
Disposals	35,0	3 658,7
Accumulated amortisation at 31.12.	-1 821,4	-1 628,1
Carrying value at 31.12.	4 158,7	4 518,5

The main investment property acquired with the group CapitalatWork was recognised at fair value, i.e. € 4 837,0 thousand, in order to affect the purchased price to assets and liabilities of the acquired entity. The fair value was determined in 2008 by professionally qualified valuers.

Rental income of investment property amounted in 2011 to € 610,1 thousand (2010: € 1 440,8 thousand). Expenses arising from this investment properties amounted in 2011 to € 507,9 thousand (2010: € 387,4 thousand).

At the end of the amortisation period, the residual value of these buildings, land value off, is assumed to be zero.

Rental income, expenses including amortisation of the year is recognized in the income statement in the line "Other Investment income".

Note 13. Business premises, plant and equipment

Changes recognised in the item "Business premises, plant and equipment", were as follows:

2011 € thousand	Land and Buildings	Materials, furniture and equipment	Total
Gross amount at 01.01.	54 816,8	19 148,8	73 965,6
Additions	65,0	950,4	1 015,4
Transferts	1 091,6	-1 091,6	-
Disposals	-	-982,5	-982,5
Gross amount at 31.12.	55 973,4	18 025,1	73 998,5
Accumulated amortisation at 01.01.	-10 483,6	-14 127,7	-24 611,3
Amortisation	-2 449,4	-1 480,0	-3 929,4
Transferts	-396,1	396,1	-
Disposals	-	978,8	978,8
Accumulated amortisation at 31.12.	-13 329,1	-14 232,8	-27 561,9
Carrying value at 31.12.	42 644,3	3 792,3	46 436,6

Business premises acquired with the group CapitalatWork were recognised at fair value in order to affect the purchased price to assets and liabilities of the acquired entity. The fair value was determined in 2008 by professionally qualified valuers.

The fair value of "Business premises" as shown in column "Land and buildings" amounts to € 48 431,2 thousand (2010: € 48 431,2 thousand).

On 21st May 2007, in accordance with legal regulations, the building in Leudelange, which is the main component of 'Land and buildings', was pledged to the Luxembourg State as guaranty for the technical commitments of Foyer Assurances S.A.

Amortisation of the year is recognised in the income statement and broken down by function with all overheads, included under heading "Administration expense".

2010 € thousand	Land and Buildings	Materials, furniture and equipment	Total
Gross amount at 01.01.	53 996,8	18 195,2	72 192,0
Additions	820,0	1 184,2	2 004,2
Transfers	-	171,3	171,3
Disposals	-	-401,9	-401,9
Gross amount at 31.12.	54 816,8	19 148,8	73 965,6
Accumulated amortisation at 01.01.	-8 200,4	-12 788,4	-20 988,8
Amortisation	-2 283,2	-1 574,2	-3 857,4
Transfers	-	-143,9	-143,9
Disposals	-	378,8	378,8
Accumulated amortisation at 31.12.	-10 483,6	-14 127,7	-24 611,3
Carrying value at 31.12.	44 333,2	5 021,1	49 354,3

Note 14. Equity instruments and fixed income securities

These financial assets are summarized 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 18.

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

2011 € thousand	Carrying value	Fair value	of which impaired assets	Cumulated impairment
Equity instruments				
Available for sale	199 555,8	199 555,8	19 212,5	9 409,6
Held for trading	2 224,7	2 224,7	-	-
Total	201 780,5	201 780,5	19 212,5	9 409,6
Fixed income securities				
Available for sale	1 127 886,6	1 127 886,6	2 269,0	380,9
Held for trading	11 309,2	11 309,2	-	-
Held to maturity	18 984,0	23 990,3	-	-
Total	1 158 179,8	1 163 186,1	2 269,0	380,9

2010 € thousand	Carrying value	Fair value	of which impaired assets	Cumulated impairment
Equity instruments				
Available for sale	243 235,8	243 235,8	27 546,2	10 949,1
Held for trading	8 757,7	8 757,7	-	-
Total	251 993,5	251 993,5	27 546,2	10 949,1
Fixed income securities				
Available for sale	1 029 529,7	1 029 529,7	4 968,1	681,5
Held for trading	18 505,3	18 505,3	-	-
Held to maturity	20 714,7	28 622,0	-	-
Total	1 068 749,7	1 076 657,0	4 968,1	681,5

Note 15. Insurance receivables, other receivables, accruals

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

€ thousand	2011	2010
Insurance receivables	37 974,3	34 752,6
Subrogation and recoveries	4 032,9	3 980,3
Loans	5 365,7	6 051,2
Accrued assets	31 075,4	26 886,3
Other receivables	6 583,6	8 252,6
Total	85 031,9	79 923,0

Insurance receivables

Insurance receivables consist of the following:

€ thousand	2011	2010
Receivables from policyholders	28 027,9	21 876,6
Impairment of receivables	-427,4	-427,4
Receivables from intermediaries	4 116,0	8 567,8
Receivables from reinsurers	6 257,8	4 735,6
Insurance receivables	37 974,3	34 752,6

The Group has recognised impairment of receivables from policyholders. This amount was estimated on the basis of historical data relating to 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.

The variation is recognised in "other operating expenses".

Loans

The following table shows loans granted by the Group to third parties, intermediaries or related

parties. The latter loans are also described in note 34 "Information on related party transactions".

31.12.2011	Amortised cost (€ thousand)	Average life in (years)	Average rate
Advances on policies	1 116,3	11,9	5,4%
Loans to agents	3 606,7	6,8	2,3%
Loans to related parties and others	642,7	8,5	0,0%
Total	5 365,7	-	-

The credit risk on these loans is negligible since they are all secured adequately, either by saving underlying Mixed Life 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 assets

€ thousand	2011	2010
Interest and rent accrued but not collected	28 360,8	24 592,5
Deferred acquisition expenses	2 707,6	2 247,3
Other accruals	7,0	46,5
Total	31 075,4	26 886,3

Other receivables

€ thousand	2011	2010
Sundry receivables	6 342,1	8 017,5
Receivables from related parties	241,5	235,1
Total	6 583,6	8 252,6

Due from related parties represent the current account balances with joint ventures consolidated by proportional integration and with Foyer Finance S.A.

Analysis by maturity

The share of current and non-current financial assets can be estimated as follows:

€ thousand	2011		2010	
	Current	Non-current	Current	Non-current
Insurance receivables	37 974,3	-	34 752,6	-
Subrogation and recoveries	4 032,9	-	3 980,3	-
Loans	-	5 365,7	-	6 051,2
Accrued assets	28 367,8	2 707,6	24 639,0	2 247,3
Other receivables	6 583,6	-	8 252,6	-
Total	76 958,6	8 073,3	71 624,5	8 298,5

The share of current assets is determined by contractual maturity in all cases is less than 1 year. When the maturity of the receivable is not fixed and depends on factors beyond the control of the Group, the Group considers these claims as non-current. The share of these non-current assets is due within a period of 1 to 5 years after the balance sheet date.

After initial recognition, loans and receivables mentioned above are valued at amortised cost using the effective interest rate method. The fair value of these assets is the amount of expected future cash flows receivable. These flows are discounted at market rates and give the fair value of these financial assets. The fair value of these assets has not been confirmed because the effect of discounting on the original amounts is negligible.

Note 16. Cash and cash equivalent

This item is composed as follows:

€ thousand	2011	2010
Time deposits	181 972,6	211 880,5
Cash in hand, current and short term call accounts	62 219,5	61 653,2
Total assets	244 192,1	273 533,7
Debts to credit institutions (Note 22)	-26 613,2	-72 494,3
Total cash	217 578,9	201 039,4

The term deposits have maturities varying from 3 and 23 days and the interest rates of deposits depend on the financial market in the short term. At 31 December 2011, the average interest rates were 0,68%. The fair value of these assets has not been recognised because the effect of discounting on the original amount is negligible.

Debts to credit institutions consist primarily of borrowing in currencies other than Euro, in order to hedge our exchange risk on securities, and casual bank overdrafts. These credit facilities on current account are non-contractual and unconfirmed, granted by these financial institutions with which the Group usually deals.

Note 17. Technical provisions and reinsurers' share in liabilities related to insurance contracts

1. TECHNICAL PROVISIONS NET OF REINSURANCE

€ thousand	2011	2010
Gross amounts		
- Claim provision	371 058,5	365 347,8
- Provision for unearned premiums	106 571,2	100 321,4
- Provision for Life insurance	1 173 901,8	1 148 231,7
- <i>o/w investment contracts with DPF</i>	<i>235 760,1</i>	<i>170 600,4</i>
- Provision for aging	4 148,3	3 305,1
Total gross technical provisions	1 655 679,8	1 617 206,0
Reinsurers' share		
- Claim provision	66 608,1	75 642,5
- Provision for unearned premiums	11 454,5	10 515,9
- Provision for Life insurance	1 708,9	1 326,0
Total technical provisions - reinsurers' share	79 771,5	87 484,4
Net amounts		
- Claim provision	304 450,4	289 705,3
- Provision for unearned premiums	95 116,7	89 805,5
- Provision for Life insurance	1 172 192,9	1 146 905,7
- Provision for aging	4 148,3	3 305,1
Total net technical provisions	1 575 908,3	1 529 721,6

The provision for Non-Life claims includes an estimate for late reported claims of € 20 047,6 thousand (2010: € 21 216,8 thousand). The amount of this provision is determined based on historical data as frequency and average cost. The claims provision also contains a provision for administration expense of € 18 525,0 thousand (2010: € 18 055,0 thousand) aimed at providing the Group with the necessary funding to meet run-off costs of outstanding claims should the Group cease to underwrite insurance contracts.

In the life sector, the provision of life insurance includes additional provisions designed to cope with interest rate risks

Note that investment contracts with DPF written by Foyer Vie S.A. are not significant in number or volume. They are managed as provided by the Luxembourg legislation on life insurance.

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

2.1 Variation of provision for claims (excluding subrogation and salvage)

€ thousand	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	365 347,8	75 642,5	289 705,3	360 778,3	89 942,4	270 835,9
Current year variation	5 710,7	-9 034,4	14 745,1	4 569,5	-14 299,9	18 869,4
Provision 31.12.	371 058,5	66 608,1	304 450,4	365 347,8	75 642,5	289 705,3

2.2 Variation of provision for unearned premiums

€ thousand	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	100 321,4	10 515,9	89 805,5	94 314,0	10 076,8	84 237,2
Current year variation	6 249,8	938,6	5 311,2	6 007,4	439,1	5 568,3
Provision 31.12.	106 571,2	11 454,5	95 116,7	100 321,4	10 515,9	89 805,5

2.3 Variation of Life insurance provision

2.3.1 Variation of Life insurance provision

€ thousand	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	545 782,8	1 326,0	544 456,8	476 687,6	1 103,2	475 584,4
Current year variation	82 713,9	382,9	82 331,0	69 095,2	222,8	68 872,4
Provision 31.12.	628 496,7	1 708,9	626 787,8	545 782,8	1 326,0	544 456,8

2.3.2 Variation of the provision related to unit linked contracts

€ thousand	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	575 831,9	-	575 831,9	541 161,9	-	541 161,9
Current year variation	-57 481,2	-	-57 481,2	34 670,0	-	34 670,0
Provision 31.12.	518 350,7	-	518 350,7	575 831,9	-	575 831,9

2.3.3 Variation of the provision for DPF

€ thousand	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	26 617,0	-	26 617,0	14 871,2	-	14 871,2
Current year variation	437,5	-	437,5	11 745,8	-	11 745,8
Provision 31.12.	27 054,5	-	27 054,5	26 617,0	-	26 617,0

2.4 Variation of the provision for aging

€ thousand	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision 01.01.	3 305,1	-	3 305,1	2 914,5	-	2 914,5
Current year variation	843,2	-	843,2	390,6	-	390,6
Provision 31.12.	4 148,3	-	4 148,3	3 305,1	-	3 305,1

3. LOANS AND DEPOSIT RECEIVED FROM REINSURERS

Under the signed contracts of reinsurance, the reinsurers are required to cover their reinsurance commitments fully or partially according to the wishes of the ceding company by cash deposits. The remuneration of these deposits varies according to the treaties between 75,0% and 90,0% rate Euribor 6 months or yield of linear bonds issued by the Belgian state. These rates are fixed on 1st January of the year following that for which the cash deposits are counted. 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	2011	2010
Non-life contracts	15 458,8	28 501,0
Life contracts	1 992,3	1 989,2
Total	17 451,1	30 490,2

The fair value of these assets has not been recognised because the effect of the discount rate on the actual amount is negligible.

Note 18. Investment contract liabilities and financial assets at fair value through income

Financial liabilities whose cash flows are contractually linked to the performance of assets at fair value through income (unit-linked

investment contracts) are detailed in the table below according to the origin of the contract holders.

1. LIABILITIES FOR UNITED LINKS INVESTMENT CONTRACT

€ thousand	2011	2010
Luxembourg	25 535,9	26 812,1
EU	1 682 091,5	1 606 796,0
Outside EU	117 160,4	111 149,2
Total	1 824 787,8	1 744 757,3

All these amounts are financial liabilities designated by the Group as financial liabilities at fair value through income (Note 4 § 5.4.2). The value at maturity of these financial liabilities is the fair value of the underlying investment units of these contracts at maturity. There will be no

difference between the carrying amount and the amount that the Group will be contractually obligated to pay at maturity. The credit and market risk of liabilities inherent to these investment contracts is supported by the subscribers of these unit-linked contracts.

3. LIABILITIES FOR OTHER INVESTMENT CONTRACTS

Liabilities for investment contracts include an amount of € 706,1 thousand corresponding to the

claim provision former unit-linked contracts.

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

€ thousand	2011	2010
Value of the investment units at fair value through income	2 347 266,7	2 325 242,5

Note 19. Pension benefit obligations

1. EMPLOYEES' POST EMPLOYMENT BENEFITS

The Group provides the active staff and the retired employees with post employment benefits. Calculations required under IAS 19 for these obligations were made at 31 December 2011. These obligations for employee benefits are not funded outside the Group, they reflect the net liability.

1.1 Description of plans

1.1.1 External scheme

Employees benefit from a provident and pension plan financed through Foyer Vie S.A. This is an external plan with defined contributions; the Group entities pay an annual premium to Foyer Vie S.A.

The contributions are invested in investment funds with no guaranteed rate of return. However, employees have the opportunity to choose a form of a classic savings insurance scheme with a guaranteed interest rate of 2,5% and DPF. As through its subsidiary, the Group keeps commitments internally, the retirement plan is considered as a defined benefit scheme.

1.1.2 Internal scheme

The plan is an internal scheme which is closed. It only concerns pensioners whose benefits comprise retirement, invalidity, survivor and orphan annuities paid in respect of previous commitments. These annuities are indexed.

1.2 Assumptions

The discount rate is based on bond market data.

	31.12.2011	31.12.2010
Discount rate	2,2%	3,1%
Inflation rate	2,0%	1,5%
Rate of salary increases	0,5%	0,5%
Mortality tables for active employees	GBM 90-95	GBM 90-95
Rate of increase of current pensions	2,0%	1,5%
Mortality tables for pensioners	ERF (1990) Switzerland	ERF (1990) Switzerland

The following factors have to be included:

- Personnel turnover rate;
- The investments selected by the staff are considered to be constant in the projection;
- Taxes under Article 142 LIR (20%) as well as the "taxe rémunératoire" of 0,9% are born by the employer. This tax has been included in the calculations.

1.3 Method of recognition

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

1.4 Data

a) External pension scheme

	2011	2010
Number of active employees	505	492
Average age	41 years	41 years
Annual payroll for pension calculations	€ 34 406,8 thousand	€ 32 127,8 thousand

b) Internal pension scheme

	2011	2010
Number of beneficiaries	58	61
Average age	73 years	71 years
Annual benefits	€ 869,8 thousand	€ 855,8 thousand

1.5 Calculation of commitments

a) Year 2011

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

€ thousand	Total	Employed	Retired
Present value of funded commitments at 01.01.	23 334,8	10 413,1	12 921,7
Cost of services rendered during the period	1 347,8	1 347,8	-
Financial cost	691,2	316,3	374,9
Actuarial (Gain) Loss	3 252,3	927,9	2 324,4
Benefits paid	-1 592,5	-723,2	-869,3
Present value of commitments at 31.12.	27 033,6	12 281,9	14 751,7

Amounts recognized in the balance sheet

€ thousand	Total	Employed	Retired
Liabilities	27 033,6	12 281,9	14 751,7
Asset	-	-	-
Net liabilities (assets)	27 033,6	12 281,9	14 751,7

Liabilities include an amount of € 4 128,2 thousand invested in unit linked contracts; the corresponding accounting is included as assets in financial assets designated as assets at fair value through income.

The increase of 50 basis point of discount rate would reduce the present value of commitments for an amount of € 1 414,3 thousand. The decrease of 50 basis point would increase them for an amount of € 1 555,4 thousand.

Amounts recognized in equity

€ thousand	Total	Employed	Retired
Actuarial gain (loss) at 01.01.2011	124,0	125,1	-1,1
Actuarial (loss) or gain recognized during the period	-3 252,3	-927,9	-2 324,4
Accumulated gain (loss) at 31.12.2011	-3 128,3	-802,8	-2 325,5

The statement of comprehensive income includes the actuarial gains recorded in equity during the period net of deferred tax.

Amounts recognized in profit and loss

€ thousand	Total	Employed	Retired
Cost of services rendered during the period	1 347,8	1 347,8	-
Financial cost	691,2	316,3	374,9
Total cost	2 039,0	1 664,1	374,9

Contribution to the plan for year 2012 is estimated to be € 2 107,7 thousand.

Evolution

Present value of commitments (€ thousand)	Commitments	Asset	Deficit
2011	27 033,6	-	27 033,6
2010	23 334,8	-	23 334,8
2009	21 701,8	-	21 701,8
2008	19 870,9	-	19 870,9
2007	20 100,4	-	20 100,4

Impact of changes in assumptions on the present value of commitments in %

2011	12%
2010	8%
2009	7%
2008	-4%
2007	-6%

b) Year 2010**Variation of the present value of commitments in connection with defined benefits**

€ thousand	Total	Employed	Retired
Present value of funded commitments on 01.01.2010	21 701,8	9 230,1	12 471,7
Current service cost	1 258,1	1 258,1	-
Financial cost	712,8	303,1	409,7
Actuarial (Gain) Loss	1 888,5	988,7	899,8
Benefits paid	-2 226,4	-1 366,9	-859,5
Present value of funded obligations on 31.12.2010	23 334,8	10 413,1	12 921,7

Amounts recognized in the balance sheet

€ thousand	Total	Employed	Retired
Liabilities	23 334,8	10 413,1	12 921,7
Asset	-	-	-
Net liabilities (assets)	23 334,8	10 413,1	12 921,7

Amounts recognized in equity

€ thousand	Total	Employed	Retired
Actuarial gains (loss) at 01.01.2010	2 012,5	1 113,8	898,7
Actuarial gains (loss) recognized during the period	-1 888,5	-988,7	-899,8
Accumulated gain (loss) at 31.12.2010	124,0	125,1	-1,1

The statement of profit and loss includes actuarial gains recognized during the period net of deferred tax.

Amounts recognized in profit and loss

€ thousand	Total	Employed	Retired
Current service cost rendered during the period	1 258,1	1 258,1	-
Financial cost	712,8	303,1	409,7
Total cost	1 970,9	1 561,2	409,7

2. AGENTS' PENSION BENEFIT COMMITMENT

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

The annual allocations are based on an actuarial calculation taking into account:

- a fixed charge of 1,5% of total commission granted to the agent during the calendar year or portion thereof taken into account,
- a technical interest rate of 5%;
- a mortality table.

The annual fixed charge is limited to a maximum amount per agent of € 6,5 thousand to 668,46 index at the sliding scale for applicable in the Grand-Duchy of Luxembourg.

At 31 December, the amounts provisioned were as follows:

€ thousand	2011	2010
Provision at 31.12.	5 358,1	3 891,4

Note 20. Provision for other liabilities and charges

1. OTHER LONG TERM EMPLOYEE BENEFITS

1.1. Jubilee awards

In Luxembourg, gifts are offered to employees under the following conditions:

- a) Up to € 2,3 thousand for a continued occupation of 25 years working for the employer;
 - b) Up to € 3,4 thousand for a continued occupation of 40 years working for the employer.
- The social security contributions for a gift exempt from tax are not tax deductible.

The present value of the obligation of such promises is calculated using the actuarial method of credit units taking into account the mortality table and employee turnover. The assumptions are based on assumptions used in pension obligations.

Changes in this provision are as follow:

€ thousand	2011	2010
Provisions at 01.01	380,4	361,4
Movements of the year	68,8	19,0
Provisions at 31.12.	449,2	380,4

1.2. Options to purchase fund shares

In 2008, a subsidiary of the group CapitalatWork had assigned his staff options to purchase fund shares, exercisable in 2018. These options are covered by similar options recognized in the item "Equity instruments held for trading". The fair value of these commitments is the market value of those options.

Changes in fair value are as follows:

€ thousand	2011	2010
Provision at 01.01	116,4	58,6
Change in the fair value	-98,1	57,8
Provision at 31.12.	18,3	116,4

1.3. Incentive plan

In 2011, a provision of € 697,9 thousand (2010 : 547,6 thousand) was recorded under the incentive plan awarded to certain employees of the group CapitalatWork in 2010. This commitment is assessed according to the characteristics of this plan and has been evaluated on the basis of its intrinsic value.

2. SHORT TERM EMPLOYEE BENEFITS

The amount of the provision for paid leave is estimated by multiplying the number of days of leave not taken at 31 December of each year by the average hourly cost and the impact of social security costs. The evolution of this provision is as follows:

€ thousand	2011	2010
Provisions at 01.01	1 516,6	1 344,3
Movements of the year	141,7	179,6
Scope variation	-	-7,3
Provisions at 31.12.	1 658,3	1 516,6

3. OTHER LIABILITIES AND CHARGES

Provisions for other liabilities and charges mainly consist of provisions for litigation.

The movements are as follows:

€ thousand	2011	2010
Provisions at 01.01	612,8	1 208,8
Release	-500,8	-596,0
Provisions at 31.12.	112,0	612,8

Note 21. Payable and deferred taxes

1. TAX CHARGE DUE

The Group recorded income and wealth tax expense of all the Group companies as follows:

€ thousand	2011	2010
Income tax	-1 041,7	-10 352,2
Local tax	-342,1	-3 568,1
Wealth tax	-1 632,5	24,5
Other taxes (out of Luxembourg)	-1,0	-114,9
Total allocation to taxes provision trough income	-3 017,3	-14 010,7

2. RECONCILIATION OF TAX EXPENSE AND RESULT

€ thousand	2011	2010
Profit before tax	77 732,4	84 767,1
Current tax expense	3 017,3	14 010,7
Deffered tax expense	12 515,5	8 839,0
Total tax expense	15 532,8	22 849,7
Theoretical tax expense	22 969,9	25 048,7
Impact of loss carry	75,0	-15,3
Impact of tax credits	468,5	-281,7
Impact of standard deduction	-3,9	-5,3
Impact of rate (deferred tax)	-	-180,9
Wealth tax	1 668,6	-
Difference of rate	242,2	148,9
Final taxation of previous years	3,0	571,8
Non taxable income	-10 021,6	-2 539,0
Tax losses not recoverable	-	-
Other impacts	131,1	102,5
Total tax expense	15 532,8	22 849,7

The charge of income and local taxes has been calculated at an aggregate rate of 29,55% (2010: 29,55%) on the profit before tax, including minority

interests. Wealth tax is calculated at the rate of 0,5% on the unit value of each entity

3. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes arise when a temporary difference appears between the tax base of an asset or liability and their carrying value in the consolidated

balance sheet. The following table shows a breakdown of these taxes.

€ thousand	IAS 19 (A)	IAS 19 (B)	IAS 12
at 01.01.2010	502,4	1 752,9	-
Scope variation	-2,4	-	-
Variation through profit and loss	62,8	-104,0	231,6
Variation through valuation reserve	-	553,8	-
at 31.12.2010	562,8	2 202,7	231,6
Scope variation	-	-	-
Variation through profit and loss	65,2	145,0	-
Variation through valuation reserve	-	961,0	-
at 31.12.2011	628,0	3 308,7	231,6

IAS 19(A): The amount of deferred taxes stems from the recognition of a provision for holiday pay and an allowance for gifts related to seniority.

IAS 19(B): Movement in provisions for pension benefits calculated in the consolidated accounts by applying methods prescribed by this standard but not under LuxGAAP explains the variation in of the amount of deferred tax assets.

IAS 12: Variation in the amount of deferred tax relating to IAS 12 is due to the incorporation of existing loss carryforwards in various Group entities. These loss carryforwards are caused by accounting losses under Luxgaap which were not absorbed by the tax integration.

IAS 39: The movement in deferred tax liabilities under IAS 39 represents the portion of deferred taxes generated by the variation in the fair value of financial assets.

IAS 39	IAS 37	IAS 1 / IAS 12	IAS 16 / IFRS 3	Total
-9 143,4	-28 192,6	-16 337,2	-1 547,8	-52 965,7
-	-	-	-	-2,4
4 081,0	-4 035,7	-1 093,1	-13,1	-870,5
-4 497,2	-	-	-	-3 943,4
-9 559,6	-32 228,3	-17 430,3	-1 560,9	-57 782,0
-	31 892,3	-	-	31 892,3
-8 943,3	-4 461,1	444,4	150,5	-12 599,3
9 705,6	-	-	-	10 666,6
-8 797,3	-4 797,1	-16 985,9	-1 410,4	-27 822,4

IAS 37: The recognition of this deferred tax is the result of the cancellation of the change in provision for claims fluctuation recognized as a liability under LuxGAAP and other tax deductible provisions but not permitted under IFRS.

IAS 16 / IFRS 3: Recognition of this deferred tax arises from the revaluation of property (IAS16) as part of allocating the cost of business combination (IFRS 3 as adopted in the EU on 3 November 2008).

IAS 1 / IAS 12: The recognition of this deferred tax at 31 December is the result of cancellation of the variation in the "special items with a share in reserves" recorded under LuxGAAP.

Note 22. Insurance debts and other liabilities

€ thousand	2011	2010
Debts arising from direct insurance operations	22 602,7	18 922,6
Debts arising from reinsurance operations	8 743,3	8 059,2
Debts to credit institutions (cfr. note 16)	26 613,2	72 494,3
Other financial liabilities	3 379,9	
Income tax payable	36 378,1	40 177,8
Other taxes and social security liabilities	7 105,5	6 755,4
Debts to related parties	175,4	167,1
Liabilities arising from acquisitions of subsidiaries	-	13 628,6
Other liabilities	11 510,3	15 592,5
Total	116 508,4	175 797,5

Most of the debts from direct insurance operations 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 operations represent the balances of accounts of reinsurance treaties with reinsurers at the end of the period under review.

Debts to credit institutions consist primarily of borrowing in currencies other than Euro, in order to hedge our exchange risk on securities, and casual bank overdrafts. These credit facilities on current account are non-contractual and unconfirmed, granted by these financial institutions with which the Group usually deals.

Income tax payable represent amounts due to the fiscal administration under tax accounts and provisions for income and wealth taxes calculated annually in accordance with the legal tax provisions of the country of residence entities.

Other tax debts and debts towards Social Security are amounts due to the fiscal and social benefits

administrations under taxes on insurance, taxes, withholding taxes on wages and social contributions.

Debts to related parties represent the current account balance with proportionally-consolidated joint ventures and with Foyer Finance S.A.

The other liabilities are due to securities acquisitions at the end of the year for which the payment was made early in the next year.

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

Note 23. Earned premiums, net of reinsurance

€ thousand	2011	2010
Gross written premiums Non-life		
Fire and other damage to property	73 619,3	61 967,7
Motor, civil liability	52 419,7	49 463,5
Motor, other branches	86 592,8	80 166,6
Civil liability	22 755,1	22 183,6
Health, accident	14 004,9	12 482,5
Pecuniary loss	24 950,3	27 322,0
Other branches	16 620,2	15 224,3
Total gross written premiums Non-life	290 962,3	268 810,2
Change in provision for gross unearned premiums		
Fire and other damage to property	-210,1	2 658,3
Motor, civil liability	-1 217,7	-637,8
Motor, other branches	-2 686,1	-2 437,5
Civil liability	-1 004,0	-343,5
Health, accident	-299,1	-245,9
Pecuniary loss	-1 084,4	-2 519,6
Other branches	-315,1	-1 069,5
Total change in provision for gross unearned premiums	-6 816,5	-4 595,5
Gross earned premiums Non-life		
Fire and other damage to property	73 409,2	64 626,0
Motor, civil liability	51 202,0	48 825,7
Motor, other branches	83 906,7	77 729,1
Civil liability	21 751,1	21 840,1
Health, accident	13 705,8	12 236,6
Pecuniary loss	23 865,9	24 802,4
Other branches	16 305,1	14 154,8
Total gross earned premiums Non-life	284 145,8	264 214,7

€ thousand	2011	2010
Gross written Life premiums (contracts IFRS 4)		
Life without unit-linked	125 243,3	110 375,6
- o/w contracts with DFP	66 349,4	54 058,4
Life unit-linked	904,4	15 716,6
Total gross written Life premiums	126 147,7	126 092,2
Change in provision for gross unearned premiums		
Life without unit-linked	565,5	-1 411,9
Life unit-linked	1,2	-
Total change unearned gross Life Premiums	566,7	-1 411,9
Gross earned premiums Life		
Life without unit-linked	125 808,8	108 963,7
Life unit-linked	905,6	15 716,6
Total gross Life premiums earned	126 714,4	124 680,3
Gross earned premiums (Non-life and Life)	410 860,2	388 895,0
Ceded premiums Non-life		
Fire and other damage to property	-17 616,8	-7 672,2
Motor, civil liability	-651,7	-635,2
Motor, other branches	-196,9	-303,7
Civil liability	-5 948,9	-6 793,1
Health, accident	-307,1	-233,8
Pecuniary loss	-22 043,1	-24 373,0
Other branches	-4 840,0	-4 449,0
Total ceded premiums Non-life	-51 604,5	-44 460,0

€ thousand	2011	2010
Change in the provision for unearned premiums, reinsurers' share		
Fire and other damage to property	-141,1	-2 932,4
Motor, civil liability	-	-
Motor, other branches	-	28,6
Civil liability	-39,7	504,0
Health, accident	6,1	-7,7
Pecuniary loss	1 003,1	2 897,0
Other branches	110,1	-50,4
Total change in the provision for unearned premiums, reinsurers' share	938,5	439,1
Ceded earned premiums Non-life		
Fire and other damage to property	-17 757,9	-10 604,6
Motor, civil liability	-651,7	-635,2
Motor, other branches	-196,9	-275,1
Civil liability	-5 988,6	-6 289,1
Health, accident	-301,0	-241,5
Pecuniary loss	-21 040,0	-21 476,0
Other branches	-4 729,9	-4 498,4
Total ceded earned premiums Non-life	-50 666,0	-44 019,9
Ceded premiums Life (contracts IFRS 4)		
Life without unit-linked	-2 497,6	-2 254,2
Life unit-linked	-102,3	-84,4
Total ceded premiums Life	-2 599,9	-2 338,6
Ceded earned premiums (Non-life and Life)	-53 265,9	-46 359,5
Earned premiums, net of reinsurance (Non-life and Life)	357 594,3	342 536,5

Note 24. Insurance benefits and claims

€ thousand	2011	2010
Insurance benefits costs - Gross amount		
Life insurance		
Claims paid	-73 207,1	-71 918,6
Variation in the provision for claims	276,5	-137,4
Variation in the provision for Life insurance	-82 713,8	-69 095,2
Variation in the provision for discretionary participation	-437,5	-11 745,8
Variation in the provision for unit-linked contracts	57 481,3	-34 670,0
Total	-98 600,6	-187 567,0
Non-life insurance		
Claims paid	-157 174,7	-133 398,5
Variation in the provision for claims	-5 987,3	-4 432,1
Variation in the provision for appeal (subrogation and salvage)	52,5	517,8
Variation in provision for aging	-843,2	-390,6
Variation in the provision for discretionary participation	116,1	95,3
Total	-163 836,6	-137 608,1
Total of insurance benefits costs - gross amount	-262 437,2	-325 175,1
Reinsurers' share in insurance benefits costs		
Life insurance		
Claims paid	770,9	599,4
Change in provision for claims	-369,9	304,0
Change in provision Life insurance	382,9	222,8
Total	783,9	1 126,2
Non-Life insurance		
Claims paid	20 360,5	10 188,5
Change in the provision for claims	-8 664,5	-14 603,9
Change in provision for appeal	-	-
Total	11 696,0	-4 415,4
Total reinsurers' share	12 479,9	-3 289,2
Insurance benefits costs net of reinsurance	-249 957,3	-328 464,3

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

Note 25. Commissions earned on insurance contracts

€ thousand	2011	2010
Asset management commission	4 562,7	4 753,9
Other technical income	60,3	97,2
Total	4 623,0	4 851,1

Note 26. Commissions and profit sharing earned on reinsurance contracts

These commissions received relate to reinsurance commissions collected from reinsurers as well as profit sharing received under certain Life and Non-Life reinsurance contracts.

€ thousand	2011	2010
Non-life		
- Reinsurance commission	2 045,4	1 709,7
- Income from contracts with DFP	80,2	59,2
Life		
- Reinsurance commission	122,0	183,9
- Income from contracts with DFP	38,9	29,1
Total	2 286,5	1 981,9

Note 27. Commissions earned on investment contracts

Amounts recognised as acquisition commission represent fees collected at the underwriting investment contracts (excluding contracts with DPF) and are considered costs of setting up contracts. Furthermore the Group charges

commission for investment management as services are rendered, which is regularly during the life time of these contracts and not on the issue of contracts.

€ thousand	2011	2010
Acquisition commission	573,3	1 802,2
Management commission of the contract	11 123,5	8 921,0
Total	11 696,8	10 723,2

Note 28. Commissions earned by the Asset Management segment

Commission income includes commissions earned by the Asset Management segment. These revenues are as follows:

€ thousand	2011	2010
Intermediary fees	1 037,5	1 160,0
Management commission on investment funds	12 311,9	12 058,2
Asset management commission	3 152,9	2 866,4
Brokerage, lending	8 138,9	7 685,5
Total	24 641,2	23 770,1

Note 29. Profit from the sale of financial assets

During the year, the Group sold a number of securities from the various portfolios. The following table details the results generated:

€ thousand	2011	2010
Equity instruments		
Available for sale	-8 262,5	8 853,0
Held for trading	1 357,2	496,6
Fixed income securities		
Available for sale	4 504,2	21 555,5
Held for trading	-15,2	22,7
Participations	24 337,4	-
Properties	64,7	7 188,8
Total	21 985,8	38 116,6

Note 30. Other net investment income

Other investment income includes all revenue generated from rental of buildings, dividends, interest on bonds and interest on cash and cash equivalent assets. "Other financial costs" include

expenses incurred in the management of financial assets. Other financial income is detailed in the table below:

€ thousand	2011	2010
<i>Income</i>		
Net financial revenue on land and buildings	106,3	761,9
Dividends received on shares	6 740,4	5 542,0
Interests received on bonds	51 690,4	53 449,3
Interests received on deposits	1 617,0	661,4
Total	60 154,1	60 414,6
<i>Expenses</i>		
Interest paid on loans	-1 017,7	-1 029,6
Foreign exchange on deposits and securities	926,2	-1 263,5
Depreciation on equity instruments available for sale	-4 326,3	-545,8
Depreciation on fixed income securities available for sale	-91,9	468,5
Other financial costs	-9 303,9	-8 400,3
Total	-13 813,6	-10 770,7

Note 31. Change in fair value of assets / liabilities at fair value through income

1. ASSETS / LIABILITIES DESIGNATED AS ASSETS VALUED AT FAIR VALUE THROUGH INCOME

€ thousand	2011	2010
Change in gains or losses on financial assets		
- local market	-772,9	3 342,3
- international market	-133 265,6	125 570,7
Change in gains or losses on financial liabilities		
- local market	287,8	-2 656,5
- international market	106 489,2	-75 855,5
Total	-27 261,5	50 401,0

2. FINANCIAL ASSETS HELD FOR TRADING

€ thousand	2011	2010
Change in unrealized gains or losses on financial assets		
- Equity instruments	-379,1	106,1
- Fixed income securities	-663,6	-72,7
Total	-1 042,7	33,4

Note 32. Expenses

1. ACQUISITION COSTS

Acquisition costs include commissions granted to intermediaries as acquisition commission, incentive or collection commission and the recovery of deferred acquisition expenses. The acquisition costs include also the other administrative costs incurred in relation with the acquisition and administration of the contracts.

€ thousand	2011	2010
Intermediaries commission	-38 461,7	-36 923,8
Other acquisition expenses	-34 864,1	-33 738,3
Deferred acquisition expenses	460,3	839,4
Total	-72 865,5	-69 822,7

Intermediaries commission includes commissions on investment contracts with DPF of € 1 407,5 thousand (2010: € 1 314,1 thousand).

2. ADMINISTRATION COSTS

This item includes all the overhead costs related to the administration of the Group other than those incurred in issuing contracts, claims and financial management and collection of commissions of periodic premiums related to Life contracts.

€ thousand	2011	2010
Administration costs	-32 419,7	-30 173,0

3. COSTS RELATED TO INVESTMENT AND INSURANCE CONTRACTS

These are costs incurred by Foyer International S.A. in its portfolio management of investment and insurance contracts.

€ thousand	2011	2010
Costs related to investment and insurance contracts	-6 184,8	-5 641,2

4. OTHER OPERATING COSTS

This item records all operating expenses which have not been recognised in other categories.

€ thousand	2011	2010
Other costs	-1 704,2	-3 188,4

Note 33. Staff expenses

1. HEADCOUNT AND STAFF COSTS

The average number of employees during fiscal year 2011 amounted to 536,8 (2010: 530,7), represented by the following categories:

Categories	2011	2010
Senior managers	35,8	32,0
Staff	69,5	72,0
Employees	431,5	426,7
Total	536,8	530,7

Staff costs below include the allocation for the incentive plan (cf. note 20) and the cost of stock options plan (cf. below) for a total charge of € 434,2 thousand (2010: 881,5 thousand):

€ thousand	2011	2010
Wages and salaries	42 660,7	40 728,4
Social charges	4 695,1	4 123,4
Other staff costs	6 462,0	6 806,7
Total	53 817,8	51 658,5

2. FAIR VALUE OF SHARE-BASED PAYMENTS

In 2009, the Company has established in favor of executive managers a plan to award options to purchase shares of the Company. The plan provides a settlement only in shares. It does not give rise to the issuance of new shares and the Company buys

on the stock-exchange shares necessary for such compensation. The options cover the same number of shares and the exercise price is equal to the share price at grant date.

	Number of options 2011	Average exercise price 2011	Number of options 2010	Average exercise price 2010
Outstanding at 01.01	82 474	37,43	48 264	33,00
Granted	35 578	44,00	38 326	43,67
Forfeited	-	-	-4 116	43,67
Outstanding at 31.12	118 052	39,41	82 474	37,43
Exercisable at 31.12	-	-	-	-

The fair value of the compensation plan for share-based payment is accounted at the grant date using the valuation model Monte-Carlo of real world and reflects the characteristics and condition of granting options.

The parameters used to evaluate the 35 578 options granted in 2011 are detailed below:

- Expected dividends: dividends paid in 2011, € 1,48 per share, increased by the interest rate without risk
- Expected average annual return expected of share: 6% increased by interest rate without risk
- Interest rate without risk: 3,48 % (rate of the German state bonds)

- Expected life of the option: 7 years (linear performance over the period of exercise)
- Expected volatility of share: 32,78% (following historical data on 6 years)
- Exercise price of option and price of share at grant date: € 44,00

The options are estimated at € 283,8 thousand, namely € 7,98 per option.

For options outstanding at the end of the year, the range of exercise prices was from € 33,00 to 44,00 (2010: from € 33,00 to 43,67) and the average remaining contractual life is 8,2 years (2010: 8,7 years).

Note 34. Information on related parties transactions

1. INSURANCE CONTRACTS AND OTHER SERVICES

The insurance coverages for directors' civil liability, professional liability and fraud are placed with an external insurer. Premiums are paid by Foyer Finance who in turn invoices the Group.

CapitalatWork Foyer Group S.A. has signed contracts with other companies of Group Foyer Finance S.A. in order to intervene on their behalf in financial markets. These services are rendered at cost price.

€ thousand	2011	2010
Premiums of contracts hedging directors' civil liability, professional liability and fraud	182,0	175,6
Provision for financial management services	83,7	76,3

Further, Foyer Vie S.A. acts as manager of of supplementary pension plans with defined benefits

and defined contributions of all companies of the group Foyer Finance, including companies proportionally consolidated in the group Foyer. These services are rendered at cost price.

2. REMUNERATION OF SENIOR MANAGERS AND THE BOARD OF DIRECTORS

The members of the Board of Directors and senior managers received the following salaries and rewards:

€ thousand	2011	2010
Board of Directors	579,0	797,8
Wages of senior managers	9 992,9	8 666,8
Pensions (closed plan)	172,1	168,9
Pensions benefit premiums	630,1	546,9
Social charges	579,6	391,2
Stocks-options	283,8	334,0

3. LOANS GRANTED TO CERTAIN MEMBERS OF MANAGEMENT

Loans granted to related parties are as follows:

31.12.2011 € thousand	Amount outstanding	Interest rates	Term
Executive management and other related parties	557,8	0,0%	up to 20 years

No amount has been repaid during the year (2010: € 0 thousand).

The Group provides to concerned persons the benefit of the Grand-Ducal regulations

subsequent to Article 104 LIR of 4 December 1967 regarding exemption from tax payments in kind interest on loans.

4. AGENTS' PENSION COMMITMENT

The Group has committed to the agents of its network to pay a pension capital when they will retire. This commitment reflects the Group's desire to retain staff as exclusive agents of 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 amounts accrued at 31 December of the years 2011 and 2010 are shown in note 19 "Agent's pension commitment".

5. LOANS TO CERTAIN AGENTS

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

Note 35. Operating leases

Several group companies agreed to lease office space on an initial period exceeding one year.

The main conditions of these leases are as follows:

Location € thousand	Expiry	Indexation	Rent 2011	Estimate 2012	Estimate 2013-2016	Estimate > 2016
Antwerp Green Plaza	24/03/2018	yes	88,9	91,6	394,7	133,5
Breda	30/09/2015	yes	63,4	65,3	189,9	-
Ghent	30/06/2019	yes	51,0	52,5	226,2	155,8
Geneva	31/09/2014	yes	93,4	94,3	167,5	-
Total			296,7	303,7	978,3	289,3

Foyer S.A. annual accounts

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Management report

of the Board of Directors of Foyer S.A.

to the Annual General Meeting of the Shareholders on 17 April, 2012

The result of the fiscal year 2011 shows a net profit of € 37,23 million compared to € 44,59 million in 2010. See details of these results in the following chart:

€ million	31.12.2011	31.12.2010
Income from subsidiaries	37,69	43,11
Foyer Assurances	33,00	33,00
Foyer Vie	4,45	9,90
Tradhold	0,24	0,21
Income from securities, cash and cash equivalents	5,36	5,99
Cost (amortisation, interest, losses on disposals)	-3,62	-1,14
General expenses (including financial expenses)	-3,45	-3,15
Profit before taxes	35,99	44,81
Taxes	1,24	-0,22
Net profit	37,23	44,59

Income from subsidiaries decreased from € 43,11 thousand to € 37,69 million, of which Foyer Assurances paid a dividend of € 33,00 million and Foyer Vie a dividend of € 4,45 million.

The decrease in income from securities and cash and cash equivalents and the strong increase in charges are directly related to the consequences of the financial crisis which hit Europe during the second half of 2011.

This caused a sharp increase of value adjustments on bonds and has reduced opportunities of realisation of gains on securities.

The tax proceeds recorded in 2011 derived from the tax integration at the Foyer S.A. level.

Treasury shares

In accordance with the authorization granted by the General Meeting of shareholders of 5 April, 2011, the Board of directors approved on the same day the implementation of a program to repurchase the company's shares in order to achieve the following targets:

- a) Cover a stock option plan of Foyer S.A. directed towards Foyer Group employees and executives;
- b) Cancel the shares repurchased by a decision of an extraordinary General Meeting to be held later on;
- c) Maintain and give subsequently shares of Foyer S.A. in exchange or payment in connection with an acquisition.

Based on this repurchase program, Foyer S.A. acquired during the fiscal year 2011 a total of 68 148 own shares for a total price of € 3 014 616,25, i.e. an average price of € 44,24 per repurchased share.

On 31 December, 2011, the company held in its portfolio 133 538 own shares (31.12.2010: 65 390 shares), representing 1,48% of issued shares.

At the same time, the unavailable reserve for own shares, on the liabilities side of the balance sheet, went from € 2 694 776,50 to € 5 709 392,75, increasing by an additional amount of € 3 014 616,25.

Outlook

Subject to the acceptance by the ordinary General Meeting of the respective companies, Foyer S.A. is expected to receive, during the first half of 2012, dividends from its subsidiaries amounting to:

€ million	
Foyer Assurances	122,93
CapitalatWork Foyer Group	2,81
Tradhold	0,24
Total	125,98

The important dividend payable by Foyer Assurances is due to the sale of its subsidiary Foyer Re in 2011, generating a profit of € 114,30 million.

Dividends received from subsidiaries would thus increase from € 37,70 million in 2011 to € 125,98 million in 2012.

Appropriation of profit

The Board proposes to the General Meeting of shareholders the following distribution of the available profit of € 41 594 967,70, of which

€ 37 225 018,77 refers to the profit after tax for the year 2010, and € 4 369 948,93 refers to a profit carried over from the previous year:

€	
Gross dividend of € 1,588235 to 8 865 304 shares*	14 080 186,10
Reserve for wealth tax charged to fiscal year 2011	1 537 500,00
Retained profit	19 714 781,60
Total	41 594 967,70

(*) at 31.12.2011

If you approve this proposal, a gross dividend of € 1,588235 (2010: € 1,482353) will be payable after deduction of 15% withholding tax on Luxembourg dividend income, net pay-out per share will be € 1,35 (2010: € 1,26) available as from April 25th, 2012, against remittance of coupon No. 12:

- in the Grand-Duchy of Luxembourg : at the Banque et Caisse d'Épargne de l'État
- in Belgium: at Petercam S.A.

Leudelange, 7 March 2012
The Board of directors

RESPONSIBILITY STATEMENT

In accordance with article 3 (2) c) of the law of 11 January, 2008 in connection with the obligations of transparency concerning information about issuers of securities admitted for negotiation on a regulated stock market, Mr. François TESCH, Chief Executive Officer and Mr. Marc LAUER, Chief Operating Officer, declare that the annual accounts of FOYER S.A. have been established under their

responsibility, in conformity with the complete set of accounting standards, and that, to their knowledge, these annual accounts give a true and fair view of all assets and liabilities, of the financial situation and the profits and losses of Foyer S.A., and that the management report truly presents the company's evolution, its results and its overall situation.

Marc Lauer
COO

François Tesch
CEO

Independent 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 7 April 2009, we have audited the accompanying annual accounts of Foyer S.A., which comprise the balance sheet as at 31 December 2011 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

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 for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 "réviseur d'entreprises agréé", 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 "réviseur d'entreprises agréé" 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 31 December 2011, 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 and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Jean-Michel PACAUD

Luxembourg, 16 March 2012

Balance sheet

at 31 December 2011

€

ASSETS	Notes	31.12.2011	31.12.2010
Fixed Assets	4		
Tangible fixed assets	3.2		
<i>Other equipment, machines and furniture</i>		5 652,50	5 652,50
Long term financial investments	3.3		
<i>Investments in subsidiaries</i>	5	135 245 480,83	127 745 480,83
<i>Own shares held</i>	8	5 709 392,75	2 694 776,50
Total fixed assets		140 960 526,08	130 445 909,83
Current assets			
Receivable	3.4		
Receivable from sale of services, coming to maturity in less than or equal to one year		750,00	-
Other receivable coming to maturity in less than or equal to one year		1 253 531,60	689 777,50
Other financial assets	3.5,3.6	81 997 815,74	83 732 689,84
Cash on hand and at bank		1 189 873,15	500 868,56
Total current assets		84 441 970,49	84 923 335,90
Accruals		2 017 119,16	1 815 528,12
TOTAL ASSETS		227 419 615,73	217 184 773,85

The accompanying notes form an integral part of the annual accounts.

€

EQUITY AND LIABILITIES		Notes	31.12.2011	31.12.2010
Equity	6			
Issued share capital			44 994 210,00	44 994 210,00
Share premium account			3 106 002,40	3 106 002,40
Reserves				
<i>Legal reserve</i>	7		4 499 421,00	4 499 421,00
<i>Reserve for own shares held</i>	8		5 709 392,75	2 694 776,50
<i>Other reserves</i>			121 831 107,25	94 653 223,50
<i>Other reserves - Special reserve</i>	9		4 114 500,00	2 769 500,00
Retained earnings			4 369 948,93	4 652 944,16
Profit of the year			37 225 018,77	44 593 964,68
Total equity			225 849 601,10	201 964 042,24
Provisions for risks and expenses	3.7,10			
Provisions for pension benefit obligation			7 141,97	-
Tax provision			-	892 806,12
Total provision for risks and expenses			7 141,97	892 806,12
Debts	3.8			
Debts related to purchases and services rendered maturing within 1 year			96 733,95	118 776,29
Debts towards Group companies maturing within 1 year			843 036,87	274 452,56
Other debts o/w tax and social security debts			32 734,44	56 810,52
Other debts o/w residual maturity within or equal 1 year			590 367,40	13 877 886,12
Total debts			1 562 872,66	14 327 925,49
TOTAL LIABILITIES			227 419 615,73	217 184 773,85

The accompanying notes form an integral part of the annual accounts.

Profit and loss statement

for the financial year ended 31 December 2011

€			
EXPENSES	Notes	31.12.2011	31.12.2010
Other operating expenses		3 448 026,22	3 150 136,74
Depreciation of long term investments and other short term financial assets	3.9	3 260 279,40	1 138 914,99
Other interest and assimilated expenses		355 262,29	5 494,04
Taxes on profits	3.10, 13	-2 792 526,89	306 777,52
Other taxes non included in items above	3.10	1 553 818,65	-87 799,13
Profit after tax		37 225 018,77	44 593 964,68
TOTAL EXPENSES		43 049 878,44	49 107 488,84
INCOME			
Other operating income		1 278 126,46	2 469 095,18
Income from subsidiaries		37 690 273,00	43 112 740,00
Other income derived from long term investments and other short term financial assets		234 196,76	265 727,14
Other interest and assimilated income		3 599 100,87	3 141 001,58
Gains arising from revaluation of short term financial assets		248 181,35	118 924,94
TOTAL INCOME		43 049 878,44	49 107 488,84

The accompanying notes form an integral part of the annual accounts.

Notes to the annual financial statements

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 12 November, 2005 decided to change this name to Foyer S.A. Its registered offices are in Leudelange. Its 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

In compliance with the criteria established under Luxembourg law, the company prepares consolidated accounts and a consolidated management report which are available for review at the company’s registered office located at 12, rue Léon Laval, in L-3372 Leudelange.

Annual accounts are prepared in compliance with the law of 19 December 2002 such as modified and in accordance with Luxembourg accounting standards such as generally accepted in the Grand Duchy of Luxembourg. Accounting policies and evaluation criteria are, if not imposed by law, established and instituted by the Board of directors of the company.

The company is part of the consolidated accounts of Foyer Finance S.A., the largest corporate group of which the company is a subsidiary. This company’s registered office is located at 12, rue Léon Laval in L-3372 Leudelange. The annual accounts and consolidated management report of Foyer Finance S.A. as well as the Corporate Governance of Foyer S.A. 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:

3.1 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. Unrealised losses and realised losses and gains in relation with the evolution of exchange rates are recognised in the profit and loss account.

3.2 Tangible fixed assets

Tangible fixed assets are valued at the historical cost of acquisition. Acquisition costs are determined by adding related expenses to the purchase price. Fixed assets with an unlimited useful lifetime are not depreciated.

3.3 Long term financial investments

Long term financial investments are valued at acquisition cost including transaction cost.

Long term financial investments are depreciated such as to recognise them for a value which is the lowest of either acquisition cost or their estimated sales price at the time of the financial year end. Depreciation is not maintained when the reasons that motivated depreciation in the first place have ceased to exist.

3.4 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. Depreciation is not maintained when the reasons that motivated depreciation in the first place have ceased to exist.

3.5 Financial assets other than bonds and other fixed income securities

Financial assets other than bonds and other fixed income securities are valued at acquisition cost comprising acquisition expenses.

Financial assets other than bonds and other fixed income securities are depreciated such as to recognise them for a value which is the lowest of either acquisition cost or their estimated sales price at the time of the financial year end.

Depreciation is not maintained when the reasons that motivated depreciation in the first place have ceased to exist.

3.6 Bonds and other fixed income securities

Bonds and other fixed rate securities are valued either at acquisition cost or at their estimated sales price taking into account the following elements:

- the positive spread (agio) between the acquisition price and sales price is recognised in the Profit and Loss account by spreading it equally over the period of time remaining until redemption
- the negative spread (disagio) between the acquisition price and sales price is recognised in the Profit and Loss account by spreading it equally over the period of time remaining until redemption.

Bonds and other fixed rate securities are depreciated to give them the lowest value of either their amortised acquisition cost or their estimated sales price and their market value at the financial year end.

Amounts depreciated will not be maintained once the reasons that motivated them in the first place have disappeared.

3.7 Provisions for risk and expenses

The aim of the provision for risk and expenses is to provide for all expenses and debts the nature of which is known and which at financial year end are either probable or certain but undetermined as for their amount or the date on which they will be payable.

3.8 Accounts payable

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

3.9 Depreciation

Depreciation is deducted from the concerned asset.

3.10 Taxes

In 2008, by virtue of article 164bis L.I.R., Foyer S.A. (the parent company) was allowed by fiscal authorities to fiscally integrate certain associated companies such as cumulating their respective results. The following companies are included in this scope :

- Foyer Assurances S.A.
- Foyer Vie S.A.
- Foyer International S.A.
- Capitala!Work Foyer Group S.A.

Every entity being part of the fiscal integration perimeter calculates and recognises expense for Local Commercial Tax and Income Tax on its year end gross profit.

The profit resulting from the difference between the sum of these taxes for each entity and taxes calculated according to the fiscal integration regime is entirely recognised by the parent company.

Note 4. Fixed Assets

Movements of fixed assets during the year were as follows:

€	Other equipment machines and furniture	Shares in subsidiaries	Own shares held
Gross value on 01.01.2011	5 652,50	127 745 480,83	2 694 776,50
Acquisitions of the year	-	7 500 000,00	3 014 616,25
Disposals of the year	-	-	-
Gross value on 31.12.2011	5 652,50	135 245 480,83	5 709 392,75
Cumulated depreciation on 01.01.2011	-	-	-
Depreciation of the year	-	-	-
Recovery of depreciation of the year	-	-	-
Accumulated depreciation on 31.12.2011	-	-	-
Net value on 31.12.2011	5 652,50	135 245 480,83	5 709 392,75
Net value on 31.12.2010	5 652,50	127 745 480,83	2 694 776,50

The item "Acquisitions of the year" relates to capital increase of Foyer International S.A. and to an acquisition of 68 148 own shares by Foyer S.A.

Note 5. Investments in subsidiaries

Shareholding in Group company's on 31 December 2011 can be summarized as follows:

€	Share in capital held	Acquisition price	Equity 31.12.2011 (1) (2)	Profit of the year 2011 (1)	Profit of the year 2010
Foyer Assurances S.A.	99,9994%	23 175 257,94	117 847 604,30	123 156 849,25	29 801 205,62
Foyer Vie S.A.	99,9994%	7 784 662,72	40 760 856,99	-7 436 080,12	2 632 649,00
Foyer International S.A.	99,9999%	24 936 780,95	37 257 454,36	1 907 615,00	1 091 432,54
Tradhold	50,0000%	6 000 000,00	12 058 175,51	492 455,12	495 778,37
CapitalatWork Foyer Group S.A.	100,0000%	73 348 779,22	31 864 474,00	3 735 218,00	2 094 767,22
		135 245 480,83		121 856 057,25	36 115 832,75

(1) Audited accounts at 31.12.2011

(2) Excluding the result of the previous year

Note 6. Shareholder' equity

Mouvements of the year in equity were the following.

€	Issued share capital	Share premium	Legal reserve
On 31.12.2010	44 994 210,00	3 106 002,40	4 499 421,00
Appropriation of profits			
- dividends			
- reserves and retained earnings			
Repurchase of own shares			
Profit on 31.12.2011			
On 31.12.2011	44 994 210,00	3 106 002,40	4 499 421,00

On 31 December 2011, subscribed and issued capital was € 44 994 210,00 and was represented by 8 998 842 fully paid up shares with no face value. Authorised capital is € 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. Own shares held

On 31 December 2011, the company held 133 538 (2010: 65 390) own shares for a total consideration of € 5 709 392,75 (2010: € 2 694 776,50) for which an undisposable reserve for own shares was recognised in liabilities. These shares are recognised as fixed assets in the item "Own shares held".

Reserve for own shares	Other reserves	Other reserves special reserve	Retained earnings	Profit of the year
2 694 776,50	94 653 223,50	2 769 500,00	4 652 944,16	44 593 964,68
				-13 339 459,91
	30 192 500,00	1 345 000,00	-282 995,23	-31 254 504,77
3 014 616,25	-3 014 616,25			
				37 225 018,77
5 709 392,75	121 831 107,25	4 114 500,00	4 369 948,93	37 225 018,77

Note 9. Other reserves – special reserve

In accordance with the tax laws and since January 1st, 2002, the company reduced its wealth tax liability. In compliance with legislation, the company allocated an amount corresponding to five times the wealth tax liability to a unavailable 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:

- 2007 € 397 000,00
- 2009 € 2 180 000,00
- 2010 € 1 537 500,00
- Total : € 4 114 500,00**

Note 10. Provisions for risks and expenses

The provision for risks and expenses details as follows:

€	31.12.2011	31.12.2010
Provision for pension benefit obligation	7 141,97	-
Tax provision	-	892 806,12

The tax provision is essentially made up by estimated tax liabilities for financial years for which final taxation has not yet been received from fiscal authorities. The last such tax bulletin received is the one of the financial year 2006. Advance tax payments are recognized under "Accounts receivable" as an asset.

Note 11. Personnel employed during the year

The company has employed 1 person during the fiscal year closed on 31 December 2011. (2010: 0). The amount of these expenses is recognised in its entirety on the item «other operating expenses».

Note 12. Remuneration paid to members of administrative bodies

The company paid remunerations of € 317 897,26 (2010: € 222 294,52) to the members of the administrative bodies during the year ended 31 December 2011.

Note 13. Taxes on profits

On 31 December 2011, the surplus of item “Other taxes” is due to the profit made by Foyer SA in the context of fiscal integration.

Note 14. Fees due to the statutory auditor

For the financial year closed on 31 December 2011, 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:

€	31.12.2011	31.12.2010
Legal audit of the companies Annual accounts	80 895,08	119 563,00



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